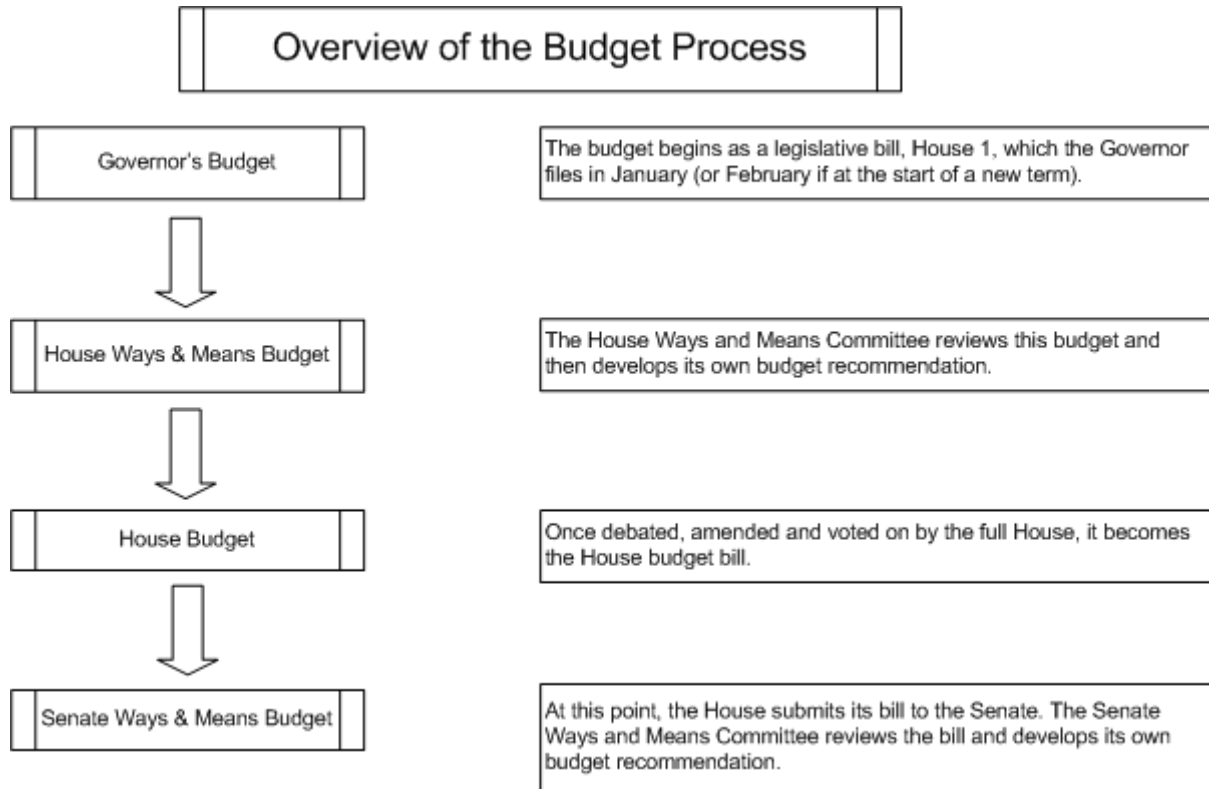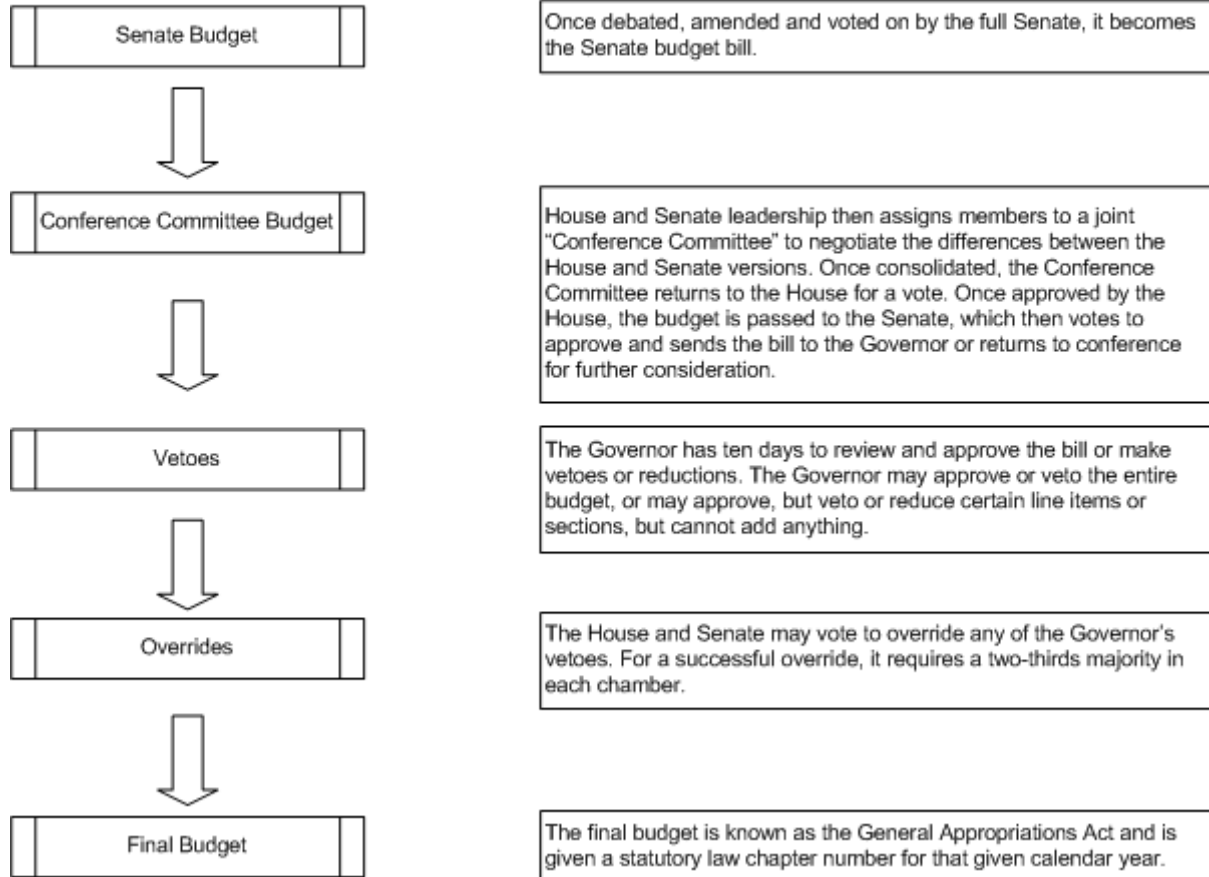# Budget Overview

