



Commonwealth of Pennsylvania
GOVERNOR'S OFFICE

MANAGEMENT DIRECTIVE

110.3

Number

Subject:

Budgeting and Accounting for Federal Appropriations

By Direction of:

Robert A. Bittenbender, Secretary of the Budget

Date:

May 29, 1985

This directive establishes a revised policy for budgeting and accounting for Federal appropriations, to be effective July 1, 1985, and announces a briefing to be held June 10, 1985.

1. **PURPOSE.** To establish policy and procedures for budgeting and accounting for Federal funds that supplement State appropriations.

2. **SCOPE.**

a. Applies to all Federal appropriations (ledger 7) and Federal subgrants (ledger 8) that share a relationship to a State appropriation,

b. Excludes Federal funds that directly augment State appropriations.

3. **OBJECTIVES.**

a. To insure that the budgeting and accounting of Federal funds is consistent with budgeting and accounting policy and considerations.

b. To reflect, in State appropriations, the gross allocation and gross cumulative costs for all common services reimbursed from Federal funding sources.

4. **POLICIES.**

a. This directive takes effect July 1, 1985.

b. All personnel and operating costs that are clearly identifiable 100% to a single Federal source will be funded and directly charged to that Federal source.

c. All operating costs where a pro rata distribution can be determined prior to posting should have their respective proportions charged directly to the State and Federal sources.

d. All personnel, operating, and fixed asset costs that are not identifiable to a single Federal source of funds prior to posting should be budgeted and charged to the related State appropriation. The budget for State appropriations should contain total allocations to support these costs (State appropriation allocations plus estimated transfers). These costs could include, but are not limited to commonality of service type charges which are shared via prorations within the agency.

e. Common services initially funded by one State appropriation must be analyzed to determine the pro rata share applicable to Federal sources of funds. When known, the State appropriation should be charged to and reimbursed from each applicable source of funds. On a regular basis, at least monthly, an expenditure adjustment should be processed charging each applicable source of funds with an expenditure to major object 200 only and crediting the State appropriation. The gross expenditures remain in the original State appropriation in major objects 100, 300, 400, etc. At the appropriation level, the expenditures would be net.

f. Cash drawdowns from the Federal government will be based on expenditures incurred by the Federal appropriations. Expenditures will be incurred in one of two methods:

(1) Direct charges.

(2) Expenditures identified as common services paid by the State appropriation.

g. The determination of distribution methods for common service expenditure transfers will remain an agency responsibility. Agencies are also responsible for providing comptrollers with all supporting documentation for expenditure transfers.

5. RESPONSIBILITIES.

a. **Agencies** shall prepare and submit allocation schedules in accordance with policy established herein and the procedures outlined in Management Directive 105.1.

b. The Office of the Budget shall:

(1) Review all requests for conformance with this directive and process in accordance with Management Directive 105.1.

(2) Incorporate these policies into the Integrated Central System.

(3) Incorporate these policies into future rebudget instructions.

(4) Conduct a briefing at 10:00 a.m. Monday, June 10, 1985, in the Honors Suite of the Harristown II Building, 333 Market Street, Harrisburg. Due to space restrictions, each agency and comptroller is limited to two attendees.

1 Enclosure:
Controlling and Transferring Federal Costs
From State Appropriations.

**CONTROLLING AND TRANSFERRING
FEDERAL COSTS FROM STATE APPROPRIATIONS**

To better explain the methodology for controlling and transferring reimbursable costs from a State appropriation to a Federal appropriation, the following example is provided to show the impact on both the State and the Federal appropriation:

Impact on State Appropriation

- State Share Program A	=	\$1200
. Allocations - Major Object 100	=	\$ 200
. - Major Object 300	=	400
. - Major Object 400	=	<u>600</u>
Total State Allocation - Program A	=	<u>\$1200</u>

In addition to the above activity for Program A, it is estimated at time of rebudget that the following expenditures (major object level) would be charged to the State appropriation and later transferred to the appropriate Federal appropriation:

. Allocations - Major Object 100	=	\$ 50
. - Major Object 300	=	100
. - Major Object 400	=	<u>150</u>
Total Estimated Transfers	=	<u>\$ 300</u>

Therefore, an allocation schedule would be prepared at time of rebudget reflecting both the State activity and the estimated amount of expenditures to be transferred to the appropriate Federal appropriation. A summary of the allocations is as follows:

