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FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

July 28, 2014

FINANCE MEMORANDUM MEMO NO. 14-11

TO: All Department Heads

FROM: Kalbert K. Young
Director of Finance

SUBJECT: Preliminary FY15 Budget Allocations, Impact on Grants

The purpose of this communication is to update departments and directors on the current State revenues condition as it relates to execution of the FY15 budget and specifically on the consideration and/or release of operating and capital improvement program (CIP) grants. This communication further complements the previous Executive Memorandum No. 14-04, Interim Budget Execution Policies and Instructions for FY15, regarding preliminary first quarter (Q1) allocation of FY15 appropriations.

As previously communicated, the release of FY15 general fund (GF) appropriations was anticipated to be conservatively meted out through Q1 in consideration of two primary revenue factors: the realized total GF revenues to conclude FY14; and, the amount of revenues to start FY15 – especially, in the months of July, August and into September. Considering FY14 revenue levels and the still-formulating revenue trend for FY15, departments are advised to manage expenditures conservatively with an eye towards constraining any program expansions or operational additions that will result in increased costs for FY15 – at least, during the first half of FY15.

On the matter of grants, the Department of Budget and Finance (B&F) recognizes that grantees may be requesting administering departments to begin processing their requests for release of grant funds. There is a distinction between operating grants and CIP grants. Operating grants are most likely funded with general fund (i.e., cash). Considering the current revenue condition and that the current budget allocation approach is intended to ensure that expenditures do not out pace revenues, departments are advised that they are welcome to submit grant requests through the normal process, but to be aware that decisions of release will be dependent upon revenue factors. Alternatively, CIP grants are most likely funded with general obligation bonds. Since the source of such funding is not cash, CIP grant requests will generally be treated similarly as state CIP projects. B&F is managing availability of bond funds that would be sourced to pay for CIP, but I do not anticipate the need to delay or suspend release of CIP grants due to reasons of the revenue trajectory.

Going forward, budget allocation and execution policy will reflect a conservative approach until the revenue picture provides more clarity.

Thank you for your support, cooperation, and understanding.