The annual budget process begins with the Governor's budget proposal (House 1) submitted the third week in January, and continues through the House and Senate versions, ending with a Conference Budget, ideally finalized in June, which becomes the General Appropriation Act (GAA) once the Governor signs it into law, minus any vetoes. At any time thereafter, however, the legislature can override any of the Governor's vetoes with a two-thirds majority vote.
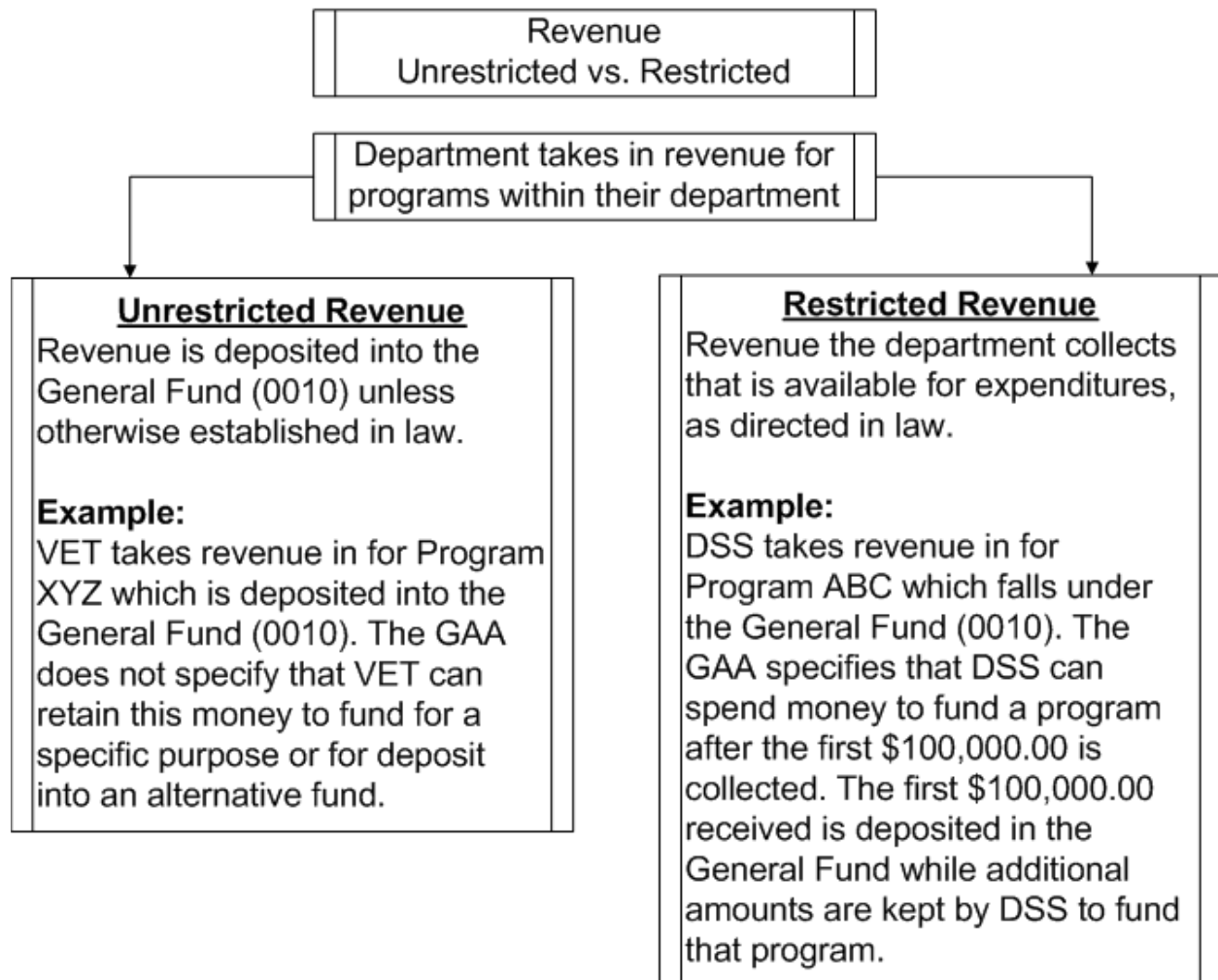
Overview of the Budget Process

Step	Description
Governor's Budget	The budget begins as a legislative bill, House 1, which the Governor files in January (or February if at the start of a new term).
House Ways & Means Budget	The House Ways and Means Committee reviews this budget and then develops its own budget recommendation.
House Budget	Once debated, amended and voted on by the full House, it becomes the House budget bill.
Senate Ways & Means Budget	At this point, the House submits its bill to the Senate. The Senate Ways and Means Committee reviews the bill and develops its own budget recommendation.

Overview of the Budget Process

Senate Budget	Once debated, amended and voted on by the full Senate, it becomes the Senate budget bill.
⬇	
Conference Committee Budget	House and Senate leadership then assigns members to a joint "Conference Committee" to negotiate the differences between the House and Senate versions. Once consolidated, the Conference Committee returns to the House for a vote. Once approved by the House, the budget is passed to the Senate, which then votes to approve and sends the bill to the Governor or returns to conference for further consideration.
⬇	
Vetoes	The Governor has ten days to review and approve the bill or make vetoes or reductions. The Governor may approve or veto the entire budget, or may approve, but veto or reduce certain line items or sections, but cannot add anything.
⬇	
Overrides	The House and Senate may vote to override any of the Governor's vetoes. For a successful override, it requires a two-thirds majority in each chamber.
⬇	
Final Budget	The final budget is known as the General Appropriations Act and is given a statutory law chapter number for that given calendar year.

