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TO: All State Government Organizational Entities

FROM: John E. Chilton, State Budget Director
Janice Tomes, Deputy State Budget Director  5-13-16

DATE: May 13, 2016

SUBJECT: Request for Allotment Process for Fiscal Year 2016-17

INTRODUCTION

To initiate the operating budget execution activities for fiscal year 2017, which begins July 1, 2016, the Commonwealth engages in the Request for Allotment process. KRS 48.610 requires a schedule of quarterly allotments of appropriations for each fiscal year. This process will be done electronically through the use of the enhanced Management Administrative Reporting System (eMARS), specifically the KBUD software.

eMARS opens a future fiscal year to post fiscal year 2016-17 appropriations and allotments in time to facilitate other new fiscal year eMARS activities, such as the loading of new year contracts. To meet that timeline, agencies must submit their Request for Allotments for fiscal year 2016-17 no later than June 1, 2016. The enacted appropriations are the basis for this process.

GENERAL INFORMATION ON THE REQUEST FOR ALLOTMENT PROCESS

The Executive branch appropriation amounts for which a Request for Allotment is made will reflect the amounts contained in House Bill 303, HB 10 and House Bill 304 from the 2016 Session of the General Assembly. The Legislative Branch appropriation amounts are included in House Bill 499, and the Judicial Branch amounts are in House Bill 306. Any questions regarding appropriation levels should be directed to your respective Policy and Budget Analyst in the Governor's Office for Policy and Management (GOPM).

Pursuant to KRS Chapter 48, information furnished on the General Fund Request for Allotment forms will reflect the five object type expenditure codes. These "Principal Budget Classes," as defined in KRS 48.010, are as follows:

- A. **Personnel Costs (1)** – means the salaries, wages, benefits (including, but not limited to, employer share of FICA, retirement contributions, insurance, unemployment insurance, workers' compensation), and increments of all officers and employees, and payments to persons awarded personal services contracts.
- B. **Operating Expenses (3)** – means expenditures directly attributable to the operation of state government not otherwise classified here.
- C. **Grants, Loans, Benefits (4)** – means expenditures for any grant, aid, loan, or relief payment to individuals, organizations, or jurisdictions not otherwise classified here.
- D. **Debt Service (5)** – means the amount of money required to pay the interest, principal, and required contributions to accumulate moneys for the future retirement of lawfully incurred debt.
- E. **Capital Outlay (6)** – means the exchange of values involved in acquiring lands, buildings, or other permanent properties, or in their construction, development or permanent improvement estimated to cost greater than five thousand (\$5,000) and less than six hundred thousand dollars (\$600,000), and items of equipment or other capital items estimated to cost less than two hundred thousand dollars (\$200,000).

Agencies are also required to fill out the Request for Allotment forms using all five Principal budget classes for the General Fund only. The allotments by the Principal budget classes are annual amounts. Agencies will not be required to allot to the five Principal budget classes in non-General Fund accounts.

USING KBUD FOR THE PREPARATION AND SUBMISSION OF REQUESTS FOR ALLOTMENT FOR FISCAL YEAR 2016-17

The KBUD 2017 Budget Execution forms will be available beginning May 16, 2016. Users experiencing difficulties with accessing KBUD should contact the KBUD Administrators at KBUDAdministrators@ky.gov.

1. **Entry of Allotment Requests for Fiscal Year 2016-17** – Allotment requests for the Operating Budget will be entered by agencies into the KBUD software. The KBUD form

that agencies will use to enter the allotment request information is: Code, "17_AL_Original" and Name, "FY17 Allotment Request".

- 2. Budgetary Control Treatment of Encumbrances** -The timing of encumbrances is not an element to consider in determining the quarterly amount of allotments. Budget availability for transactions that create encumbrances within eMARS will check against the full fiscal year's unobligated allotment balance. In this case, unobligated allotment balance means total fiscal year allotments minus accrued expenditures minus cash expenditures minus encumbrances. The quarterly allotment amounts should represent an estimate of an agency's expenditure pattern across the four quarters, without any influence from the anticipated timing of encumbrances.
- 3. Quarterly Allotment Amounts and Payroll Timing** - Information on past quarterly expenditure patterns is available through reports from infoAdvantage, the eMARS Allotment Program Inquiry (BQ3LV2), or through FAS³ (Financial Analysis System³). The timing of payrolls for fiscal year 2016-17 will be the same as in fiscal year 2015-16: three payrolls in July (with two full months of health insurance included), two payrolls in the months of August through May, and one payroll in June (no health insurance at all in June). Please incorporate this timing into your quarterly allotment requests.
- 4. Tobacco Settlement – Phase I Funds** – Agencies with appropriations from this source should request quarterly allotments similar to past fiscal years. To the extent feasible, allotments for Health Care Improvement and Rural Development programs should be oriented to the end of the fiscal year. Please consult your Policy and Budget Analyst if you have any questions.

Please consult with your Policy and Budget Analyst if you have any questions about the Request for Allotment process.