



## Encumbrance Report and Lapsing of Appropriations (APS 018)

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### Who should read

State agencies and institutions of higher education.

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### Policy

State agencies and institutions of higher education must report binding encumbrances and payables for the current appropriation year (AY) within 30 days following each of the first three quarters of the fiscal year.

Annually, binding encumbrances and payables for all appropriation years must be reported to the Texas Comptroller of Public Accounts, the State Auditor's office (SAO) and the Legislative Budget Board (LBB) by Oct. 30. On Nov. 1 of each fiscal year, the Comptroller lapses all unencumbered appropriation balances based on the binding encumbrances and payables reported. Certifications are required when binding encumbrances and payables are reported.

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### FMX

This document and any other Comptroller documents referenced are available on Fiscal Management's FMX at [fmx.cpa.state.tx.us/aps18](http://fmx.cpa.state.tx.us/aps18).

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### Legal cite

Texas Constitution Article III, Section 49-g and Article VIII, Section 6; Sections 403.021, 403.071, 403.074, Government Code.

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### Last updated

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## Background

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### Why report appropriated funds?

According to the Texas Constitution, Article VIII, Section 6, money can only be drawn from the state treasury by a specific appropriation. In addition, a claim may not be paid from an appropriation unless the claim is presented to the Comptroller no later than two years after the end of the fiscal year for which the appropriation was made. Appropriations contained in the General Appropriations Act (GAA) usually have a term of one year, coinciding with the state fiscal year (Sept. 1 to Aug. 31).

Section 403.021(b), Government Code states that state agencies have to 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. Annually, year end binding encumbrances and payables must be reported to the Comptroller, the SAO and the LBB by Oct. 30. The report must contain all appropriation years.

Encumbrances on construction appropriations should be reported into USAS by the same deadlines.

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### Economic Stabilization Fund

At the end of each biennium, half of the unencumbered positive General Revenue Fund balance will be transferred to the Economic Stabilization Fund. Refer to Texas Constitution Article III, Section 49-g. Thus, entering these binding encumbrances and payables into USAS by the deadline is crucial.

## USAS Reporting

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### Definitions

#### Payables

Amounts obligated for goods or services actually rendered or provided to the agency by the end of the reporting period, but for which the agency has not yet made payment, should be recorded as accounts payable.

#### Encumbrances

Amounts obligated for goods or services through contractual obligations should be encumbered. (Reference Texas Attorney General Opinion Numbers 0-2815(1940); V-1139 (1950); WW-40 (1957); and WW-978 (1961)). For purposes of the Binding Encumbrances and Payables Certification, an outstanding encumbrance is defined as a contract, agreement or other action that legally obligates state funds.

Encumbrances differ from payables. The former are commitments for goods made before the reporting period's end, but the actual receipt of the good does not occur until after the end of the reporting period (Nov. 30, Feb. 28/29, May 31 or Aug. 31).

An encumbrance is for actual contracts awarded, not anticipated contracts or contracts under negotiation. For example, funds dedicated for construction but not yet awarded would not be reported as an encumbrance. In this case, a reservation of fund balance should be entered for the *Annual Financial Report* (AFR).

Agencies must obligate (encumber) an appropriation during the AY for which the appropriation is made. Payments for such obligations must be made within two years following the last day of the appropriation year. For example:

If the appropriation year (AY) is...	Then funds must be encumbered by...	And vouchers must be paid by...
2008 (Sept. 1, 2007 – Aug. 31, 2008)	Aug. 31, 2008	Aug. 31, 2010
2009 (Sept. 1, 2008 – Aug. 31, 2009)	Aug. 31, 2009	Aug. 31, 2011

Refer to the *Purchase Policies and Procedures Guide*, § 8.006 regarding “Appropriation year determination.”

### Lapsed Appropriations

Appropriations expire when they are not:

- Obligated by Aug. 31 of the appropriation year in which they were made,
- Expended within two years following the last day of the appropriation year, or
- Re-appropriated in subsequent legislation.