Budget Concepts

The GAA contains language specifying how departments may spend their appropriations. Department's receive appropriations, which authorize a maximum amount that can be spent for the specific purpose identified and for a specific period of time, usually one fiscal year, from these appropriations, obligations (encumbrances) are incurred and expenditures made. No budgetary transactions or obligations can be made prior to the establishment of an appropriation account.

The accounting year opens to pre-encumbrance and other activity in May. Since the GAA values are generally uncertain by this point, House 1 is used as a placeholder to enable encumbrance activity. Once the GAA becomes law, the House 1 figures are backed out of MMARS, and replaced with the authorized GAA figures.

Once the GAA is approved, House 1 is backed-out and the GAA is loaded as the Original Budget amount. This amount is preserved and available on appropriation inquiries throughout the fiscal year. In the event where a supplemental budget is passed, this amount is loaded in the Amendments field, which updates the Current Modified Budget field, preserving the original budget values.

All monies collected by state departments are identified by a revenue source code. Revenues are classified for reporting purposes by category. The money received by a department can be either restricted or unrestricted.

Revenue
Unrestricted vs. Restricted

Department takes in revenue for programs within their department

Unrestricted Revenue	**Restricted Revenue**
Revenue is deposited into the General Fund (0010) unless otherwise established in law.	Revenue the department collects that is available for expenditures, as directed in law.
Example: VET takes revenue in for Program XYZ which is deposited into the General Fund (0010). The GAA does not specify that VET can retain this money to fund for a specific purpose or for deposit into an alternative fund.	**Example:** DSS takes revenue in for Program ABC which falls under the General Fund (0010). The GAA specifies that DSS can spend money to fund a program after the first $100,000.00 is collected. The first $100,000.00 received is deposited in the General Fund while additional amounts are kept by DSS to fund that program.

The Office of the State Comptroller (CTR) keeps the official records of the Commonwealth and to do this CTR uses a financial database known as MMARS - The Massachusetts Management Accounting and Reporting System.

Budget Structures

Budget structures consist of one to four budget levels that correspond to increasingly more detailed levels of budgeting in the structure. Each budget structure has its own attributes.

A budget level is part of a budget structure. Each budget structure must have at least one budget level. Each budget level is composed of one to many Chart of Account elements that are grouped together and define the individual budgets at that level.

An example of a typical appropriation established under the GAA and setup in the **Central Subsidiary Expense** structure, is made up of three levels:

- Level 1: BFY, Appropriation, Fund, Sub Fund
- Level 2: BFY, Appropriation, Fund, Sub Fund, Department
- Level 3: BFY, Appropriation, Fund, Sub Fund, Department, Object Class

MMARS budget levels are built at the lowest level and roll-up to the highest level. This allows tracking at the summarized (highest) level as well as at the more detailed lower levels. In this GAA example, the budget is appropriated at the subsidiary level (Object Class) and thus is loaded in MMARS to this level.

Budget structures define framework in which individual budgets are established, maintained, tracked, and controlled. Each budget structure is composed of budget levels that define the budget hierarchy of the structure.

The **Central Budget Structures** are established and maintained by ANF and CTR. Refer to the Central Budget Structures eLearning module for more information.
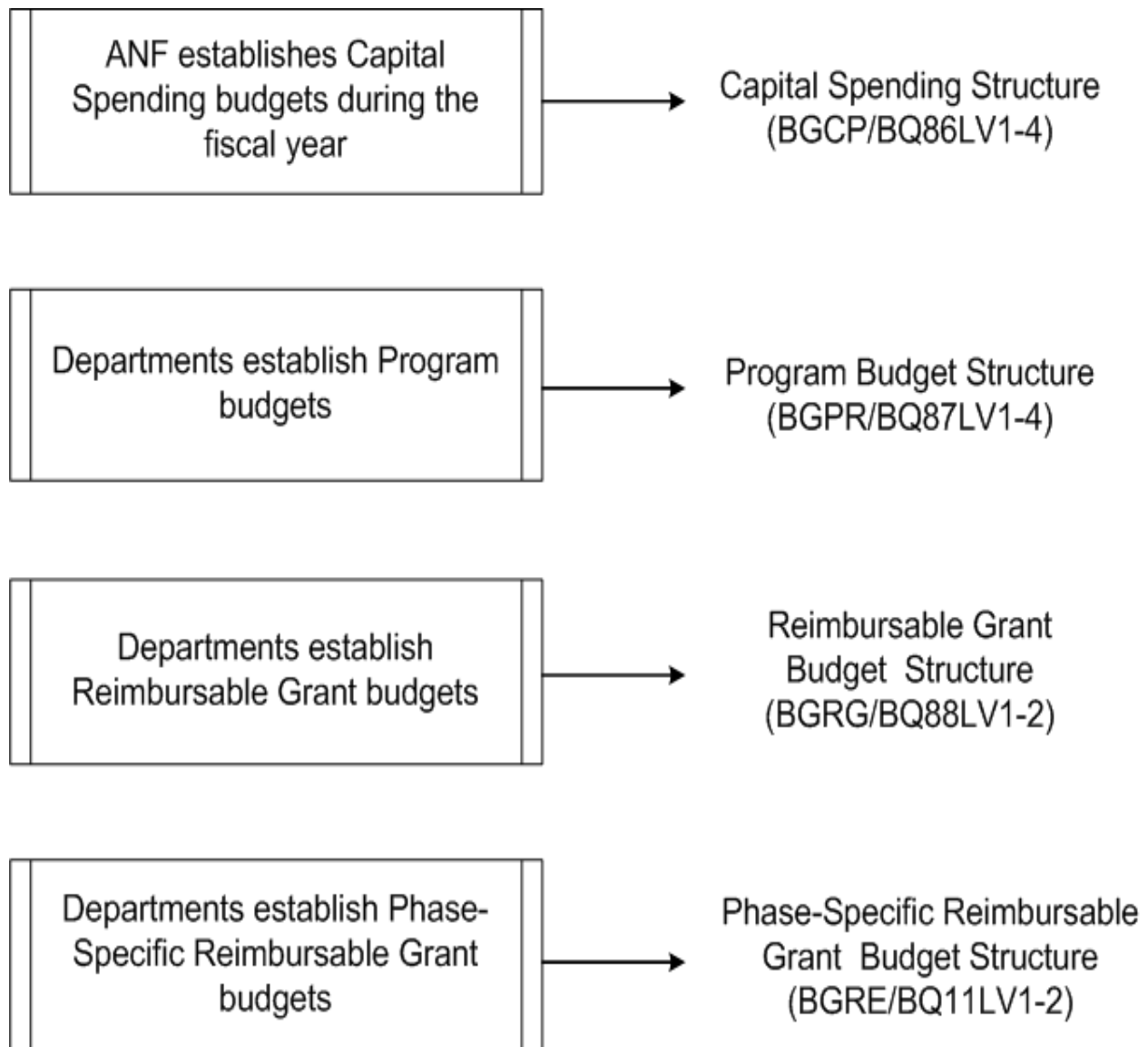
Central Subsidiarized Expense / Central Expense	Central Revenue Budget
ANF/CTR establishes the Central budgets when legislation is passed appropriating or authorizing spending. Central budgets will also be established in cases of approved federal or trust account spending.	CTR establishes revenue budgets at the beginning of the fiscal year while ANF populates the Original Revenue Budget figures in MMARS from department Spending Plans

