

**2024-2026 BUDGET REQUESTS  
BRIEFING INFORMATION  
July 17, 2023 @ 2pm – Microsoft Teams**

**BASELINE BUDGET REQUESTS**

**FY 2024 Budget Presentation in Budget Request**

The FY 2024 Revised Budget should represent the revised appropriations by fund, including approved 1<sup>st</sup> quarter, emergency Federal fund appropriation increases, statutory increases and Salary & Compensation Fund Allocations. One exception is related to debt service. The FY 2024 General Fund and Tobacco Fund debt service shall be excluded from state agencies’ display of FY 2024, with two exceptions: SFCC, and Behavioral Health. This debt service will be displayed in the Finance and Administration Cabinet’s budget. OSBD will provide each Cabinet/Agency their General Fund baseline budgets by appropriation unit.

<u>General Fund Example</u>	<b>FY 2024</b>	<b>FY 2025</b>	<b>KBUD Code</b>
<b>Regular Appropriation</b> -as loaded at beginning of FY 2024 less Debt Service	20,000,000	20,000,000	REGAPP
<b>Special Appropriation</b> -appropriation from bills other than biennial budget bill that are only one-time funding	1,500,000		SPEAPP
<b>Continuing Appropriation</b> -continued balance from end of FY 2023	<u>100,000</u>		CONGEN
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>21,600,000</b>	<b>20,000,000</b>	

The Restricted or Federal funds FY 2024 expenditures can be less than the revised appropriation amounts based on updated agency estimates.

**Baseline Budget Requests for FY 2025 and FY 2026**

The 2024-26 Budget Instructions impose a maximum amount by Fund that can be requested for FY 2025 and FY 2026 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.

Vacant positions as of July 1, 2023 may be included in a Baseline budget request. Total baseline positions shall not exceed personnel target (Cap).

**Baseline General Fund/Road Fund/Tobacco Fund Maximum Amounts for FY 2025 and FY 2026**

The maximum amount is the same as the amounts in the FY 2024 General Fund grid above, except:

- Exclude Continuing Appropriation amounts
- Exclude one-time Appropriations (check with your Policy and Budget Analyst)
- Exclude Mandated Allotments (Necessary Government Expenses)

**Other Baseline Budget Request Limitations for FY 2025 and FY 2026**

Exclude any one-time grant allocations or discontinued programs.

The FY 2025 and FY 2026 increased costs for Defined Calculations above FY 2024 may not be included in Baseline requests.

Exclude expenditures that are required to be requested as an Additional Budget Request.

## **Restricted and Federal Baseline Budget Requests for FY 2025 and FY 2026**

- The maximum amount is based on the FY 2024 enacted budget as revised by any 1<sup>st</sup> quarter, emergency appropriation increases, statutory increases and Salary & Compensation Fund Allocations.
- 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 2022 and FY 2023 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 2024-26 BUDGET REQUEST PROCESS**

### **The July 1, 2023 Snapshot of Filled Personnel Positions**

This data includes 6% salary increase and other actions that were effective as of July 1, 2023. The 2024-26 Budget Instructions limit the inclusion of personnel positions in the Baseline Budget Request to each appropriation unit's Personnel Target (Cap). They are also limited to the amount that can be afforded within an appropriation unit's baseline budget. Personnel data as of July 1, 2023 will be used for the development of salary and fringe benefit costs for Baseline Budget Requests and Defined Calculations Budget Requests.

### **Personnel Target (Personnel Cap)**

Agency/Appropriation unit FY 2024 Personnel Caps have been set. 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.

### **Baseline Personnel Runs-July 1, 2023 filled and funded vacant positions**

The Baseline Personnel Runs include the salary and fringe benefit costs of filled positions as of July 1, 2023 plus **funded**, vacant positions, as selected by each agency, for FY 2024, 2025 and 2026. Total of filled and vacant positions shall not exceed the personnel target. The Baseline Personnel Runs for FY 2025 and FY 2026 include no salary or fringe benefit changes for FY 2025 and FY 2026. Those changes are included in the Defined Calculations Personnel Runs and the runs for 1% salary increment. This information is used to assist in displaying FY 2024's revised budget and to provide the maximum amounts for salary and fringe benefits in a baseline budget request for FY 2025 and FY 2026. This information must match the salary and fringe benefit costs for FY 2025 and FY 2026 on the A-5 baseline budget request report.

### **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 spreadsheet template of vacant positions. Instructions will be provided to agencies to identify which vacant positions they want included in Baseline Personnel Runs. These instructions will include fairly short deadlines.

### **Baseline Request**

The total cost of filled and funded vacant positions will be the values used to populate the baseline request. Agencies shall not inflate number of funded vacancies and shift other ongoing costs from baseline request to an additional budget request.

