

# UNDERSTANDING EXPENDITURE AUTHORITY

The authorization to make an expenditure is usually through a Budget Act appropriation, provisional language, or other chaptered legislation. All expenditure authority regardless of how authorized, is documented in the budget process. Some additional sources of authority outside of the Budget Act are continuous appropriations through statutes or the California Constitution, reappropriations in the Budget Act, other chaptered legislation, code sections, or court ordered payments.

## ITEM NUMBERS

Each appropriation is identified using a unique item number (i.e., Item 3990-001-0001-2021-2021). The following components make up an item number:

- 3990**      **Business Unit (BU).** The four-digit code to identify the BU. BU is also known as entity or organization code. (Refer to the [Uniform Codes Manual Organization Codes](#) for a complete list of BUs.)
  
- 001**      **Reference (REF).** The three-digit reference number to distinguish between Budget Act and non-Budget Act spending authority. The reference number also identifies whether an item is characterized as a state operations, local assistance, or capital outlay appropriation. (Refer to the [Reference Numbers](#) document on Finance's FI\$Cal Resources webpage.)
  
- 0001**      **Fund.** The four-digit code to identify the fund. (Refer to the [Manual of State Funds](#) for a complete list of funds.)
  
- 2021**      **Enactment year (ENY).** The first fiscal year spending authority is available for encumbrance (e.g., for fiscal year 2021-22 the ENY is 2021). ENY was formerly known as the Year of Appropriation (YOA).
  
- 2021**      **Year of Budget (YOB).** The fiscal year the expenditures are reflected. This is generally the fiscal year when the obligation is incurred. In accounting, this is known as the Funding Fiscal Year (FFY).

To view what item numbers are currently available to utilize in Hyperion, refer to the [Active Item List](#) document on Finance's FI\$Cal Resources webpage. If a new item is needed that it is not included on the Active Item List, departments should fill-out and provide their Finance Budget Analyst with a [New Item Request Form](#).

In the above item number example, the ENY and YOB are equal, however the ENY will not always equal the YOB. An appropriation may have a YOB that is after the ENY if the appropriation has a year of completion (YOC) date longer than a single year.

An appropriation's YOC is the last fiscal year an appropriation is available for encumbrance, which includes the commitment of all or part of an appropriation. Appropriation encumbrance

periods are explained in more detail in the next section of this document. Appropriations with such YOCs typically are:

- Chaptered legislation
- Appropriations available without regard to fiscal year (AWRTFY)
- Multi-year appropriations
- Continuous appropriations

**Single-Year Budget Act Appropriation:**

Fiscal Year	BU-Ref-Fund	ENY	YOB	YOC	
2021-22	3990-001-0001	2021	2021	2021	} Represents a new appropriation each fiscal year.
2022-23	3990-001-0001	2022	2022	2022	
2023-24	3990-001-0001	2023	2023	2023	

**Three-Year Budget Act Appropriation:**

Fiscal Year	BU-REF-Fund	ENY	YOB	YOC	
2021-22	3990-002-0001	2021	2021	2023	} Represents one appropriation lasting three fiscal years. This is a multi-year appropriation.
2022-23	3990-002-0001	2021	2022	2023	
2023-24	3990-002-0001	2021	2023	2023	

In Hyperion, when the dollar amount expended is less than the dollar amount appropriated for an item, the difference is displayed as either "savings" or "carryover."

- If the YOC equals the YOB, the difference is entered into Hyperion under the "Estimated Savings" column.
- If the YOC is later than the YOB, the difference is generally entered under the "Estimated Carryover" column.

**ENCUMBRANCE and LIQUIDATION PERIODS**

Every appropriation has an encumbrance and liquidation period. **Encumbrance period** is the amount of time available to make a commitment for goods or services from the dollars available in an appropriation.

<u>Authority</u>	<u>Encumbrance Period</u>
Budget Act (Control Section 2.00)	One year unless otherwise stated. YOC = YOB = ENY (Control Section 1.80)
Chapter augmenting a Budget Act item	Takes on the same availability as the Budget Act. YOC = YOB = ENY

Legislation	Three years, unless otherwise stated in the language providing the appropriation (Gov. Code section 16304). YOC = ENY +3 (crosses 4 fiscal years) <b>or</b> ENY +2 (if effective on July 1)
Legislation with AWRTFY	Amount appropriated is "available without regard to fiscal year" and remains available from year to year until fully expended.

**Liquidation period** is the amount of time after the end of the encumbrance period that is available to receive goods or services and/or process the payment for those goods and services. The liquidation period is defined in Government Code section 16304.1 as: two years for Budget Act and other legislation following the last day of the encumbrance period; however, federal funds have four years.

As previously mentioned, some appropriations are considered "continuing" or "continuous" appropriations. A **continuing appropriation** is an appropriation for a set amount that is available for encumbrance for more than one year. Continuing appropriations have a dollar limitation to spend, usually for a specified purpose. Continuing appropriations are either multi-year (dollar amount and availability period specified) or available without regard to fiscal years (AWRTFY; dollar amount specified and available until entire dollar amount spent). A department must keep track of the dollar amount spent each fiscal year.

A **continuous appropriation** is constitutional or statutory expenditure authorization, which is available each year without further legislative action. Typically, a continuous appropriation is created when a fund is defined as continuously appropriated for a specific purpose in legislation. Continuous appropriations do not have a dollar amount limitation or availability period limitation. Expenditure authority is provided to a department to spend for a specified purpose, as much as is needed, provided there is a sufficient cash balance in the fund.

## CARRYOVERS, REAPPROPRIATIONS, and REVERSIONS

**Carryovers** occur when a multi-year appropriation is not fully expended in the first year. The remaining expenditure authority must be carried over from one fiscal year to the following fiscal year. Departmental budget analysts should validate the beginning expenditure authority remaining is correct for each year the appropriation is available. This is an adjustment that does not require additional statutory authority.

**Reappropriations** extend an appropriation's availability period for encumbrance, expenditure, or liquidation beyond its set end date and/or provide for a new purpose. Reappropriations typically require additional statutory authority, which utilize Budget Act item numbers with reference numbers 490 through 494 (e.g., Item 3990-490).

Refer to the [How to Record Carryovers and Reappropriations](#) document on Finance's FI\$Cal Resources webpage for how to record such entries in Hyperion.

**Reversions** reduce an appropriation's availability period making funds available for subsequent appropriation prior to their originally set expiration. Reversions typically require additional statutory authority, which utilize Budget Act item numbers with reference numbers 495 through 500 (e.g., Item 3990-495). Reversions may also occur upon order of the Department of Finance per Government Code section 16304 and 16304.1. Reversions for capital outlay appropriations require approval from the Public Works Board (Government Code section 16351.5 or 16408).

## REIMBURSEMENTS

**Reimbursements** are amounts received as payment for the cost of work or services performed, or for other expenditures made for or on behalf of another entity (e.g., one department reimbursing another for administrative work performed on its behalf). Reimbursements represent the recovery of an expenditure. Generally, reimbursements are available for expenditure up to the budgeted amount (scheduled in an appropriation), and a budget revision must be prepared by the department and approved by the Department of Finance before any reimbursements in excess of the budgeted amount can be expended.

In Hyperion, reimbursements are tracked as non-Budget Act item numbers utilizing Fund 0995 (e.g., Item 3990-501-0995). Refer to the [Treatment of Reimbursements](#) document on Finance's FI\$Cal Resources webpage for how to record reimbursements in Hyperion.