The **Departmental Budget Structures** are established and maintained by departments who choose to track encumbrances, expenditures, and revenue at a more detailed level than available in the Central structures. Refer to the Departmental Budget Structures Overview for more information.

Departments establish departmental budgets in MMARS at the beginning of the fiscal year and modify throughout the year, as needed.

Departmental Expense
Departmental Subsidiary Expense

Departments must establish Unit codes and utilize, at a minimum, the Division roll-up when using departmental budget structures.

Departments establish departmental revenue budgets in MMARS at the beginning of the fiscal year and modify throughout the year, as needed.

Departmental Revenue Budget

Departments must establish Unit codes when using departmental revenue budgets.

The **Cost Accounting Budget Structures** are established and maintained by departments, except for the Capital Spending structure, which ANF maintains. Refer to the Cost Accounting Structures eLearning module for more information.
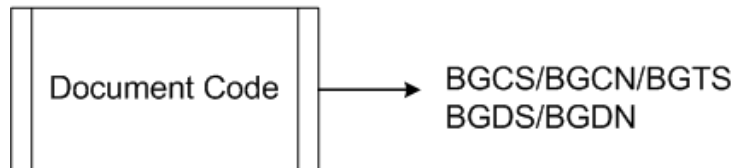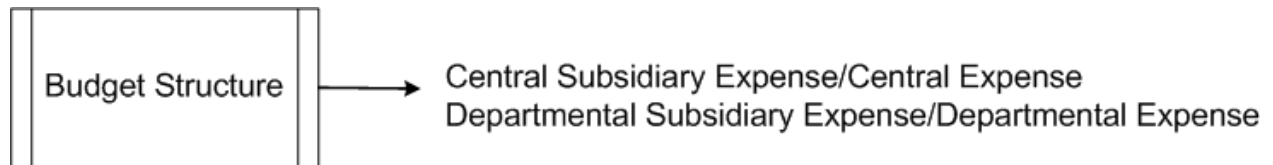
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┌─────────────────────────┐
│ ANF establishes Capital │
│ Spending budgets during the │ ──────▶  Capital Spending Structure
│ fiscal year             │          (BGCP/BQ86LV1-4)
└─────────────────────────┘


┌─────────────────────────┐
│ Departments establish Program │ ──────▶  Program Budget Structure
│ budgets                 │          (BGPR/BQ87LV1-4)
└─────────────────────────┘


┌─────────────────────────┐
│ Departments establish   │          Reimbursable Grant
│ Reimbursable Grant budgets │ ──────▶  Budget  Structure
│                         │          (BGRG/BQ88LV1-2)
└─────────────────────────┘


┌─────────────────────────┐
│ Departments establish Phase- │          Phase-Specific Reimbursable
│ Specific Reimbursable Grant │ ──────▶  Grant  Budget Structure
│ budgets                 │          (BGRE/BQ11LV1-2)
└─────────────────────────┘
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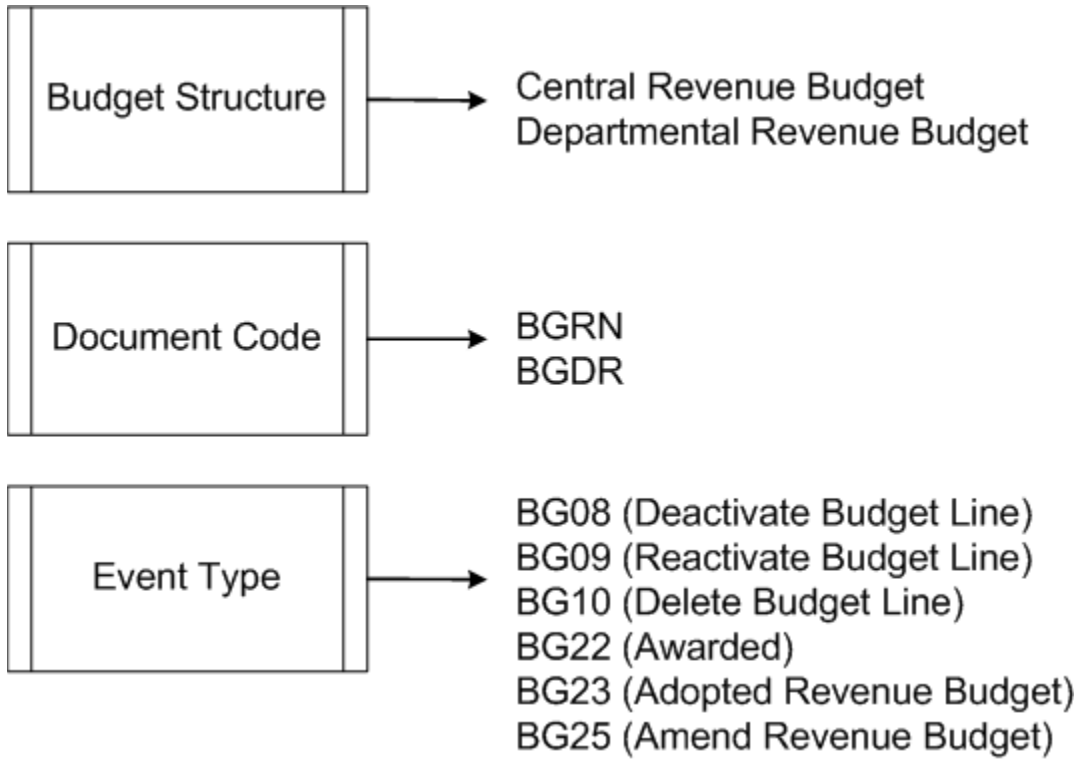
Event Types