### **A-5 Personnel Budget Summary**

Number of positions in FY 2021-22 and FY 2022-23 columns should be average number of filled positions. In completing the A5 form for Baseline Budget Request reflect **funded**, vacant positions as “Vacant” in the FY 2023-24 columns, and “Filled” in the FY 2024-25 and FY 2025-26 columns. Source of Funds section should exclude overtime and compensatory time salary and associated fringe benefits for all fiscal years.

### **Personnel Runs – Defined Calculations**

Defined calculation personnel runs will include the same position data as the baseline personnel runs including filled and vacant positions within the personnel target. Defined calculation personnel runs will include any changes in **employer retirement contribution, employer health insurance and employer life insurance**. Defined Calculations Budget Request must contain a cabinet-wide and an agency priority ranking assignment of **ONE**

### **1% salary increment – Additional Budget Request**

The 2024-2026 Budget Instructions set the salary increment rate at 1% for the budget request. Appropriation units shall include an Additional Budget Request for the funds required to finance a one-percent annual salary increment in each fiscal year. This Additional Budget Request shall be ranked as the number **TWO** priority request for all cabinets and appropriations units, after the Defined Calculations Budget Requests. (Referenced on p. 62). GOPM will provide separate personnel runs for this additional budget request based on filled and vacant positions. **Agencies should select Request Type “1% Increase” when entering this request in KBUD. Use one ABR code per appropriation for 1% salary increment which will consolidate all 1% salary increment requests into one entry on Record P.**

### **Defined Calculations related to Fringe Benefit Costs**

Once the employer contribution rates for retirement costs and the health and life insurance contributions are determined for the budget request process, they will be included in the Defined calculation personnel runs.

### **The A-5 Personnel Positions Record**

For FY 2025 and FY 2026, 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 2024 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.

### **Salary Premiums – Locality and Shift Premiums**

Premiums as well as the associated FICA/retirement should be requested in object code E116. Agencies are permitted to include these items in the budgeted year and the two requested years. When preparing the A5, please pull out the locality premium and the associated FICA/retirement. Please note on the A4 how E116 is broken out by locality/FICA/retirement.

### **Growth Requests – Modified Instructions:**

There should only be one growth request per \_PG/\_SP.

Defined as Requests for additional funding to support the higher costs of the current scope of programs/activities or higher caseloads and workloads, beyond the Baseline Budget Request and the Defined Calculations Budget Request to include the following:

Growth ABRs are not allowed for funds to finance expenditures that are accommodated in the current fiscal year's revised budget. Only the marginal expenditure increases due to higher caseloads or workloads, or inflation are permitted.

### **CAPITAL PROJECTS**

**Capital Plan and Data Load** – KBUD capital will be pre-loaded from the Capital Plan using version 2 which includes data from May 17-May 29th. Any updates after May 29<sup>th</sup> will have to be entered in KBUD.

### **Capital Projects – Impact on Operating Budget**

The 2024-2026 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.

### **Expiration of Capital Authorizations – (When is Reauthorization Not required?)**

#### **State and/or Postsecondary Institution Administered Capital Construction Projects**

A construction contract for the project has been awarded or is expected to be awarded by June 30, 2024.

A debt financed (bond) capital construction item is properly authorized and does not require further action by the 2024 General Assembly if either permanent or short-term line of financing has been obtained provided that an initial draw has been made on the short-term line of financing within the biennium immediately subsequent to the original authorization.

Grant or loan agreements have been or are expected to be finalized and properly signed by all parties by June 30, 2024.

Equipment purchase authorizations, excluding executed lease or lease/purchase agreements, expire on June 30, 2024. If no purchase order will be executed by that date, the equipment must be requested as a new authorization to the 2024 General Assembly. (Equipment purchase reauthorizations are not allowed.)

#### **Other Capital Projects**

All other line-item capital project authorizations expire on June 30, 2024.

### **Capital Projects-Reauthorization Limitation**

There is a limitation on requesting reauthorization for a capital project. With the exception of agency bonds, 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 private real property lease with an annual cost of \$200,000 or more. It must be in the capital budget to be properly authorized.

### **Public-Private Partnership (P3) and Built-to-Suit Projects**

#### **KRS 45.763 Projects**

Any capital project to be **financed with Other Funds through a third-party** financing arrangement as described in KRS 45.763 must include information in the Project Description that specifies the type of financing arrangement planned and the source of funds the budget unit plans to use to make the payments.

General Assembly authorization shall be required for an agreement for the use, purchase, or acceptance of real property of any value, or equipment with a value in excess of four hundred thousand dollars (\$400,000), if:

- (a) The agreement provides that the state, a state agency, institution of higher education, or affiliated corporation will become the owner of the real property or equipment at any time; and
- (b) All or any portion of the purchase price of the real property or equipment is funded through the issuance of a financial instrument which requires payment of principal and interest over time, including, but not limited to, notes, bonds, securities, and certificates of participation, regardless of the identity of the issuer.