Program A = \$1500

Major Object	State Allocation	Estimated Transfers	Total Allocation
100	\$ 200	\$ 50	\$ 250
300	400	100	500
400	<u>600</u>	<u>150</u>	<u>750</u>
TOTAL	<u>\$1200</u>	<u>\$ 300</u>	<u>\$1500</u>

Since total allocations exceed the State allocations (\$1500 vs. \$1200) by the amount of the estimated transfer (**\$300**), an offsetting allocation must be established. This allocation will be established as a negative allocation for \$300 in Major Object 200 as follows:

Major Object	Description	Total Allocation
200	Transfer of State Expenditures to Federal Appropriations	<u>(\$ 300)</u>
210	Transfer Out - Personnel Costs	
217	Transfer Out - Personnel Indirect Costs	
230	Transfer Out - Operating Costs	
237	Transfer Out - Operational Indirect Costs	
240	Transfer Out - Fixed Asset Costs	
247	Transfer Out - Fixed Asset Indirect Costs	
TOTAL		<u>\$1200</u>

Total State allocations now equal \$1200, the gross State allocation of Program A.

During the year, expenditures are recorded initially in the correct Minor Object of Expenditure (e.g., 1 XX, **3XX, 4XX**). Periodically, those expenditures which can be transferred to Federal appropriations are totaled by major object and transferred via expenditure adjustment. In major object 200, a minor object has been established for each major object classification, i.e., minor object 210 "Transfer Out - Personnel Costs" would record the transfer of the major object 100 costs. The normal transfer entry would be a negative expenditure to the appropriate minor object (21X, 23X, 24X, etc.) in the State appropriation and a positive expenditure to the same minor object in the Federal appropriation. Using Major Object 200 for the transfer allows the initial detail recording of the expenditures in the appropriate minor object. Transfers to the Federal appropriation will be allowable up to the allocation amounts established during rebudget or subsequently changed via an allocation amendment.

Impact on Federal Appropriation

Transfers from State appropriations to Federal appropriations will always be accomplished using the 200 series of objects. Costs which can be directly charged to the Federal appropriation will be recorded to the 1XX, 3XX, and 4XX series of objects.

The accounts for direct charges and transfers from State appropriations are as follows:

Major Object	Description	Total Allocation
100		
300		
400		
200	Transfers from State Appropriations	<u>\$300</u>
210	Transfer In - Personnel Costs	
217	Transfer In - Personnel Indirect Costs	
230	Transfer In - Operating Costs	
237	Transfer In - Operational Indirect Costs	
240	Transfer In - Fixed Asset Costs	
247	Transfer In - Fixed Asset Indirect Costs	

Illustration of State and Federal Allocations

Assumptions:

1. Program A is funded by Federal appropriation A and there are no direct charges to the Federal appropriation.
2. Program B is 50% federally funded by appropriation B and, in addition, there are direct charges to the Federal appropriation.
3. Program C is State funded with some nonfederal augmentations.
4. Program D is federally funded by appropriation D and total Federal participation, including direct charges, cannot exceed 50%.

State Appropriation	Major Object				Gross Allocation	Augs.	Net Appn.
	100	300	400	200			
Program A	\$250	\$500	\$750	\$(300)	\$ 1,200	--	\$1,200
Program B	250	500	750	(750)	750		750
Program C	250	500	750	--	1,500	(\$100)	1,400
Program D	<u>250</u>	<u>500</u>	<u>750</u>	<u>(450)</u>	<u>1,050</u>	--	<u>1,050</u>
Total Appn.	\$1000	\$2000	\$3000	\$(1500)	\$4,500	(\$100)	\$4,400

Federal Appn. A

Program A	--	--	--	\$300	\$ 300	--	\$ 300
Program B	--	--	--	--	--	--	--
Program C	--	--	--	--	--	--	--
Program D	--	--	--	--	--	--	--

Federal Appn. B

Program A						--	--
Program B	\$160	\$200	\$360	\$750	\$1,350	--	\$1,350
Program C	--	--	--	--	--	--	--
Program D	--	--	--	--	--	--	--

Federal Appn. D

Program A	--	--	--	--	--	--	--
Program B	--	--	--	--	--	--	--
Program C						--	--
Program D	\$100	\$200	\$300	\$450	\$1,050	--	\$1,050