

Nonappropriation of Funds Notices

Since the State is experiencing many budget cuts, we are providing some guidelines that would apply to contracts that may need to be reduced or canceled for Nonappropriation of Funds. Below are guidelines for state agencies to notify a Contractor.

1. First Option

A. **Telephone Call:** Call the Contractor and discuss with them the State's need to reduce or cancel the funds on a contract. A phone call gives the Contractor a "Heads up" and helps to keep a good relationship with the Contractor.

B. **Notice Letter:** Prepare and send an official letter to the Contractor informing them about the reduction or cancellation, and state the date when the action will be effective. Most contracts require a thirty day notice to reduce purchases or to cancel the contract due to Nonappropriation. The agency should send the letter Certified Mail with a Return Receipt to the corporate offices of the Contractor. Some contracts specify addresses to send official notices.

C. **Notice to State Purchasing:** Send a copy of the Notice Letter to State Purchasing, for contracts that require our approval. State Purchasing will keep a copy with the contract files, and will update Finet with the appropriate changes.

D. **Reduction - Amendment:** When reducing the funding for the contract, the agency may want to prepare and send an Amendment to the Contractor to reduce the funds. Processing an Amendment addresses the changes in writing with signatures from both parties. The Notice Letter will set the Effective Date for the reduction, regardless of the date an Amendment is processed.

2. Second Option

A. **Notice Letter:** Prepare and send an official letter to the Contractor informing them about the reduction or cancellation, and state the date when the action will be effective. Most contracts require a thirty day notice to reduce purchases or to cancel the contract due to Nonappropriation. The agency should send the letter Certified Mail with a Return Receipt to the corporate offices of the Contractor. Some contracts specify addresses to send official notices.

B. **Notice to State Purchasing:** Send a copy of the Notice Letter to State Purchasing, for contracts that require our approval. State Purchasing will keep a copy with the contract files, and will update Finet with the appropriate changes.

C. **Please Note:** It may be preferable to also talk with the Contractor regarding the changes to keep a good working relationship with the Contractor.

3. **Requirements Contracts:** If the contract does not have a specific commitment on the amount the agency will spend, then no notice would be needed, unless the agency wants to specifically cancel the contract. The agency can choose to spend less or to not purchase any supplies or services on a Requirements Contract.