#### **KRS 45A.077 Projects**

Any capital project to be finance with **Other Funds through a public private partnership** that **does not involve a third-party** financing arrangement as described in KRS 45.763 must include information in the Project Description that specifies the type of financing arrangement planned and the source of funds the budget unit plans to use to make payments, if any.

New requirement that any capital project > \$25m must include an explicit statement if it is to be authorized as a P3 project, per KRS 45A.077(8). That provision is newly applied to FY 25 and beyond.

(8) (a) Beginning July 1, 2024, in the case of any public-private partnership for a capital project with an aggregate value of twenty-five million dollars (\$25,000,000) or more, the project shall be authorized by the General Assembly, by inclusion in the branch budget bill or by any other means specified by the General Assembly, explicitly identifying and authorizing the utilization of a public-private partnership delivery method for the applicable capital project. The authorization of a capital project required by this subsection is in addition to any other statutorily required authorization for a capital project.

### **OTHER REMINDERS**

**Updated Budget Calendar** – Timeline revised per passage of HB 360 of 2023 RS

LRC prescribes Uniform Forms, Records, and Instructions - June 1 instead of July 1

OSBD supplies uniform forms and Budget Instructions to each Branch – Aug 1 instead of Sept 1

OSBD/CFG provides General Fund and Road Fund Preliminary Revenue Estimate FY 24, FY 25, and FY 26 – Sept 30 instead of Oct 15

OSBD certifies and presents to LRC the Official General Fund and Road Fund Revenue Estimates for FY 24, FY 25, and FY 26 – December 20 instead of on or before the 15th legislative day

#### **A-4 Baseline Narrative**

- Legal citations should primarily cite state statutes or federal statutes if no state statute applies. .
- Identification of significant changes 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.

#### **Restricted Funds Record – Record E**

- Fund Source Data and Restricted Funds Description include what was previously included in the 2022-2024 budget request.
- Review and update **ALL** data.
- Please complete an E form for every 1300 fund regardless of activity. In order to print the Record E in which there is no recent activity, please enter the value of .01 cent in the FY 24 column.

#### **Federal Funds Record – Record G**

- Review and update **ALL** data.

#### **Defined Calculations**

Defined Calculations Budget Requests must contain a cabinet-wide and an agency priority ranking assignment of ONE

- 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-FY24 Current Year**

Any request for a fiscal year 2024 current year appropriation, regardless of fund source, must have prior approval from OSBD.

#### **Priority Rankings**

- #1 Ranking is assigned to Defined Calculations
- #2 is assigned to the 1% Annual Salary Increment
- #3 and beyond is assigned to each Additional Budget Request

**Strategic Plan** submission as a separate document from Budget Request – submitted by October 1, 2023, at same time as 2024-2026 Biennial Budget Request

#### **Strategic Plans**

KRS 48.810 requires each executive branch cabinet and a few non-cabinet organizations to submit a four-year strategic plan with the biennial budget request.

- Personnel’s webpage has a link to describe what it is, why have one and the KRS 48.810 statutory requirement as found through this link: <https://personnel.ky.gov/Pages/orgstrategic.aspx>
- Personnel website also provides:
  - [StrategicPlanHandbook.pdf](#)
  - [StrategicPlanTemplate.pdf](#)

- There is a training offered through MyPurpose training. Users can launch and re-launch at any time as reference.

**Order of Budget Forms** guideline when submitting the budget request providing continuity across the board specific to each budgetary level.

Cabinet Level – Priority Ranking Summary, Restricted Fund Summary, Federal Fund Summary

Department / Appropriation Unit Level – requiring Records E’s-Restricted Funds Record and G’s – Federal Assistance Program Record at Department Level

Allotment Level – Baseline, Defined Calculations, Additional Budget Requests (Growth, New, Expanded, and Fund Source Replacement)

Capital Budget Records

## SUBMISSION OF BUDGETS

**Budget Requests are due to OSBD/LRC by October 1, 2023.**

Once you have submitted your budget, **do not make any changes without notifying your OSBD GOPM Analyst.**

### Format and Quantities:

#### Budget Request Format and Copies

- 1 Printed Copy to OSBD with Official Submission Letter and Searchable PDF
- 3 Printed Copies to LRC with Official Submission Letter and Searchable PDF
- A-6 Budgeted Record (Personnel Runs) – scanned searchable PDF to both OSBD and LRC

### Corrections to Budget Requests

- **LRC request for corrections**
  - **Contact OSBD analyst prior to making any LRC requested changes**
- **OSBD analyst will contact agency and identify changes that are necessary**
- **Process for submitting revised forms**
  - **Make sure and update all applicable forms**
  - **Send one printed copy on colored paper of changes to OSBD analyst**
  - **Send three printed copies on colored paper to LRC**

### **“Final” Budget Request – Searchable PDF format – High Priority**

The **initial agency budget requests** *and* **final 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.