The **Event Type** defines the type of activity you want to process within a document in a budget structure. For example, if you want to establish an Interdepartmental Service Agreement with another department and thus need to transfer money to another department within the Central Subsidiary Expense budget structure, you would choose the document code of BGCS and the Event Types of BG06 (Transfer In) and BG07 (Transfer Out).

Each budget structure has Event Types that allow departments to post different activities based upon the structure they are utilizing.
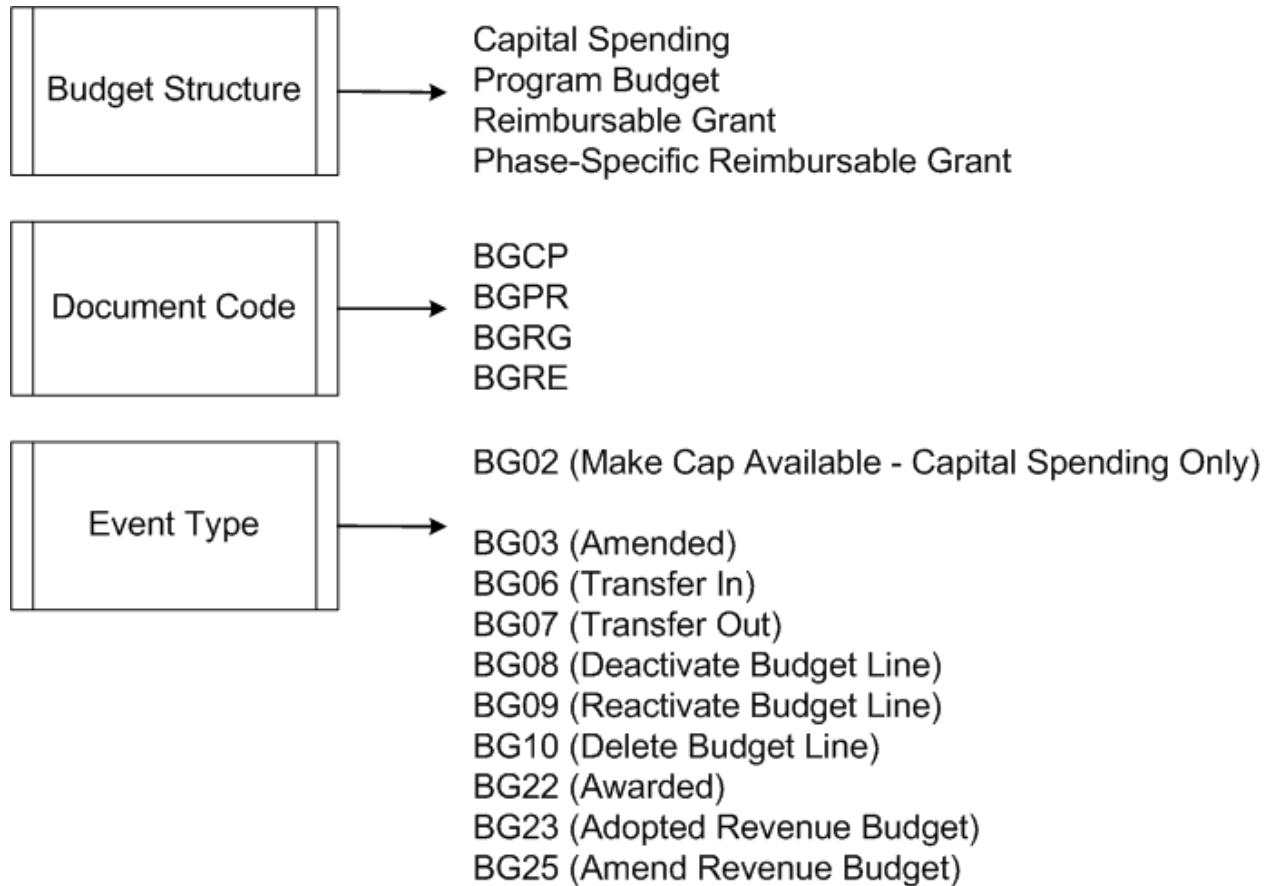
The Event Types for the Central and Departmental Structures are listed below, but note that not all event types will be available for department usage.

