

Statewide Operating Policy

Owner: Minnesota Management and Budget, Accounting Services

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Reinstating Encumbrances after Close of the Fiscal Year

Objective

To provide guidance and promote consistency on requests to re-establish prior year encumbrances after the hard close of the fiscal year. [Minnesota Statutes, Section 16A.28, Subdivision 4](#), allows appropriations to be reinstated and encumbrances modified up to three months after an appropriation lapse with the approval of Minnesota Management and Budget. After three months, agencies must charge the obligation against the current year's appropriation.

Policy

This policy only applies to prior year purchase orders and direct appropriations that need to be reinstated after the hard close. **Requests to take appropriations off hold to reinstate funds will only be considered if the dollar amount is greater than \$2,500.00 and is within 3 months of the appropriation cancellation.** These transactions are rare and must be approved by the agency's Executive Budget Officer (EBO) through Minnesota Management and Budget (MMB). The following criteria are used by EBOs when evaluating requests:

- Whether the goods were ordered or services rendered before legal authority for the funding lapsed, in accordance with Minnesota Statutes 16A.28 and 16A.15, subdivision 3.
- Whether the transaction is material to the agency's financial situation.
- The reasoning for re-establishing the encumbrance, supported by documentation provided by the agency.

Definitions

Hard Close – On this date, prior year appropriations are put on hold and all unencumbered spending authority is either cancelled or balanced forward to the current fiscal year. Once an appropriation is put on hold, only payments against existing encumbrances can be processed. Generally, hard close occurs in mid-August.

Related Policies and Procedures

[MMB Statewide Operating Procedure 0702-01.1 Reinstating Encumbrances after Close of the Fiscal Year](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-7/0702-01-01-reinstating-encumbrance-procedure.pdf) (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-7/0702-01-01-reinstating-encumbrance-procedure.pdf>)

Related Forms

[MMB Statewide Operating Form 0702-01.1F Request to Open Closed Year Appropriation and/or Reinstated Cancelled Money](http://mn.gov/mmb-stat/documents/accounting/forms/0702-01-01f-request-to-open-closed-year-form.pdf) (<http://mn.gov/mmb-stat/documents/accounting/forms/0702-01-01f-request-to-open-closed-year-form.pdf>)

See Also

[Minnesota Statute 16A.28](https://www.revisor.mn.gov/statutes/?id=16A.28) (<https://www.revisor.mn.gov/statutes/?id=16A.28>)

[Appropriation Maintenance Application \(AMA\) User Guide](https://mn.gov/mmb-stat/documents/budget/budget-systems/ama/ama-user-guide.pdf) (<https://mn.gov/mmb-stat/documents/budget/budget-systems/ama/ama-user-guide.pdf>)

[Appropriation Maintenance Glossary](https://mn.gov/mmb-stat/documents/budget/budget-systems/ama/ama-glossary.pdf) (<https://mn.gov/mmb-stat/documents/budget/budget-systems/ama/ama-glossary.pdf>)