

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM
BUSINESS PROCEDURES MANUAL

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Effective Date: July 1, 2010

Supersedes: Procedure 6.1 dated September 1, 2005

Applies To: System Office and Colleges

Procedure Responsibility: Office of Budget and Financial Planning

Biennial Budget Development

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Section 6.1.1 - Overview

The Commonwealth of Kentucky utilizes a biennial budget with separate bills for each branch of government employing an omnibus approach to the appropriations process. The Commonwealth's budget is a complete financial plan for the expenditure of all public funds and the budget bill is law for the duration of a fiscal biennium. Provisions of a budget bill may modify or suspend, for the duration of a biennium, any state statute that is germane to the broad subject of state government finance.

Budget fund classifications consist of the General Fund, the Road Fund, the Federal Fund, and the Agency (restricted) Fund. These fund sources, combined with proceeds from bond issues, comprise the operating budget of the Commonwealth.

The biennial capital budget lists line-item capital projects and associated appropriations by fund source. Capital budget projects are defined as the acquisition of buildings and land estimated to cost \$600,000 or more, acquisition of major items of equipment or systems estimated to cost \$200,000 or more, leased space costing \$200,000 or more, or computing/telecommunications systems costing \$600,000 or more. State law requires projects meeting these thresholds to be authorized through line-item appropriations.

Budget information is organized and reported in various budget documents at the budget-unit level and is summarized by major budget function or cabinet. Appropriation information in the appropriations bill is organized at the agency level and summarized by major budget functions. Operating budget expenditure classifications include the following: personnel costs, operating expenses, grants/loans/benefits, debt service, and capital outlay.

The legislative branch issues budget instructions in July of every odd-numbered year and state agencies are directed to submit their budget requests in October of every odd-numbered year. Agency budget requests are typically organized according to two levels of budget information: current services and additional funding. Historical expenditure information is submitted on the two most recent fiscal years. These two historical years, the current year revised budget, and the request for the next two fiscal years comprise the typical budget request display.

Preliminary General Fund and Road Fund revenue forecasts for the current fiscal year and the next two years are developed by a Consensus Forecasting Group (that includes representatives of the executive and legislative branches of government) in October of every odd-numbered year. Final revenue forecasts accompany the introduction of the Executive Budget in January of every even-numbered year. State agencies are responsible for forecasting estimates of agency receipts and federal funds.

The Governor's budget recommendation, styled the Executive Budget, is due for introduction no later than the 15th legislative day for regular sessions following gubernatorial elections or the 10th legislative day for mid-term sessions.

Section 6.1.2 - Enacting the Budget

A draft appropriations bill and a series of individual documents, collectively known as the Governor's Executive Budget includes the following individual documents: Revenue Estimates, Budget-in-Brief, Executive Budget, Historical Information, Capital Financing Analysis, and Highlights and Priorities.

The draft appropriations bill contains appropriations for the operating budget, capital budget line-item appropriations, general provisions governing statewide fiscal policies, state compensation and employment provisions, and special provisions.

The budget, once introduced is reviewed by the Appropriations and Revenue Committees and Subcommittees in both the House of Representatives and the Senate in a lengthy series of public hearings normally lasting over two months. Once each chamber has enacted its version of the budget, differences between the two chambers are worked out in a Joint House-Senate Conference Committee.

Once the budget is passed by the General Assembly, it is presented to the Governor who has the constitutional authority either to sign, allow it to become law without his/her signature or veto distinct items in the budget bill or the entire budget. A constitutional majority of the membership of both the House and Senate is required to override a gubernatorial budget veto.

Section 6.1.3 - Budget Execution and Oversight

After the Session has adjourned, the Governor's budget office publishes an enacted budget document, which includes all legislative changes, and is called the Budget of the Commonwealth. The Finance and Administration Cabinet, at the direction of the Governor's budget office, then proceeds to establish an allotment schedule for distributing enacted appropriations over the fiscal year period. Authorization is provided in the budget bill for executive agencies, with the approval of the Office of State Budget Director, to establish appropriation revisions, upon review by the Interim Appropriations and Revenue Committee. These revisions typically involve an expenditure plan for additional agency funds or federal funds above the amounts for those fund sources contained in the enacted budget. Institutions of higher education, however, have historically been exempt from the budget revision approval process, although they have traditionally reported appropriation increase information to the Interim Appropriations and Revenue Committee. When unbudgeted appropriations are to be expended, the Interim Appropriations and Revenue Committee reviews those plans as part of its legislative oversight function.

Section 6.1.4 - Postsecondary Education Level

- A. The Council on Postsecondary Education has the statutory responsibility to make a biennial budget request to the Governor and General Assembly with regard to specific funding amounts to be appropriated for all public postsecondary education institutions of the Commonwealth: 1) to individual trust funds in the Strategic Investment and Incentive Funding Program; 2) for all capital projects to be appropriated; and 3) to the budgetary base of the institutions, systems, agencies, and programs.

- B. In developing the biennial budget request to the Governor and the General Assembly, the Council on Postsecondary Education works with the institutions to develop information to support the funding request for postsecondary education. Based on the Postsecondary Education Improvement Act of 1997, the Council on Postsecondary Education advises the Strategic Committee on Postsecondary Education – a committee which includes both Executive Branch and Legislative branch representatives – as to how the postsecondary education funds projected to be available should be allocated, based on priorities and projected resources.

- C. By November 15 of odd-numbered years, the Council on Postsecondary Education is required to present a biennial budget request to the Governor and General Assembly which provides for: a) an annual current services budget for each postsecondary institution; b) a requested funding level for each trust fund in the Strategic Investment and Incentive Funding Program; and c) an indication of the eligibility criteria for each trust fund.