Budget Structure	→	Central Subsidiary Expense/Central Expense Departmental Subsidiary Expense/Departmental Expense

Document Code	→	BGCS/BGCN/BGTS BGDS/BGDN

Event Type	→	BG01 (Adopted) BG03 (Amended) BG04 (Carry Forward) BG05 (Balance Forward) BG06 (Transfer In) BG07 (Transfer Out) BG08 (Deactivate Budget Line) BG09 (Reactivate Budget Line) BG10 (Delete Budget Line) BG11 (Planned Savings) BG12 (Budgetary Estimated Receipts)

The **Central and Departmental Revenue** budget structure Event Type codes:

| Budget Structure | → | Central Revenue Budget
Departmental Revenue Budget |

| Document Code | → | BGRN
BGDR |

| Event Type | → | BG08 (Deactivate Budget Line)
BG09 (Reactivate Budget Line)
BG10 (Delete Budget Line)
BG22 (Awarded)
BG23 (Adopted Revenue Budget)
BG25 (Amend Revenue Budget) |

Event Types for the Cost Accounting Structures:

Budget Structure	→	Capital Spending Program Budget Reimbursable Grant Phase-Specific Reimbursable Grant
Document Code	→	BGCP BGPR BGRG BGRE
Event Type	→	BG02 (Make Cap Available - Capital Spending Only) BG03 (Amended) BG06 (Transfer In) BG07 (Transfer Out) BG08 (Deactivate Budget Line) BG09 (Reactivate Budget Line) BG10 (Delete Budget Line) BG22 (Awarded) BG23 (Adopted Revenue Budget) BG25 (Amend Revenue Budget)

Appropriation Types

Appropriation Types are used to classify all accounts based on certain fund sources and processing attributes. MMARS will allow many controls to be established by appropriation type. Appropriation type is a roll-up of appropriation and may become a vehicle for summarizing activity.

Appropriation Types in MMARS:

- 1CN (Central Expense, Non-Subsidiarized)

- 1CS (Central Expense, Subsidiarized)

- 1RN (Retained Revenue, Non-Subsidiarized)

- 1RS (Retained Revenue, Subsidiarized)

- 1IN (Intergovernmental, Non-Subsidiarized)

- 1IS (Intergovernmental, Subsidiarized)

- 2CN (Capital)

- 3TN (Trusts)

- 3TX (Higher Education Trusts)

- 4FN (Grants)

Multi-Dimensional Budgeting

MMARS provides for multi-dimensional budgeting, meaning departments can budget at varying levels. The default is to budget at the appropriate department level. If more departmental control is necessary, a department can choose to budget by division or district. This requires advanced cost accounting setup, however. In the Program Budget structure, departments may budget to the program level, which also requires cost accounting set-up. Program level budgeting may span across multiple appropriation account numbers, allowing departments to track all activity in MMARS. Program budgets are also not fiscal year specific and can span multiple fiscal years.

Chart of Account

Each MMARS Chart of Account element has four roll-ups, two of which are defined centrally and two that are defined by the department. Roll-ups are inferred when the primary element is coded on the transaction. This allows the activity posted to be aggregated by the roll-up feature.

An example of a primary Chart of Account category, which has roll-ups associated with it, is the Organizational Chart of Account. MMARS gives departments the opportunity to better define their organization.

In MMARS, department and unit will need to be coded on each transaction. Each unit may be associated with roll-ups (Division, Group, Section, District, Bureau), which will be inferred when the department and unit codes are entered on a transaction and this information can be used for reporting purposes.

Organizational Chart of Account Example:
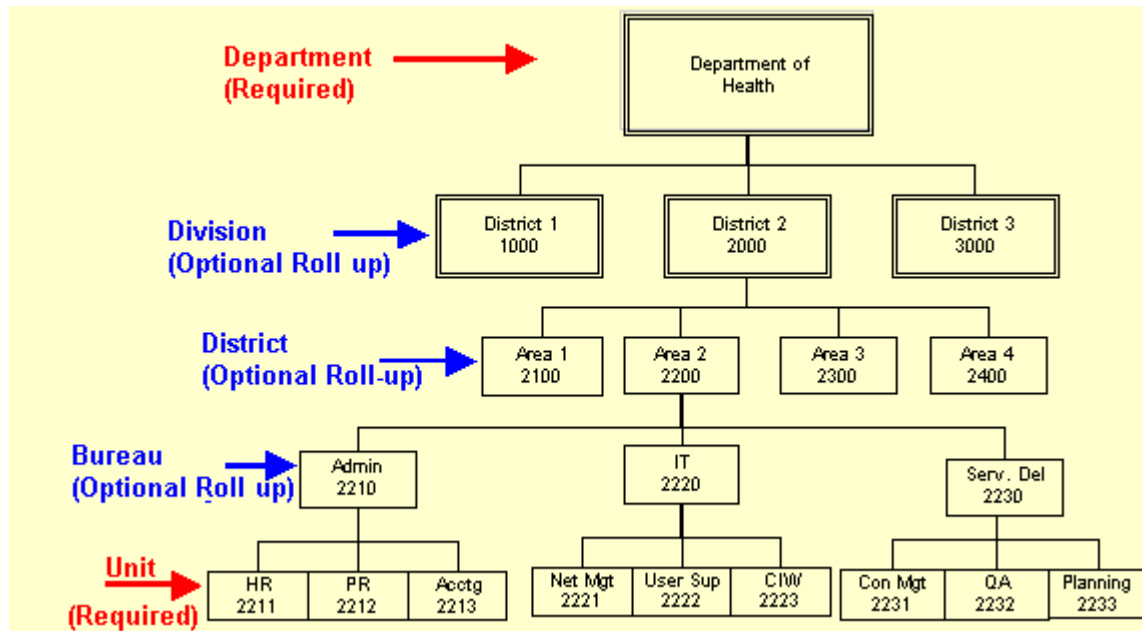
MMARS provides departments with the ability to record their financial activity in a variety of ways. The Chart of Account data elements are the foundation of the financial management system. The elements within the Chart of Accounts need to be established prior to any fiscal year budgetary transactions.

Chart of Account elements define levels of detail associated with the activity being recorded. At their lowest level, Chart of Account elements are primary elements and are coded on the accounting line of a transaction. Sub-ordinate elements (sub-activity, sub-unit) may also be coded on the transaction, if a department opts to use such features and has entered them as valid features for their department.

