
APPENDIX
THE STATE BUDGETARY PROCESS
MYTHS AND PERCEPTIONS

TERMS AND DEFINITIONS:

Biennium: A two-year period. In Texas, as used in fiscal terms, it is the two-year period beginning on September 1st, and ending on August 31st of odd-numbered years, for which general state appropriations are made. A biennium is identified by the two fiscal years of which it consists, e.g., 2008-09 biennium.

Fiscal Year (FY): September 1st through August 31st and specified by the calendar year in which the fiscal year ends, e.g., fiscal year 2008 runs from September 1st 2007, through August 31st 2008.

General Appropriations Act: The law that appropriates biennial funding to state agencies for specific fiscal years and sets provisions for spending authority.

General Revenue Fund: The fund (No. 001) that receives state tax revenues and fees considered available for general spending purposes and certified as such by the Comptroller of Public Accounts.

General Revenue–Dedicated: Accounts that can be counted as General Revenue but must be used for the purposes identified in general law to the extent such money is appropriated in the General Appropriations Act.

Legislative Appropriation Request (LAR): A formal request for funding made by each state agency and institution. This request is in accordance with instructions developed by the Legislative Budget Board and Governor’s Office of Budget, Policy, and Planning. The agency request is prepared according to the approved strategic planning and budget structure for that agency.

Method of Finance: The term usually appears as a heading for a table that lists the sources and amounts authorized for financing certain expenditures or appropriations made in the General Appropriations Act. A source is either a “fund” or “account” established by the comptroller, or a category of revenues or receipts (e.g., federal funds).

What is Fund Accounting? Fund Accounting is the method of segregating resources into categories, (i.e., funds) to identify both the source of funds and the use of funds.

How do we track the sources and uses of funds? Universities use a system called a “chart of accounts.”

Fund: A fund is a segregation of resources established to control and monitor resources and to help ensure and demonstrate compliance with legal/administrative requirements.

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Fund Group: *A separate entity with a self-balancing set of accounts consisting of assets, liabilities, fund balance, and where appropriate, revenue and expenditure accounts.*

Encumbrances: *In managing available resources in a non-profit organization, we need to recognize future commitments of resources prior to an actual expenditure. Encumbrances (or liens) are used to reflect these commitments in the accounting system and attempt to prevent overspending. When the order and/or services are received and the Health Science Center is invoiced, the original encumbrance entry is cancelled and the expense and related cash payment is recorded.*