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TO: All State Government Organizational Entities

FROM: Mary E. Lassiter *met*
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DATE: May 1, 2008

SUBJECT: Request for Allotment Process for Fiscal Year 2008-2009

INTRODUCTION

To initiate the budget execution activities for fiscal year 2009, which begins July 1, 2008, the Commonwealth needs to engage in the traditional financial management activity known as the Request for Allotment process. KRS 48.610 requires a schedule of quarterly allotments of appropriations for the upcoming fiscal year. This process will be done electronically through the use of the enhanced Management Administrative Reporting System (eMARS), specifically the Budget Reporting and Analysis Support System (BRASS) software.

eMARS has the ability to open a future fiscal year and the Commonwealth plans to be prepared to load fiscal year 2008-09 appropriations and allotments into eMARS 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 2008-09 no later than June 6, 2008.

FISCAL ENVIRONMENT

Most fiscal year 2008-09 General Fund appropriations have been reduced from the prior fiscal year level. Additional General Fund expenditure reductions enacted by the 2008 Session of the General Assembly are required to balance the budget. Further information will be forthcoming on that requirement soon. It will be imperative that the quarterly allotment amounts reflect estimated expenditure patterns. Concentration of General Fund allotments in the earlier fiscal quarters will be scrutinized and not permitted without compelling justification.

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 406 from the 2008 Regular Session of the General Assembly, as enacted and partially vetoed, and as amended by House Bills 410 and 514 from the 2008 Regular Session. The Legislative Branch appropriation amounts are included in House Bill 407, the Judicial Branch amounts are in House Bill 408. 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. The requested allotments for certain General Fund debt service amounts will be adjusted by the Governor's Office for Policy and Management as necessary.
- 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). Items in excess of the aforementioned amounts are deemed to be capital construction or major item of equipment and are governed by the provisions of KRS 45.750 – 45.800.

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 BRASS FOR THE PREPARATION AND SUBMISSION OF REQUESTS FOR ALLOTMENT FOR FISCAL YEAR 2008-09

The BRASS Budget Execution 2009 database will be available beginning May 2, 2008. BRASS users will need to access the Office of State Budget Director website (<http://www.osbd.ky.gov/BRASS.htm>) for instructions on downloading and saving a required

FY 2009 BRASS configuration file and Oracle configuration file. Agencies will be able to begin work in the BRASS Budget Execution fiscal year 2009 database on the day following the creation of a required password by users in the system.

1. **Entry of Allotment Requests for Fiscal Year 2008-09** – Allotment requests for the Operating Budget will be entered by agencies into the BRASS software. Agencies should use the “BudExec2009” database when logging into BRASS.
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** - Information on past quarterly expenditure patterns is available through reports from infoAdvantage, the Management Reporting Database (MRDB), the eMARS Allotment Program Inquiry (BQ3LV2), the MARS Allotment Inquiry (EAL2), or through FAS² (Financial Analysis System²).
4. **Tobacco Settlement – Phase I Funds** – Agencies with appropriations from this source should request quarterly allotments similar to past fiscal years. Please consult your Policy and Budget Analyst if you have any questions.

REQUIREMENTS ON INTERIM APPROPRIATION CHANGES

The process for interim appropriation changes for Restricted and Federal funds are governed by KRS 48.630 and section two of Part III, General Provisions in HB 406 (the Executive Branch Appropriation Act, pp. 187-189).

If receipts received or credited to the Restricted Funds accounts or Federal Funds accounts of a budget unit during fiscal year 2008-2009 or fiscal year 2009-2010, and any balance forwarded to the credit of these same accounts from the previous fiscal year, exceed the appropriation made by specific sum for these accounts of the budget unit as provided in Part I, Operating Budget, of this Act, for the fiscal year in which the excess occurs, the excess funds in the accounts of the budget unit shall become available for expenditure for the purpose of the account during the fiscal year only upon compliance with the conditions and procedures specified in KRS Chapter 48, especially 48.630, and with the authorization of the State Budget Director and approval of the Secretary of the Finance and Administration Cabinet.

Any request made by a budget unit pursuant to KRS 48.630 to appropriate unbudgeted Restricted Funds or Federal Funds shall include documentation showing a comparative statement of revised estimated receipts by fund source and the proposed expenditures by proposed use, with the appropriated sums specified in the Budget of the Commonwealth,

and statements which explain the cause, source, and use for any variances which may exist. In BRASS this is the “Quarterly Revenue Revision Report.”

The schedule for Executive Branch quarterly appropriation change requests to GOPM is to submit written requests: (1) by June 15 for the 1st quarter; (2) by September 15 for the 2nd quarter; (3) by December 15 for the 3rd quarter; and (4) by March 15 for the 4th quarter.

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