Because the unobligated appropriation balance cannot be encumbered after the end of the appropriation term, the balance lapses unless it is specifically re-appropriated for a new term. All unobligated appropriation balances must be lapsed by processing a budget lapse transaction into USAS.

Agencies with appropriations that may be expended for both operating and construction purposes must lapse or move forward (if appropriate legal authority exists) the unobligated portion for non-construction use.

### Unexpended balance (UB) forward

This refers to the unobligated balance remaining in an appropriation at the end of an appropriation term. Agencies must have legislative authority to move funds from one year to the next or from one biennium to the next biennium.

### Important dates

Quarterly entries of encumbered and payable amounts must be made into USAS with an effective date on or before the end date of the quarter or year. Because the annual reporting requirement encompasses the fourth quarter of the previous appropriation year, there is no requirement for separate fourth quarter reporting. The table below shows the due dates for entering binding encumbrances and payables into USAS:

Period	End Date/Effective Date	Due Date
1st Quarter	Nov. 30	Dec. 30
2nd Quarter	Feb. 28/29	March 30
3rd Quarter	May 31	June 30
Annual	Aug. 31	Oct. 30

## Comptroller's Office Requirements

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### Lapsed balances

The Comptroller's office analyzes binding encumbrance and payables information that agencies enter into USAS for quarterly and annual reporting periods.

The Comptroller's office is directed by Section 403.021 (d), Government Code, to lapse on Nov. 1 of each fiscal year all unencumbered construction and non-construction appropriation balances for all previous appropriation years based on the binding encumbrances and payables reported into USAS.

Unencumbered appropriation balances appear on the USAS Appropriation Record Inquiry (62) screen as remaining encumbrance-basis budget and appropriation encumbrance cash available on Aug. 31 of the previous fiscal year. These balances will be lapsed 60 days after the fiscal year's end.

The Comptroller's office must enter an online approval for all lapse transactions. If your agency has a special situation (such as estimated federal receipts), please call your appropriation control officer and request assistance to avoid processing errors.

### Expired Appropriations

The Comptroller's office monitors all previous years' appropriations and ensures that all expired appropriations are zero.

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## Comptroller's office requirements

### **Payments After Statute of Limitations Expire for Appropriation**

Valid claims not presented within the statutory time limit may be paid from funds appropriated to the Comptroller's office for miscellaneous claims. Such claims cannot be made more than eight years after the date the original claim arose, and are limited to \$50,000 for any single claim or for an aggregate of claims by a single claimant made during one biennium. Claims over the \$50,000 limit and eight-year limitation period may be presented to the Legislature for funding consideration.

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## Entering Data

### **Reconciling with the AFR**

In addition to following the requirements mentioned in the "USAS reporting" section, agencies must also ensure that the annual encumbrance and payables information entered into USAS agrees with the encumbrances and payables reported on the AFR. The USAS information must be reconciled to the AFR and certified under separate reporting procedures. The final expenditure data, including cash, binding encumbrances and payables, will be loaded into the Automated Budget and Evaluation System for Texas (ABEST), and must be reconciled by approved LBB assigned strategies. Refer to *Step-by-Step Overview for Entry of Binding Encumbrances and Payables into USAS*.

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### **Payable T-codes**

Enter payables with an effective date of Aug. 31 or Aug. 32 in order to post to the prior fiscal year. Transactions backdated to the prior fiscal year during September may be entered with an effective date of either Aug. 31 or Aug. 32. Transactions backdated to the prior fiscal year after Sept. 30 when month 12 is closed must be entered with an effective date of Aug. 32. When requesting year-end reports, remember to request period 13. Voucher payable transaction codes (T-codes) will generate T-codes, which will post the cash transactions in the current fiscal year. (Refer to *Binding Encumbrances and Payables T-codes*.) In addition, any previous year payables that have accrued but are not ready to be paid should be entered with T-code 420 and an effective date of Aug. 31. T-code 420 will generate T-code 421 in the current fiscal year to reverse the payable.

