



Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 105.01 Amended – Allocation and Allotment of Funds

Date: July 10, 2023

By Direction of:

A handwritten signature in black ink, appearing to read "Uri Z. Monson".

Uri Z. Monson, Secretary of the Budget

Contact Agency:

Governor's Office of the Budget
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This directive establishes policy, responsibilities, and procedures for the allocation and allotment of funds. This directive applies to agencies as indicated in the Scope that utilize Commonwealth accounting systems. This amendment updates the Scope and the definition for Appropriation.

1. PURPOSE.

To establish policy, responsibilities, and procedures relating to the allocation and allotment of funds.

2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction and all independent entities utilizing the Commonwealth accounting systems (hereinafter referred to as "agencies").

3. OBJECTIVE.

To ensure that the allocation and allotment of funds are consistent with current budgetary and policy considerations. Allocations and allotments should be prepared using the most recent rebudget preparation instructions.

4. DEFINITIONS.

a. Appropriation. Legislation requiring the Governor's approval authorizing an agency to spend a specified amount of money for a stated purpose or purposes during a particular period of time, usually one fiscal year.

- b. Commitment Item.** Budget and fund accounting classifications of general ledger accounts and cost elements in the SAP enterprise resource planning system's (hereinafter referred to as "SAP") funds management (FM) module. It is used to classify the type of revenues and expenditures being budgeted and to detail the balances for each fund in the FM module.
- c. Minimum Continuation Costs.** The present complement payroll and normal operating expenses. The term does not include expenditures for new programs or services, fixed asset purchases, expansion of present programs, and initial acquisition or purchase of services.
- d. Nonbudgeted Account.** Funding that is not limited to a specific time period or controlled by a spending authorization. Disbursements from a Nonbudgeted Account are limited only by the availability of its cash resources.

5. POLICY.

- a.** Budgetary control over Appropriations shall be exercised through the allocation and allotment processes.
- b.** The allocation process requires budgeting for expenditures by Commitment Item level 1 classifications within an Appropriation. This process involves the preparation of allocation schedules for submission to and review and approval by the Office of the Budget (OB) at the time enacted Appropriations are rebudgeted. Funds not allocated for budgetary consumption are allocated to budgetary reserve. Nonbudgeted Accounts are not allocated.
- c.** Central budgetary control is exercised at the Commitment Item level 1 within an Appropriation. Negative available balances shall not be permitted at Commitment Item level 1.
- d.** Agencies should minimize the number of allocation amendments submitted, especially in the latter part of a fiscal year. Only critical allocation amendments should be submitted after May 30. These amendments will require strong justification and approval by the Executive Deputy Secretary of the Budget or a designee.
- e.** Agency allotment of approved Appropriations by Commitment Item level 1 within organizations is required. Allotment by Commitment Item within organizations and allotment of Nonbudgeted Accounts may be exercised at the option or discretion of the agency.

6. RESPONSIBILITIES.

- a. Agencies shall:**
 - (1)** Prepare allotment schedules by Commitment Item within organization for each Appropriation. These allotments will summarize to Commitment Item level 1 in the Commonwealth accounting system.
 - (2)** Review allocation and allotment accounts and prepare amendments and justifications for proposed transfers of funds.
 - (3)** Limit expenditures, prior to approval of allocation schedules, to Minimum Continuation Costs.

b. The Office of the Budget shall:

- (1)** Review and approve, amend, or disapprove allocation schedules received from agencies.
- (2)** Review and approve, amend, or disapprove allocation amendments requesting the transfer of funds at the Commitment Item level 1.

7. PROCEDURES.

Refer to the most recent Commonwealth accounting systems user guide for the budget module describing how allocations, allotments and amendments are processed.

This directive replaces, in its entirety, *Management Directive 105.1 Amended*, dated September 20, 2019.