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- D. The KCTCS President is responsible for the KCTCS biennial budget request and has been delegated by the KCTCS Board of Regents as the executive decision-maker in all aspects of resource allocation. The President, in turn, delegates the coordination for the preparation of the biennial budget request to the Vice President with major responsibility for the areas of finance and facilities management.
- E. The biennial budget request is prepared by the Office of Budget and Financial Planning and submitted to the President via the Vice President with major responsibility for the areas of finance and facilities management for review and approval.
- F. The biennial budget request is presented to the KCTCS Board of Regents for review and approval.
- G. The KCTCS President submits the biennial budget request to the Council on Postsecondary Education.

Section 6.1.5 - College and System Office

- A. KCTCS colleges prepare a biennial budget request.
- B. The local college board approves the college's biennial budget request. Each college budget request is reviewed by the KCTCS President's Leadership Team (PLT) for systemwide prioritization.
- C. The KCTCS Office of Budget and Financial Planning then compiles the prioritized list into a single systemwide KCTCS Biennial Budget Request.
- D. The KCTCS President reviews and presents the request to the Board of Regents for approval.
- E. The Board of Regents reviews, modifies as necessary, and approves the KCTCS Biennial Budget Request.

Section 6.1.6 - Budgetary Authority

- A. All budgetary authority shall follow the general organizational structure of KCTCS with the KCTCS Board of Regents having the ultimate and exclusive authority for the final approval of all the budgets.
- B. All funds are subject to KCTCS Board of Regents direction and may be expended only for the approved programs and objectives of the respective fund groups.

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- C. No revenue shall be expended except upon the establishment of an expenditure authorization approved by the Board of Regents. The exception to this policy is the authorization of expenditures from accounts created as a result of a contract or grant agreement between KCTCS and an outside agency. The Board of Regents delegates the authority to approve such agreements and authorize expenditures to the KCTCS President. The KCTCS President may delegate authority to approve such agreements and authorize expenditures. The authorization of such expenditures must be reported to the Board of Regents.

Section 6.1.7 - Annual Budget Development

- A. KCTCS is required to prepare an annual operating budget representing projected revenues and expenses. The KCTCS President is responsible for preparation of the operating budget and shall make recommendations to the KCTCS Board of Regents for resource allocation. The KCTCS President, in turn, delegates the coordination for the preparation of the operating budget to the Vice President having major responsibility for the areas of finance and facilities management.
- B. A consolidated annual operating budget shall be prepared by the Office of Budget and Financial Planning and submitted to the President via the Vice President having major responsibility for the areas of finance and facilities management.
- C. The consolidated annual operating budget is presented to the KCTCS Board of Regents for approval.
- D. Budget guidelines, calendar and assumptions are published each year by the Office of Budget and Financial Planning and are distributed to the colleges.

Section 6.1.8 - College Responsibilities

- A. College Presidents/CEOs shall:
1. have the responsibility for developing and submitting the annual budget request for their college;
 2. develop and recommend plans for the effective use of college resources;
 3. manage college obligations and expenditures within resources allocated to the college, including the management of contract and grant overruns and cost sharing (less than full cost recovery);
 4. operate within approved budget allocations;
 5. allocate funds consistent with approved KCTCS priorities and plans;
 6. ensure that expenditures are consistent with established KCTCS objectives;

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7. adjust expenditures as necessary to ensure total obligations do not exceed available college revenue and allocations;
 8. maintain the integrity of revenue and expenditures by fund group (including provisions to ensure that revenue generated by activities in a given fund group is deposited to that same fund group and used with generally accepted accounting practices);
 9. ensure that nonrecurring funds in addition to those approved in the budget process are not used for recurring purposes without approval of the KCTCS President; and
 10. ensure conformity with state and KCTCS rules and procedures applicable to the expenditure of funds for purchasing of and payment for goods and services.
- B. Annual budgets are to be prepared in compliance to the annual budget guidelines, calendar and assumptions. Each college business office shall review its revenue estimates. Adjustments to revenue estimates shall be submitted to the Office of Budget and Financial Planning.
- C. Annual budgets must represent a complete annual financial plan and shall include a detailed budget by college or business unit, program code, and account code categories.
- D. Annual recurring operating budgets shall be submitted to the Office of Budget and Financial Planning for review. The Office of Budget and Financial Planning, under the direction of the Vice President with major responsibility for the areas of finance and facilities management, shall prepare a report for the President of KCTCS and the Board of Regents for review and approval.
- E. The recurring and nonrecurring budgets are then loaded into PeopleSoft for the colleges to review.
- F. Each college shall be responsible for on-going review and analysis of all college budgets.

Section 6.1.9 – Budget Transfer Requests (BTR)

- A. A budget transaction request (BTR) can be used when a transfer of funds is within a college or between colleges. Each BTR shall be approved and signed by the appropriate unit personnel. The college president/CEO or System Office Cabinet Officer must approve and sign all requests exceeding \$25,000. The college business officer must approve and sign all BTRs or his/her designee with proper signature authority on file.

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- B. Organization BTRs for funds 01 and shall be entered and filed at the college or unit.
- C. Appropriation and all revenue BTRs shall be approved by the college and submitted to the Office of Budget and Financial Planning for review and approval. Requests for new funds must include detailed justification and have the endorsement of the college president/CEO.
- D. In selected instances, over-realized revenue, the amount of actual dollars realized above the original budgeted amount, may be used to justify an increase to the college's budget. Requests require programmatic justification and supporting backup documentation, and may require an in-depth financial analysis. Individual college requests for significant change -- amounts over the original budget (2%) -- are taken to the KCTCS President for approval. System-wide requests greater than 2% of the original KCTCS requests are taken to the KCTCS Board of Regents for approval.

END OF PROCEDURE