### **Accrued Reimbursements for Institutions of Higher Education**

Accrued reimbursements between appropriated funds (T-codes 246/903 for payroll, 247/904 for non-payroll and 264/905 for non-payroll, interest eligible) should be entered with an effective date of the reporting period's last day. Any reimbursements that have accrued but are not ready to be paid after the end of the period should be entered with T-code 420 and an effective date of the reporting period's last day. T-code 420 will generate T-code 421 in the current fiscal year to reverse the payable.

### **Professional Fees and Services**

In order for the DAFR8960 (Professional Fee Report) to provide accurate information for annual financial reporting purposes, the payee identification number must be included on transactions entered with T-code 420, including any Comptroller Object Code Profile (D1Ø) that rolls up to GAAP (Generally Accepted Accounting Practices) Source Group 0220, professional fees and services.

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### **Interagency transaction T-codes**

To post interagency accruals (due to/due from) or transfers, refer to *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, Chapter 5, for the T-code choices.

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### **Encumbrance T-codes**

If an agency does not record encumbrances into USAS when obligations are made, then an entry must be made at the end of the first three quarters and year end using T-code 207 to record the encumbrance amount. T-code 207 records the encumbrance in the previous period (the period's ending date must be used for effective date) and reverses with the generated T-code 211 so the encumbrance is not reflected in the current period.

If an agency uses T-code 210 to record encumbrances throughout the year, then no entry is necessary at the end of the first three quarters and year end. At time of payment, the agency uses T-code 231 to record a payable, liquidate the encumbrance and make payment. (T-code 217 is used to cancel an encumbrance.)

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### **Binding encumbrances and payables coding block**

Binding encumbrances and payables must be entered by appropriation number, appropriation year, fund, program cost account (PCA) and comptroller object (COBJ). Agencies must ensure that encumbrance and payable transactions post to PCAs that point to the correct program code in USAS and use the comptroller objects that roll up to the correct LBB object code. Refer to *Summary Comptroller Objects Sorted by LBB Object* for a list of COBJs that *may* be used as “summary” object codes for encumbrance and payable transactions. These COBJs are considered summary object codes only for reporting binding encumbrances and payables required by this document. See the “COBJ Impact” section for a discussion of when the use of summary object codes is appropriate.

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### **Comptroller object impact**

#### **Appropriations of Funds Held Inside the State Treasury**

Agencies may enter summary comptroller objects for encumbrance transactions posting to appropriations held in the State Treasury. T-codes generating warrants must use specific detail object codes, while T-codes that accrue or reverse (i.e., T-code 420) may use summary object codes.

### Appropriations of Funds Held Outside the State Treasury

Agencies with appropriations of funds held outside the State Treasury may enter binding encumbrances and payables with summary comptroller objects, but should consider how this affects their AFR. Comptroller objects used for these purposes must be correct with regard to LBB objects and GAAP source/objects. Texas Public Educational Grants Programs (TPEG) and Skiles Act Revenue Bond Retirement (Skiles) must be entered with the appropriate T-code 642 and comptroller objects 7593 or 7591. Local funds should use T-codes that reverse, not T-codes that liquidate.

### Fund cash forward

Fund cash balances that are not required for payment of outstanding obligations from previous years should be moved to the current year (if authorized by statute or the GAA). Again, the balances may be moved forward to the current year, one year at a time. (i.e., to move AY 2008 balances to AY 2010, move 2008 to 2009 and 2009 to 2010.) Enter the coding block with Document Type J, Batch Type 2 or 8:

If cash was received...	Use T-codes...	COBJ
As revenue (Balance Type 12)	405 and 406	3974/3975*
As a transfer (Balance Type 20)	403 and 404	3986*

\* The comptroller object for the collected budget portion of the transactions above should be based on the type of funds transferred. Comptroller object **3974** is for federal funds and **3975** is for regular revenues. Comptroller object **3986** is for unexpended balance forward-operating transfers in.