A carefully defined Chart of Accounts will allow departments to address all of their reporting needs - planning, budget control, financial reports, and reporting. Using its coding structure, departments can produce financial reports through the Commonwealth's Information Warehouse (CIW).

Many Chart of Account elements allow roll-ups of data. Most (except organizational ones) use the elements of class, category, group, and type. These roll-ups are independent of each other and departments can define and use them as they wish to best meet their department reporting needs. Some elements, such as fund, object, and activity, also have roll-ups that can be used for the Comprehensive Annual Financial Report (CAFR) and various other reporting purposes.

For statewide elements, all of the roll-ups are defined centrally. For departmental elements, generally two roll-ups are centrally defined and two are departmentally defined. Since roll-ups
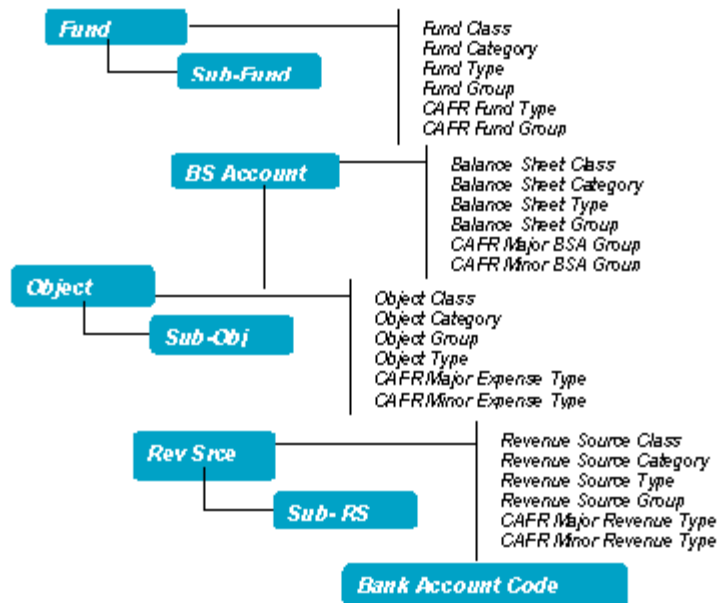
post to the journals, they should be established at the beginning of the fiscal year and kept consistent throughout the year. Changing them during the year will increase the difficulty of accurate full year reporting. New values and associated roll-ups can be added during the year if new programs or functions are added after the start of the fiscal year.

Fund Accounting

Certain fields within the Chart of Account categories are centrally defined for departments. The **Fund Accounting** elements are defined by CTR and support statewide accounting for encumbrances and expenditures. Most of the roll-ups are inferred from required data elements rather than entered on each document.

Fund Accounting Chart of Account Elements

(All Elements Centrally Defined)

Fund
Sub-Fund
- Fund Class
- Fund Category
- Fund Type
- Fund Group
- CAFR Fund Type
- CAFR Fund Group

BS Account
- Balance Sheet Class
- Balance Sheet Category
- Balance Sheet Type
- Balance Sheet Group
- CAFR Major BSA Group
- CAFR Minor BSA Group

Object
Sub-Obj
- Object Class
- Object Category
- Object Group
- Object Type
- CAFR Major Expense Type
- CAFR Minor Expense Type

Rev Srce
Sub- RS
- Revenue Source Class
- Revenue Source Category
- Revenue Source Type
- Revenue Source Group
- CAFR Major Revenue Type
- CAFR Minor Revenue Type

Bank Account Code

Budget Element

The **Budget Elements** are established centrally for all departments. The financial system relies on the GAA and the accounts specified therein. MMARS supports aggregation of appropriation data using reference tables. All Elements are centrally defined.

Budget Chart of Account Elements
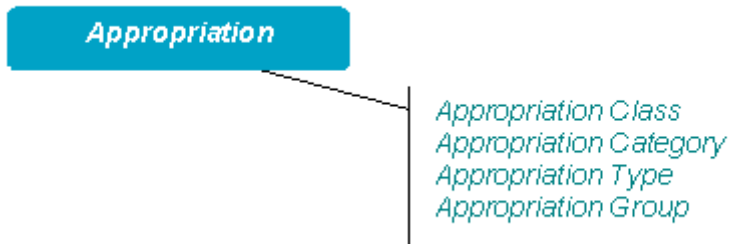
Organizational

The **Organizational** elements reflect the structure of state government and provide departments with the ability to define their organization in ways that are appropriate to their business. Secretariats may recommend how to define the unit and roll-up structure for its departments. Department is defined centrally. Departments can define Unit and roll-ups.

Organizational Chart of Account Elements
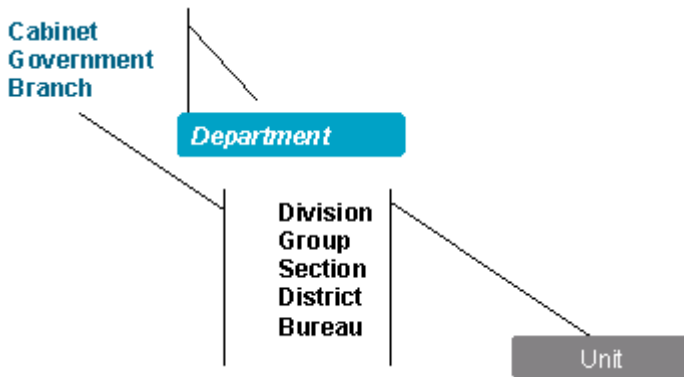
Cost Accounting

