

**2018-2020 BUDGET REQUESTS
BRIEFING INFORMATION
September 7, 2017**

BASELINE BUDGET REQUESTS

FY 2018 Budget Presentation in Budget Request

The FY 2018 Revised Budget should represent the revised appropriations by fund, including approved 1st and 2nd quarter Restricted and Federal fund appropriation increases. One exception is related to debt service. The FY 2018 General Fund and Tobacco Fund debt service shall be excluded from state agencies' display of FY 2018, with four exceptions: SFCC, Public Service Commission, Behavioral Health, and Teachers' Retirement System. This debt service will be displayed in the Finance and Administration Cabinet's budget.

<u>General Fund Example</u>	FY 2018	KBUD Code
Regular Appropriation – as loaded at beginning of FY 2018 less Debt Service	20,000,000	REGAPP
Special Appropriation – appropriations from bills other than biennial budget bill	1,500,000	SPEAPP
Continuing Appropriation – continued balance from end of FY 2017	100,000	CONGEN
Reorganization Adjustment – E.O.'s post enactment of 2016-18 budget bill	(2,500,000)	REORG
Mandated Allotments – Necessary government expense appropriations	1,000,000	MANDATE
TOTAL GENERAL FUND RESOURCES	20,100,000	

The Restricted or Federal funds FY 2018 expenditures can be less than the revised appropriation amounts based on updated agency estimates.

Baseline Budget Requests for FY 2019 and FY 2020

The 2018-20 Budget Instructions impose a maximum amount by Fund that can be requested for FY 2019 and FY 2020 in a Baseline Budget Request. That maximum amount is applicable only at the appropriation unit level. It does not have to be applied to every program or subprogram.

Baseline General Fund/Road Fund/Tobacco Fund Maximum Amounts for FY 2019 and FY 2020

The maximum amount is the same as the amounts in the FY 2018 General Fund grid above, except:

- Exclude Continuing Appropriation amounts
- Exclude Mandated Allotments (Necessary Government Expenses)

Other Baseline Budget Request Limitations for FY 2019 and FY 2020

Exclude any one-time grant allocations or discontinued programs.

The FY 2019 increased costs for Defined Calculations above FY 2018 may not be included in Baseline requests.

No expenditures that are required to be requested as an Additional Budget Request.

Restricted and Federal Baseline Budget Requests for FY 2019 and FY 2020

- The maximum amount is based on the FY 2018 enacted budget as revised by any 1st and 2nd quarter appropriation increases.
- Vacant positions as of August 1, 2017 may be included in a Baseline budget request. Total baseline positions shall not exceed personnel target (Cap).
- Exclude any one-time grant allocations or discontinued programs.

HISTORY

Changes to any Historical data should be identified as soon as possible. Any changes will be made by GOPM on the Historical Information Change forms. Most changes are necessary due to the need to spread Restricted and Federal Fund beginning cash balances among programs and subprograms, unavoidable splitting of converted chart of accounts or splitting of allotments within an agency's budget request program structure. Request history changes through your Policy and Budget Analyst.

The historical average of filled permanent full-time positions used in the A-5 forms for FY 2016 and FY 2017 will be provided at the appropriation unit level. Agencies will have to allocate those headcounts throughout the programs and subprograms.

For the two historical years, any salary and fringe benefit costs that were posted to an object code outside of the E111-E124 object codes due to cost allocation processes must be displayed using the E111-E124 object codes.

PERSONNEL RUNS AND THEIR USE IN THE 2018-20 BUDGET REQUEST PROCESS

The August 1, 2017 Snapshot of Filled Personnel Positions

The 2018-20 Budget Instructions limits the inclusion of personnel positions in the Baseline Budget Request to each appropriation unit's Personnel Target (Cap). Personnel data as of August 1, 2017 will be used for the development of salary and fringe benefit costs for Baseline Budget Requests and Defined Calculations Budget Requests.