Once the transfer out is completed, there should not be a negative balance on the USAS 62 screen.

## Reviewing Appropriation Balances Prior to UB or Lapsing

### Reviewing for accuracy

Appropriation balances on the USAS 62 screen may require adjustments or corrections before UB forward, lapsing or collected cash disposition.

### Funding exceeds budget

When Appropriation Cash Available (ACA) is greater than Remaining Cash Basis Budget (RCBB) and an agency has appropriation authority to the collected cash, then the RCBB should be increased to equal ACA. After increasing the RCBB to equal ACA, the agency should UB or lapse each unobligated budget.

## Budget exceeds funding

RCBB often exceeds ACA. This situation results from unfunded original budget or the RCBB being increased prior to fully collecting the Method of Finance (MOF) amount.

In situations where the RCBB was increased before fully collecting the MOF amount, the RCBB should be reduced to equal the balance of ACA or the original budget amount if ACA is less than the RCBB. If the RCBB had been increased with T-code 179, a T-code 195/179R should be processed. If the RCBB had been increased with T-codes 006/009, the decrease should be processed with T-codes 009R/006R.

# UB, Lapsing and Appropriation Collected Cash Disposition

## Introduction

Once balances on the USAS 62 screen are correct, the transaction to UB forward or lapse unobligated appropriation balances should be processed. The disposition of collected cash balances in appropriations must also be identified at this time.

## UB T-codes

Unobligated appropriation balances that agencies have authorization to transfer forward should always comply with the authorization language to transfer forward one year at a time (i.e., appropriation year 2009 to appropriation year 2010). Use the following T-codes, with a Document Type B, Batch Type 1 to transfer forward UBs:

To transfer a committed budget...	Use T-code...
From the <b>old</b> appropriation	040
To the <b>new</b> appropriation	042

For a collected budget, first transfer the budget, then make the cash transfer. (See cash transfer instructions.)

To transfer a collected budget...	Use T-code...
From the <b>old</b> appropriation	041 and 040
To the <b>new</b> appropriation	042 and 043

**Note:** The following lapsing instructions presume that all UB transfers forward have been processed. Refer to *Appropriation Lapses and Related T-codes*.



## Collected cash

Many ACA balances include both committed and collected cash funding or are completely funded with collected cash.

## Collected cash UB

Unobligated ACA collected cash balances should be moved forward if authorized in the GAA or another statute. Unobligated cash transfers forward should move only one year at a time (i.e., appropriation year 2009 to appropriation year 2010). Transfers forward of UB collected cash should be processed using the following cash disposition T-codes:

If cash was received...	Use T-codes...	COBJ
As revenue (Balance Type 12)	405 and 406	3974/3975*
As an operating cash transfer (Balance Type 20)	403 and 404	3986*

\* The comptroller object for the collected budget portion of the transactions above should be based on the type of funds transferred. Comptroller object **3974** is for federal funds and **3975** is for regular revenues. Comptroller object **3986** is for unexpended balance forward-operating transfers in.

## Non-UB collected cash

If no UB authority exists and the cash was deposited to:

- Fund 0001 – See *Prior fiscal year collected cash* below.
- General revenue dedicated account or special fund – Transfer to unobligated appropriation number 00000 using the following cash disposition T-codes.

Agency	T-code/Title	Appropriation Number	COBJ	Appropriated Fund/ Agency Fund/PCA
Affected Agency	406/Revenue Transfer-Out	Determined by Agency	3970	Determined by Agency
Affected Agency	405/Revenue Transfer-In	00000	3970	Determined by Agency

## Prior fiscal year collected cash

Often there are appropriation collected cash balances remaining in prior fiscal years. If the cash is in Fund 0001, use RTI 003973, vendor number 39029029020000 and the following coding block to transfer to Agency 902:

Agency	T-code/Title	COBJ	Appropriated Fund/Agency Fund/PCA
Affected Agency	475/Accrued Transfers Out w/Liquid	7973	Determined by Agency

If the collected cash is in a GR-Dedicated account or Special Fund, follow instructions above in “Non-UB collected cash”.

