

Budget Office Policy

Policy Name: Requesting Authorized Red Balances

The RIFANS accounting system controls expenditures in two ways: against the enacted budget and, for certain accounts, against the cash available in the account. These controls are sometimes referred to as the “lesser of cash or program (LCP)”. Controls differ depending on the source of funds. General revenues (source 01), debt (source 07) and other funds (source 09) are controlled for budget only and at the line item level (first four digits of the line sequence). Federal funds (source 02), restricted receipts (source 03) and operating transfers (source 05) are controlled both for budget and cash at the line sequence level.

Authorized red balances or ARB’s can be established by the Budget Office to allow accounts to expend in excess of the enacted budget and/or the cash available in an account. Cash ARB’s are automatically set up based on the enacted budget for all federal fund accounts. **Due to concerns about cash flow, the initial cash ARB for federal accounts is set at 5.0% of the enacted budget, as opposed to the 11.6% used in prior years.**

The following instructions should be followed by agencies when requesting Authorized Red Balances (either cash or budget) from the Budget Office:

Agency Instructions

1. Authorized Red Balances (ARB’s) are requested by an agency on the “Request for Authorized Red Balance” form found under the Budget Data and Forms section on the Budget Office web site at www.budget.ri.gov. (Please use this form and not older versions that you may have on file.)
2. ARB’s should be requested as the CHANGE from the current budget, not the new amount that will result when the ARB is entered. In other words, if the current budget is \$100,000 and you are requesting a new budget of \$150,000, the ARB form should show a request of \$50,000, not the new total of \$150,000. This should also be the case for cash ARB’s; request the incremental change to the existing ARB, if there is one in place.
3. Budget ARB’s are placed in natural account 699200. This can be seen on the Funds Available Inquiry screen in RIFANS or by running a Statement 1 report at the natural account level. Cash ARB’s are placed in natural account 399102, which can only be seen by running a Cash Resources Report in RIFANS under the Financial Reports menu.
4. ARB’s should be requested as FULL dollar amounts, with no cents.
5. Even if both a cash and budget ARB are requested for the same account, they must be submitted on separate forms. DO NOT request both a cash and budget

ARB on the same form. Each type of ARB is entered separately and with a different process in RIFANS and thus placing both on the same form can often result in one of the ARB's not being entered correctly or not at all.

6. All requests for ARB's should be explained under the "Explanation of Necessity of ARB" section of the form. The explanation should also include the basis for the ARB (i.e. how was the amount of the ARB arrived at) by showing your calculations either in this section of the form or on backup documentation. Please show, either on the form or the backup documentation, the current budget (including any previously approved ARB's) or cash ARB amount, the requested change (amount of this ARB) and the revised budget amount or cash ARB that will result from this ARB.
7. When submitting your agency's current year revised budget, please make sure all previously requested ARB's are incorporated. If they are not and your Budget Analyst does not revise their recommendations to include them, the ARB will be eliminated when the revised budget is uploaded into RIFANS. Also, if you are requesting an ARB subsequent to the submission of your revised budget, please indicate in the explanation section whether the increased funding level being requested was included in your revised budget or whether your Budget Analyst needs to adjust their recommendations. Subsequent to the submission of the Governor's Supplemental Budget to the General Assembly, you should indicate whether the requested ARB is in line with the budget as submitted or if an amendment to the supplemental budget will be required.
8. For federal grants, a copy of any new or revised federal grant award, which is the basis of the requested ARB, should be provided as backup. Also, if a federal grant spans more than one state fiscal year, the entire federal grant (or increase to a grant) should not be requested as the ARB, but rather should be prorated based on the projected spending to occur in the current fiscal year.
9. As stated above, cash ARB's equal to 5.0% of the enacted budget were automatically established for federal grants at the start of the year. Also, all RICAP (fund 21) accounts, which are classified as Operating Transfers (source 05), are provided a cash ARB equal to the total enacted budget. For all other operating transfer accounts and restricted receipt accounts (source 03), the agency must request a cash ARB, if needed, and provide supporting documentation (i.e. cash flows for restricted accounts) that justify the cash ARB and verify that cash resources will be sufficient by year end to cover budgeted expenditures.
10. Cash ARB's should also be requested for any new or increased federal grants established during the year. If a cash ARB is requested in excess of the standard 5.0%, the agency should explain the need for a larger ARB (i.e. federal grant only allows for quarterly draw downs). Because federal funds are normally received after the state has processed expenditures, state funds are used pending receipt of the federal funds. This creates cash flow issues and results in

additional costs to the state. Thus, cash needs to be drawn down for federal grants as quickly and as frequently as possible. Limiting the amount on cash ARB's is one way of assuring this occurs.

11. ARB forms should be signed by the agency Chief Financial Officer. The signature of the Agency or Department Director is only required for ARB requests impacting general revenue line items. Except in very rare circumstances, requests for red balances on general revenue line items should be offset by a "black" ARB on a different general revenue line item. Thus, there would be no change to the bottom line general revenue budget authorized for the agency.
12. ARB forms, along with any supporting documentation, should be sent to your agency's assigned Budget Analyst, either by mail, fax or email (PDF with signatures).
13. Following review and sign off by the Budget Office, ARB forms are forwarded to the Controller's Office for entry into RIFANS.