Baseline Personnel – Funded Vacant Positions

Baseline budget requests may include funded, vacant positions that are within an appropriation unit's Personnel Target (Cap). GOPM will provide you with a listing of filled positions from the August 1, 2017 snapshot and a spreadsheet template and instructions for you to communicate necessary information on which vacant positions to include in the Baseline Personnel Runs. These instructions will include fairly short deadlines. In completing the A5 form for Baseline Budget Request reflect funded, vacant positions as "Vacant" in the FY 2017-18 columns, and "Filled" in the FY 2018-19 and FY 2019-20 columns.

Baseline Personnel Runs

The Baseline Personnel Runs include the salary and fringe benefit costs of filled positions as of August 1, 2017 plus funded, vacant positions, as selected by each agency, for FY 2018, 2019 and 2020. Total of filled and vacant positions shall not exceed the personnel target. The Baseline Personnel Runs for FY 2019 and FY 2020 include no salary or fringe benefit increases for FY 2019 and FY 2020. Those increases are included in the Defined Calculations Personnel Runs (see below). This information is used to assist in displaying FY 2018's revised budget and to provide the maximum amounts for salary and fringe benefits in a baseline budget request for FY 2019 and FY 2020. This information must match the salary and fringe benefit costs for FY 2019 and FY 2020 on the A-5 baseline budget request report.

NEW: Defined Calculations Personnel Runs – 1% salary increment

The 2018-2020 Budget Instructions set the salary increment rate at 1%. Defined calculation personnel runs will include the same position data as the baseline personnel run including filled and vacant positions within the personnel target.

Defined calculation personnel runs will include increases for salary and fringe for 1% salary increment, employer retirement contribution, employer health insurance and employer life insurance. (Referenced on p. 59)

Retirement Systems Employer Contribution Retirement Rates:

The Rates to be used for the Defined Calculations-Employer Retirement Contribution or “full ARC” as compared to FY 18 are:

	FY 18	FY 19	FY 20
KERS Non-hazardous	49.47%	84.06%	84.06%
KERS Hazardous	23.70%	41.12%	41.12%
State Police	91.24%	154.10%	154.10%

Health Insurance Employer Contribution Premium Increases:

Health insurance premiums will increase by 2% for calendar years 2019 and 2020 for Defined Calculations Budget Request.

The A-5 Personnel Positions Record

For FY 2019 and FY 2020, the A-5 dollar amounts should match the Baseline Personnel Run totals. The exception to that rule is how each agency budgets for part-time and interim positions. The Baseline Personnel Run includes a general assumption of 50% of full-time hours for part-time positions and 75% of full-time hours for interim positions. Agencies may adjust those components of the Baseline Personnel Run amounts. The FY 2018 display of salary and fringe benefits on the A-5 may differ from the Baseline Personnel Runs since a portion of the fiscal year has already passed.

Personnel Target (Personnel Cap)

Agency/Appropriation unit FY 2018 Personnel Caps are the same as the FY 2017 Personnel Caps with a few exceptions. The only application that a Personnel Target has in the budget request process is establishment of maximum number of positions that can be included in baseline budget request. Position needs that exceed the personnel target must be requested in an additional budget request.

FEDERAL ASSISTANCE (GRANTS)

The federal grant award information is no longer included in the budget form. It is now one of the Grant Dimension fields. The budget form now asks for the same information as the E-Restricted Funds form (Balance, Receipts, Expenditures).

CAPITAL PROJECTS

Capital Projects – Impact on Operating Budget

The 2018-2020 Budget Instructions requires an estimate, for the first five years of operations, of the impact of the project on the agency’s Operating Budget if it is funded. The 6-Year Capital Plan did not require all of the data necessary to populate this form so only the data available from the 6-Year Plan is pre-populated. Please make sure both expenditure/cost elements and fund source data is included.

