

DRAFT
2020-2022 BUDGET REQUESTS
BRIEFING INFORMATION
August 27, 2019

BASELINE BUDGET REQUESTS

FY 2020 Budget Presentation in Budget Request

The FY 2020 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 2020 General Fund and Tobacco Fund debt service shall be excluded from state agencies' display of FY 2020, with three exceptions: SFCC, 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 2020	KBUD Code
Regular Appropriation – as loaded at beginning of FY 2020 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 2019	100,000	CONGEN
Reorganization Adjustment – E.O.'s post enactment of 2018-20 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 2020 expenditures can be less than the FY 2020 revised appropriation amounts based on updated agency estimates.

Baseline Budget Requests for FY 2021 and FY 2022

The 2020-22 Budget Instructions impose a maximum amount by Fund that can be requested for FY 2021 and FY 2022 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. Agencies shall not shift appropriations from any fund source between appropriation units.

Baseline General Fund/Road Fund/Tobacco Fund Maximum Amounts for FY 2021 and FY 2022

The maximum amount is the same as the amounts in the FY 2020 General Fund grid above, except:

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

Other Baseline Budget Request Limitations for FY 2021 and FY 2022

Exclude any one-time grant allocations or discontinued programs.

The FY 2021 increased costs for Defined Calculations above FY 2020 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 2021 and FY 2022

- The maximum amount is based on the FY 2020 enacted budget as revised by any 1st and 2nd quarter appropriation increases.
- 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 2018 and FY 2019 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 2020-22 BUDGET REQUEST PROCESS

The August 1, 2019 Snapshot of Filled Personnel Positions

The 2020-22 Budget Instructions limits the inclusion of personnel positions in the Baseline Budget Request to filled positions as of August 1, 2019, that fall within each appropriation unit's Personnel Target (Cap). Personnel data as of August 1, 2019 will be used for the development of salary and fringe benefit costs for Baseline Budget Requests and Defined Calculations Budget Requests.

Baseline Personnel Runs – Baseline Budget Request

The Baseline Personnel Runs include the salary and fringe benefit costs of filled positions, within the personnel target, as of August 1, 2019 for FY 2021 and 2022. Personnel costs for filled positions within the personnel target shall be included in Baseline Budget Request before any other costs are included. The Baseline Personnel Runs for FY 2021 and FY 2022 include no salary or fringe benefit increases for FY 2021 and FY 2022. Those increases are included in the Defined Calculations Personnel Runs (see below). This information is used to assist in displaying FY 2020's revised budget and to provide the maximum amounts for salary and fringe benefits in a baseline budget request for FY 2021 and FY 2022. This information must match the salary and fringe benefit costs for FY 2021 and FY 2022 on the A-5 baseline budget request report.

Defined Calculations Personnel Runs – 1% salary increment

The 2020-2022 Budget Instructions set the salary increment rate at 1%. Defined calculation personnel runs will include the same position data as the baseline personnel run, filled positions within the personnel target. Defined calculation personnel runs will include increases for salary and fringe for 1% salary increment, employer retirement contribution, and employer health insurance. (Referenced on p. 61)

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 20 are:

	FY 20	FY 21	FY 22
KERS Non-hazardous	83.43%	89.37%	89.37%
KERS Hazardous	36.85%	37.44%	37.44%
State Police	146.28%	153.96%	153.96%

Health Insurance Employer Contribution Premium Increases:

Health insurance premiums will increase by 3% fiscal years 2021 and 2022 for Defined Calculations Budget Request.

The A-5 Personnel Positions Record

For FY 2021 and FY 2022, 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 2020 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 2020 Personnel Caps are in the process of being set. We will include the FY20 Personnel Cap on OSBD website once completed. 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 for filled positions and growth budget request for vacant positions. Position needs that exceed the personnel target must be requested in an additional budget request.

ADDITIONAL BUDGET REQUEST

Any request for additional funding for FY 2019-2020, regardless of fund source, must receive prior approval from OSBD before including in 2020-2022 biennial budget request.

Growth Budget Request

Funding for vacant positions that are necessary to provide services within the current program scope must be requested in Growth Additional Budget Request. Total of filled positions in baseline and vacant positions in growth shall not exceed personnel target. Growth Budget Request may also include requests for funding to maintain and continue FY 2019-20 levels of mandated services and activities that cannot be accommodated in Baseline 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 asks for the same information as the E-Restricted Funds form (Balance, Receipts, Expenditures).

CAPITAL PROJECTS

Capital Projects – Impact on Operating Budget

The 2020-2022 Budget Instructions require 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 Planning-Budgeting

- Projects costing \$1 million must be reviewed by Facilities and Support Services (see page 99).
- Agencies must provide the finalized detailed project plan for each Information Technology Capital Project Request to the Commonwealth Office of Technology for review and approval (see page 100).

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 2020-2022 budget instructions include a requirement to submit two 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 using the Excel document from the OSBD website. Prepare a separate excel workbook for each Cabinet with separate tabs for each appropriation unit for each exhibit (3A and 3B). Submit this data in hard copy with the budget request and via email to: retirement.exhibits@lrc.ky.gov and copy 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 2021 and FY 2022 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. Historic data on Exhibit 3A for FY 18 and FY19 should not exceed the amount on C-3 for E122.

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 2021 and FY 2022 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 2018-20 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.
- Significant variances in Operating Expenses and/or Capital Outlay for FY 2020-21 and FY 2021-22 over FY 2019-20 must be explained in detail.

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 2018-20 budget request.
- Review and update **ALL** data.

Federal Funds Record – Record G

- Review and update **ALL** data.

Defined Calculations Budget Request

- 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>

Additional Budget Request

- Additional Budget Requests must be assigned Cabinet-level and Agency-level priority ranking starting with “2”.
- Record “P Report” must contain page numbers.

Reorganizations

- Historical fiscal year records must be adjusted for comparative presentation.
 - Could require historic data changes.

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

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.

Strategic Plan Submission

KRS 48.810 requires submission of four-year Strategic Plan with the 2020-2022 biennial agency budget request no later than October 16, 2019. Submit electronic version of Strategic Plan to Phil Rosell and copy your GOPM analyst within the Office of State Budget Director. Strategic plans will be posted on OSBD website: <https://osbd.ky.gov>.