The **Cost Accounting** elements allow departments to code transactions with data elements that are meaningful to managerial decision-making at the department, secretariat or statewide levels. The Cost Accounting elements are used to account for federal grants and capital projects. Major program must exist before program, phase and task can be entered.
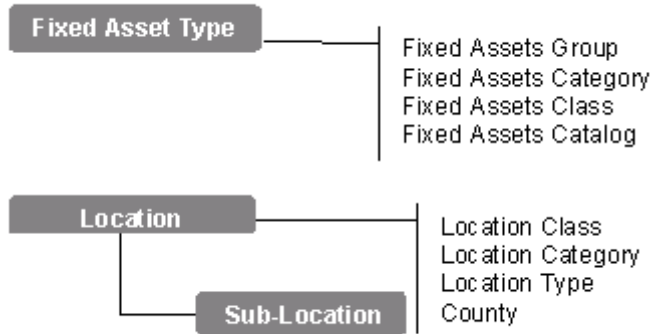
Cost Accounting Chart of Account Elements
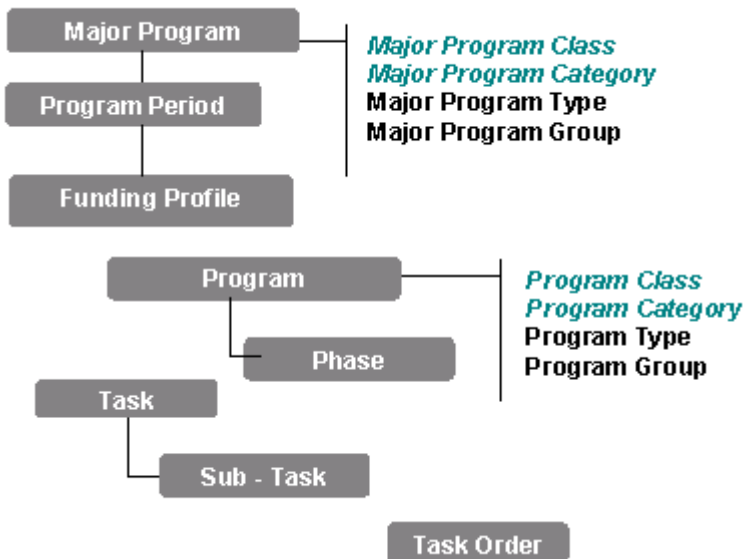
Fixed Assets

Fixed Assets are long-term, tangible assets held for use and not expected to be converted to cash in the current or upcoming fiscal year. This category tracks and reports the Commonwealth's physical resources such as land, buildings, infrastructure, equipment and vehicles from acquisition through disposition. Location is an attribute of fixed assets, but can be used by departments to record information about personnel and programs.
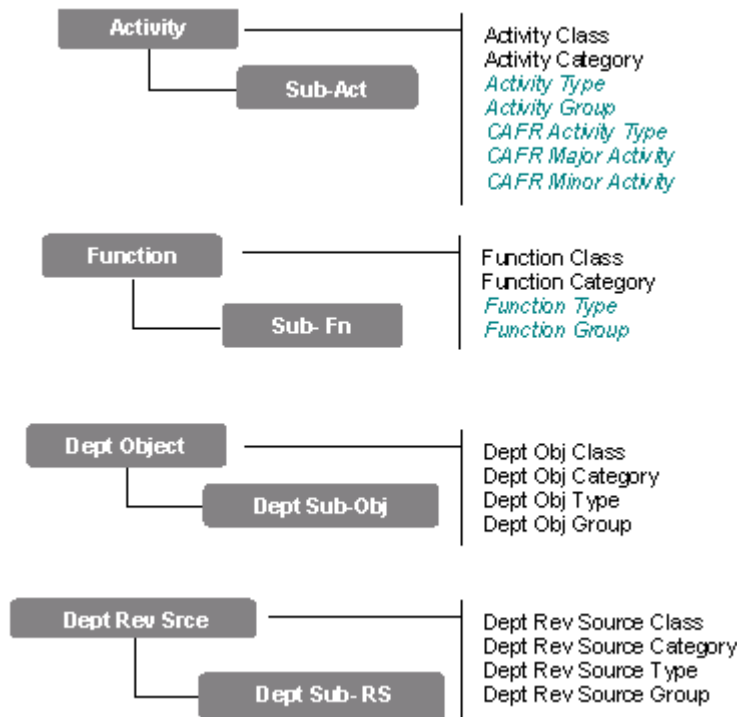
Fixed Assets Chart of Account Elements (Departments can define all elements.)

Fixed Asset Type
- Fixed Assets Group
- Fixed Assets Category
- Fixed Assets Class
- Fixed Assets Catalog

Location / Sub-Location
- Location Class
- Location Category
- Location Type
- County

Detail Accounting

Detail Accounting elements supply default information in fields where you have set up this functionality. These codes make it easier for you to work on documents because you do not have to enter all of the information directly. All codes are inferred from master tables at the time of document processing and are stored in the ledger along with the detail coded on the document. For example, when you use a fund and sub fund, a specific bank code may be defaulted.

Detail Accounting Chart of Account Elements (All Elements in Teal and Italic are Centrally Defined; Departments can define all other elements.)

Activity / Sub-Act
- Activity Class
- Activity Category
- *Activity Type*
- *Activity Group*
- *CAFR Activity Type*
- *CAFR Major Activity*
- *CAFR Minor Activity*

Function / Sub-Fn
- Function Class
- Function Category
- *Function Type*
- *Function Group*

Dept Object / Dept Sub-Obj
- Dept Obj Class
- Dept Obj Category
- Dept Obj Type
- Dept Obj Group

Dept Rev Srce / Dept Sub-RS
- Dept Rev Source Class
- Dept Rev Source Category
- Dept Rev Source Type
- Dept Rev Source Group

Commodity

The **Commodity** element enables users to consistently classify the products and services they buy and sell. There are commodity codes for services as well as goods. Operational Services Division (OSD) provides the standard for these codes and they will be defined based on international standards (UNSPSC - United Nations Standard Products and Service Code).

Commodity Chart of Account Elements (All Elements are Centrally Defined.)
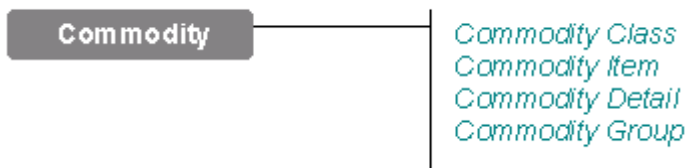
For more detailed information complete the [Statewide Learning Budget modules](#).