Capital Projects-Reauthorization Limitation

There is a limitation on requesting reauthorization for a capital project. Any project that has been appropriated by the General Assembly for two consecutive biennial budgets shall not be requested again as a reauthorized project. It must be requested as a new project which shall not rely on past appropriations. This primarily impacts Military Affairs, Parks, and

the Postsecondary Education institutions. All previously authorized General Fund bond funded projects do not require reauthorization as they are under plan of finance.

Capital Leases – Not in the 6-Year Capital Plan

Reminder: agencies need to add all capital leases to the capital budget requests as they are not in the 6-Year Capital Plan data. A capital lease is a lease with an annual cost of \$200,000 or more. It must be in the capital budget to be properly authorized.

RETIREMENT CONTRIBUTION EXHIBITS – Exhibit 3A and Exhibit 3B

The 2018-2020 budget instructions include a requirement to submit two new exhibits for employer retirement contributions to any public retirement system. Use exhibit 3A to report historic and baseline data and exhibit 3B to report increases in retirement contributions for defined calculations. Prepare both exhibits at the appropriation unit level with a Cabinet level rollup. Prepare a separate excel workbook with separate tabs for Cabinet and each appropriation unit for each exhibit. Submit this data in hard copy with the budget request and email to your policy and budget analyst.

Exhibit 3A includes employer retirement contributions made based on regular wages ONLY and should not include supplemental payments (supplemental wages or payments, termination payouts for sick or annual leave and spiking payments). FY 2019 and FY 2020 amounts must agree with the baseline personnel run. Historic data will need to be gathered from the eMARS reporting PERS universe to acquire data by retirement system and to exclude supplemental payments.

OSBD will create a statewide reporting tool that will be made available to each agency in EBI. Agencies will use this data in conjunction with eMARS expenditure by fund data from the general accounting universe to complete Exhibit 3A.

Exhibit 3B reports increases in employer retirement contributions for defined calculations. Amounts on the exhibit for FY 2019 and FY 2020 must agree with defined calculations personnel run.

OTHER REMINDERS

A-4 Baseline Narrative

- Legal citations should be detailed and comprehensive including constitutional provisions, state statutes, federal statutes, rules, regulations, and administrative or judicial orders.
- Agencies that received additional appropriations in 2016-18 enacted budget – requirement to provide data for level of activities/services budgeted and accomplished.
- Identification of significant changes, including reorganizations, by fiscal year that have occurred or will occur. Changes should also include, but are not limited to, current activities or services, which are abolished, restructured, or substantially altered in baseline budget.

A-5 Source of Funds

- Exclude overtime and compensatory time salary costs and associated fringe benefits. This applies to actual, budgeted and requested years (all five years).

Restricted Funds Record – Record E

- Fund Source Data and Restricted Funds Description include what was previously included in the 2016-18 budget request.
- Review and update ALL data.

Federal Funds Record – Record G

- Review and update ALL data.

Defined Calculations

- Defined Calculations Budget Requests must be assigned priority ranking of “1”
- Priority Ranking Summary Record “P report” should display one summarized Defined Calculations request per appropriation unit
- As Defined Calculation items are finalized, they will be posted on the Kentucky Budgeting System page of the Office of State Budget Director’s website: <https://osbd.ky.gov/Pages/KBUD-Information.aspx>

SUBMISSION OF BUDGETS

Budget Requests are due to OSBD/LRC by November 1.

Format and Quantities:

§ Budget Request Format and Copies

§ 1 Printed Copy to OSBD with Official Submission Letter

§ 3 Printed Copies to LRC with Official Submission Letter

§ A-6 Budgeted Record (Personnel Runs) – scanned PDF to both OSBD and LRC

“Final” Budget Request – Searchable PDF format

Revised, final agency budget requests (once the corrections and revisions process has concluded) will be provided to the Office of State Budget Director and the LRC Office of Budget Review in a searchable PDF format. The Xerox “Managed Print” devices have the capability to scan in a searchable PDF format. Agencies should execute this requirement once you and your Policy and Budget Analyst have determined that the agency budget request is final.