## Lapsing T-codes

By Oct. 30 of each year, all agencies must lapse appropriation balances that exceed the level necessary to satisfy any outstanding binding encumbrances and/or payables. The lapse transaction must reduce the remaining cash basis budget and the appropriation cash available to an amount equal to the amount needed to pay outstanding binding encumbrances/payables. Enter with Document Type B, Batch Type 1:

To lapse a...	Use T-code...
Committed budget	036
Collected budget	039

Once all binding encumbrances and payables are entered into USAS, the lapse amount should equal the remaining encumbrance basis budget and appropriation encumbrance cash available on Aug. 31. (See the cash transfer instructions on page 9.)

## Reinstating Lapsed Balances

Agencies may make a partial or total reinstatement of a lapse for an outstanding obligation with a budget transaction, Document Type **B** using T-code 036 (lapse committed revenue appropriation) or 039 (lapse collected revenue appropriation) with an **R** in the REVERSAL field. Online Comptroller's office approval and the proper legal descriptive text (LDT) are required. Refer to *Appropriation Lapses and Related T-codes*. All **B** documents require a 600 approval code and the proper legal descriptive text.

## Cost allocation

All agencies with encumbrance or payable activity in the administrative and support appropriations must allocate the activity to their direct strategies.

If an agency loads encumbrances in the administrative/support appropriations, these must be allocated manually with T-codes 354/355 under user class 31. Refer to *Cost Allocation From Temporary Administrative and Support Appropriations (APS 025)*.

## Submitting required documents

Send the *Quarterly Binding Encumbrances and Payables Certification of Current Year Appropriations* forms to the Comptroller's office by Dec. 30 (1st Quarter), Mar. 30 (2nd Quarter) and June 30 (3rd Quarter).

Send the *Annual Binding Encumbrances and Payables Certification of Previous Year Appropriations* forms to the Comptroller's office, the SAO and the LBB by Oct. 30.

Send the forms to the following addresses:

**Comptroller of Public Accounts:**

Fiscal Management Division  
 Appropriation Control Section  
 111 E. 17th Street, Room 901  
 Austin, TX 78774-1440  
 FAX: (512) 936-5972

**State Auditor's Office:**

Attention: Reports  
 Robert E. Johnson Building  
 1501 N. Congress Ave., Suite 4-224  
 Austin, Texas 78701-1429  
 FAX: (512) 936-9400 (Attention: Reports)  
 E-mail: reports@sao.state.tx.us

**Legislative Budget Board:**

E-mail: scott.dudley@lbb.state.tx.us

## For More Information

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### Resources

The following resources are related to this document:

- *Purchase Policies and Procedures Guide*, Section 8.006 (for “Appropriation year determination”)
- *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, Chapter 5 (to accrue pass-through fund expenditures for a previous year)
- *Annual Binding Encumbrances and Payables Certification of Previous Year Appropriations*
- *Quarterly Binding Encumbrances and Payables Certification of Current Year Appropriations*
- *Step-by-Step Overview for Entry of Binding Encumbrances and Payables into USAS*
- *Binding Encumbrances and Payables T-codes*
- *Summary Comptroller Objects Sorted by LBB Object*
- *Appropriation Lapses and Related T-codes*
- *Cost Allocation From Temporary Administrative and Support Appropriations (APS 025)*

These resources can be accessed at [fmx.cpa.state.tx.us/aps18](http://fmx.cpa.state.tx.us/aps18).

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### If you have questions

If you have questions, contact your agency's appropriation control officer at [fmx.cpa.state.tx.us/acolist](http://fmx.cpa.state.tx.us/acolist).