



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUDGET OFFICE  
One Capitol Hill  
Providence, R.I. 02908-5886

*Memorandum*

**To:** Department Directors and Agency Heads  
Chief Financial Officers

**From:** Rosemary Booth Gallogly  
Executive Director/State Budget Officer *RBG*

**Date:** January 9, 2007

**Subject:** "Lesser of Cash or Program" Controls

The date for establishment of accounting controls for cash and expenditure ceilings has been established as January 16, 2007. Controls will prevent transactions in all fund sources from processing if they will result in expenditures or encumbrances:

greater than the program balance, plus any approved authorized red balances (ARBs). Program balance is Budget less year-to-date expenditures less encumbrances;

or, greater than the cash balance available, plus ARBs (for federal and restricted accounts). Cash balance is balance forward plus receipts less expenditures.

Generally, processing will be suspended for new requisitions and for most RIFANS transactions except payrolls and receipts processing. Cash balance problems will not impede establishment of new requisitions. Accounts in fund sources 1, 7 and 9 will be controlled at the GL line (line item) level, and have no cash component. All other sources, 2, 3 and 5, will control at the line sequence levels for both cash and program. Since payrolls are already encumbered for the annual appropriation amount, program balances will run red for lines in programs with deficiencies well before the end of the year.

Agencies have been afforded several opportunities to correct any over-encumbrances that artificially create deficit balances. Purchasing is still processing corrective actions for all overstated encumbrances, on an as-received basis. Processing of new requisitions should recognize procedures in the attached Budgetary Control document.

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The Budget Office would expect to approve program ARBs only up to the amounts of revised appropriations currently recommended for the supplemental act. Budget ARBs appear in the natural account 699200. Any requests for ARBs on state accounts must have the signature of the agency director.

Cash ARBs have already been established for 11.5 percent of the annual ceiling for federal accounts, and appear in natural account 399102; this represents a lag of six weeks from expenditure to federal drawdown. Currently, fifty seven percent of active federal line-sequence currently passes this test. Timely federal drawdowns are essential to maintain overall cash integrity for the state, and this should be the first priority when expending federal funds. Additional ARBs will be granted only upon documentation of the exceptional circumstances that have made it impossible to comply. Zero-sum or Black/Red ARBs are reasonable tools to resolve cost allocation problems *between* federal accounts; delays in required adjustments between state/federal accounts are not acceptable. A Cash Control document is also attached.

The Budget Office has been processing ARB requests for several months. Our review can take a few days, but we will process new requests promptly as received. Please contact your budget analyst for any questions concerning this process.

RBG:sm07-01

Attachments

cc: Lorraine Hynes  
Wayne Hannon  
Peter Hodosh  
George Konefal  
Christine Rowe