

APS 018



Encumbrance Reporting and Lapsing of Appropriations

**Accounting Policy Meeting
August 29, 2018**

**Clarisse Roquemore
Appropriation Control Supervisor
Fiscal Management Division**

APS 018: Required Reporting



Government Code, Section 403.021(b), states:

- State agencies and institutions of higher education must report all binding encumbrances and payables into the Uniform Statewide Accounting System (USAS) for the first three quarters of the current appropriation year within 30 days after the close of each of the first three quarters.
- Year-end binding encumbrances and payables must be *reported* to the Comptroller's office, the SAO and the LBB by Oct. 30*.

The report must contain all appropriation years, as well as all appropriated funds whether received as a direct appropriation or a transfer.

***Note:** The corresponding *USAS entries* must be made by Sept. 30 for simplified reporting agencies and by Oct. 30 for full reporting agencies.



Impact on Economic Stabilization Fund (ESF)

At the end of each biennium, **half of the unencumbered positive General Revenue Fund balance is transferred** to the Economic Stabilization Fund (ESF) per the Texas Constitution, Article III, Section 49-g.

Entering binding encumbrances and payables into USAS by the deadline is crucial in determining the amount that will be transferred into the ESF, as required by the Texas Constitution.

Impact on the Biennial Revenue Estimate (BRE)



Accurate encumbering and lapsing of appropriations **is also critical in the creation of the Biennial Revenue Estimate (BRE)**, which is used by the Legislature to determine the amount of excess fund balances available for appropriation to state agencies and institutions of higher education.

Annual Automatic Lapse



Government Code, Section 403.021(d) states that on November 1 of each fiscal year, the comptroller must lapse all unencumbered nonconstruction appropriation balances for all prior appropriation years based on the payables and binding encumbrances reported in USAS.

Therefore, the Automatic Lapse algorithm is designed to perform calculations against the balance types (BTs) in USAS as of the end of the prior FY (8/32/18) and as of October 30th of the current year (10/30/18).

The algorithm follows a logical sequence that incorporates several assumptions, ultimately calculating a committed and collected lapse amount that posts in Edit Mode 2 as early as the Nov. 1 nightly cycle.

Annual Automatic Lapse Algorithm



The algorithm uses a key calculation throughout the logic, “**accrued or encumbered amounts available for expenditure as of 10/30,**” which is calculated as follows:

BT 16 – Cash Reserved for Payroll

BT 17 – Accrued Expenditures

BT 18 – Encumbrances Outstanding

Total accruals as of FM 13

BT 15 – Expenditures as of 10/31

Less: BT 15 – Expenditures as of FM 13

Change in Expenditures between FM 13 and 10/30

Total accruals as of FM 13

Less: Change in Expenditures between FM 13 and 10/30

Accrued or encumbered amounts available for expenditure as of 10/30

Annual Automatic Lapse Algorithm (con't)



Committed Lapse Calculation: Step 1

Did the agency enter accruals or encumbrances by the end of the accounting period (8/32/18)?

Yes: Calculate “accrued or encumbered amounts available for expenditure as of 10/30” and move onto **Step 2**.

No: Enter “0” for “accrued or encumbered amounts available for expenditure as of 10/30” and move onto **Step 3**.

Annual Automatic Lapse Algorithm (con't)



Committed Lapse Calculation: Step 2

Is the calculated value of “accrued or encumbered amounts available for expenditure as of 10/30” less than 0?

Yes: Enter “0” for “Accrued or encumbered amounts available for expenditure as of 10/30” and move onto **Step 3**

No: Use the calculated value for “Accrued or encumbered amounts available for expenditure as of 10/30” when you move onto **(3)**.

Annual Automatic Lapse Algorithm (con't)

Committed Lapse Calculation: Step 3

Now it is time to calculate the Committed Lapse (TC 036):

Lesser of “Remaining Encumbrance Basis Budget (REBB)”
or “Appropriation Encumbrance Cash Available (AECA)”

LESS: Accrued or encumbered amounts available for
expenditure as of 10/30

EQUALS: Committed Lapse



Annual Automatic Lapse Algorithm (con't)

Collected Lapse Calculation: Step 1

Is “accrued or encumbered amounts available for expenditure as of 10/30” greater than or equal to REBB as of 10/30?

Yes: The collected lapse is \$0

No: Move onto **Step 2**





Annual Automatic Lapse Algorithm (con't)

Collected Lapse Calculation: Step 2

Determine which amount is less, and move onto **Step 3**

Collected Lapse A:

BT 11 – Est. Revenue Collections

Less: BT 12 – Cash Revenues

BT 13 – Excess Revenue Collected

Less: BT 14 – Accrued Revenues

Less: BT 20 – Cash Transfer In

BT 21 – Cash Transfer Out

Less: **BT 7 – Collected Lapse**

Collected Lapse A

Collected Lapse B:

REBB

Less: Accrued or encumbered amounts
available for expenditure as of 10/30

Less: **Committed Lapse**

Collected Lapse B

Annual Automatic Lapse Algorithm (con't)

Collected Lapse Calculation: Step 3

Is the lesser of “Collected Lapse A” or “Collected Lapse B” less than 0?

Yes: The collected lapse is 0

No: The collected lapse is the lesser of “Collected Lapse A” or “Collected Lapse B”





Preparing for the Automatic Lapse

ACOs assist agencies with budgetary screen cleanup for the entire year, but especially throughout the month of October. This includes advising agencies to:

- Reduce appropriation revisions where necessary (i.e. 006R/009R).
- Move fund cash forward, to unappropriated, or to the sweep, as appropriate.
- Ensure all encumbrances/accruals are properly entered and, where appropriate, backdated to the prior fiscal year.
- Ensure all UBs and Lapses calculated by the agency are entered.
- Ensure excess revenue collections are properly posted (i.e. that $BT\ 11 + BT\ 13 = BT\ 12$). If there are errors, work with the agency to correct them before the end of the month (usually a TC 179R/195 or 195R/179).
- Ensuring USAS D23 profiles are active in the current FY for any funds subject to lapse.



Resources

APS 018

https://fm.x.cpa.texas.gov/fm/pubs/aps/18/aps018_all.php

Ask your ACO:

<https://fm.x.cpa.texas.gov/fm/contacts/fm.php?list=aco>

AFR Checklist

<https://fm.x.cpa.texas.gov/fmx/pubs/afrrptreq/resources/index.php?section=checklist&page=all>