

Finance & Administration Cabinet

*Budget Review Subcommittee on General Government,
Finance, Personnel, and Public Retirement*

*Secretary Holly M. Johnson
Executive Assistant Tina Howard*

November 10, 2020

Finance & Administration Cabinet Overview

In brief, the Cabinet and its agencies provide:

- State Revenue Administration
- Statewide Fiscal Management
- State Purchasing and Contracts
- Fleet Management
- Postal Services
- Risk Management
- Information Technology Support
- Facility and Construction Management
- Surplus Property Services
- Minority and Women-Owned Business Certification
- Service Disabled Veteran-Owned Business Certification

Finance & Administration Cabinet Overview

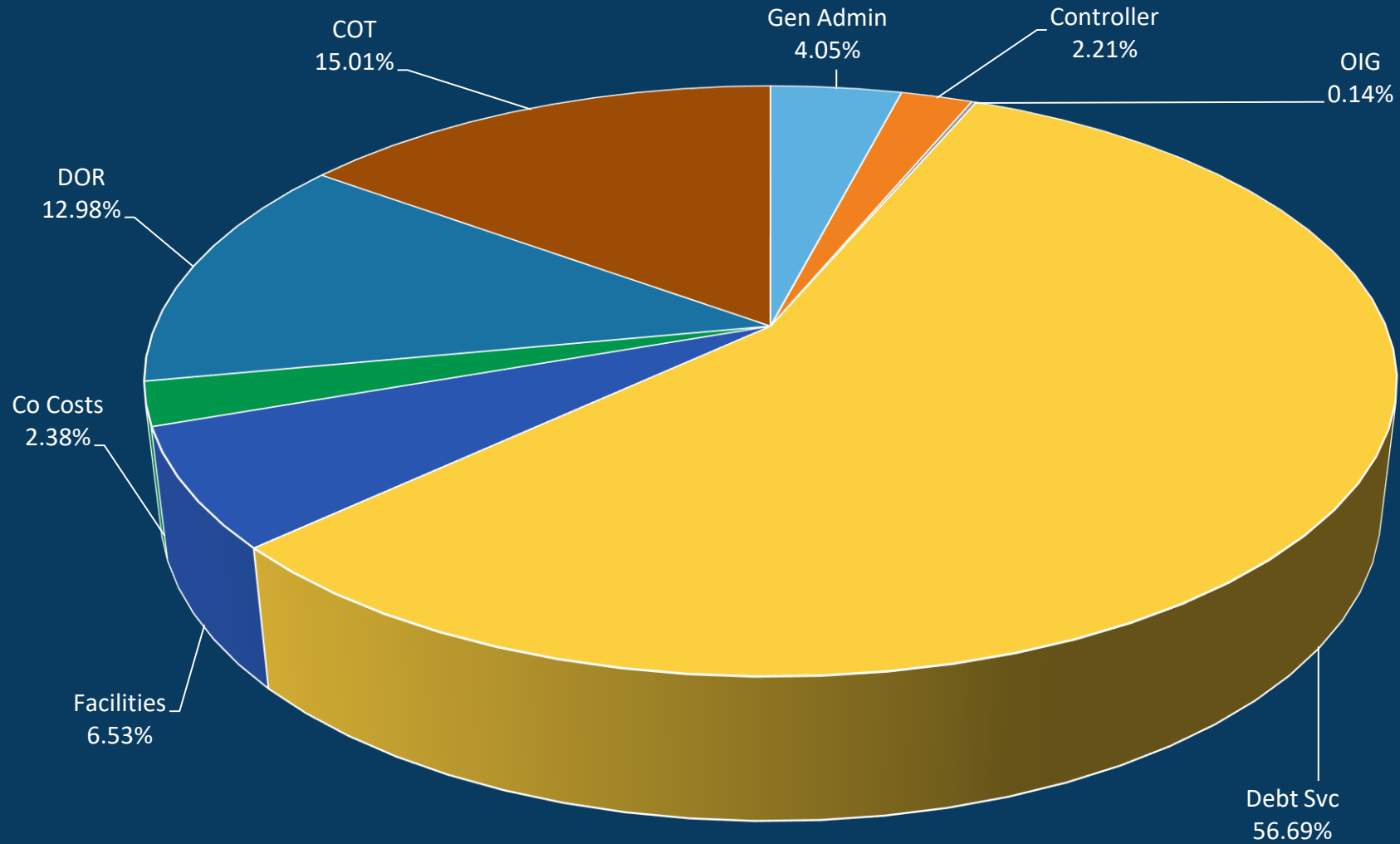
With a staff of nearly 1,500 and a \$972 M Budget, the Cabinet:

- Manages 5,300 vehicles
- Processes 30 million pieces of mail annually
- Certified 304 businesses (Minority, Women, Service-Disabled)
- Collected \$11.2 B General Fund and \$1.3 B Road Fund Receipts
- Supports 90 state-owned buildings and 800+ leased properties
- Manages 29,000+ workstations, 30,800+ e-mail accounts
- Self-insured \$26.5 B in assets (buildings, vehicles, equipment, etc.)

Finance & Administration Cabinet FY 2021 Budget Summary

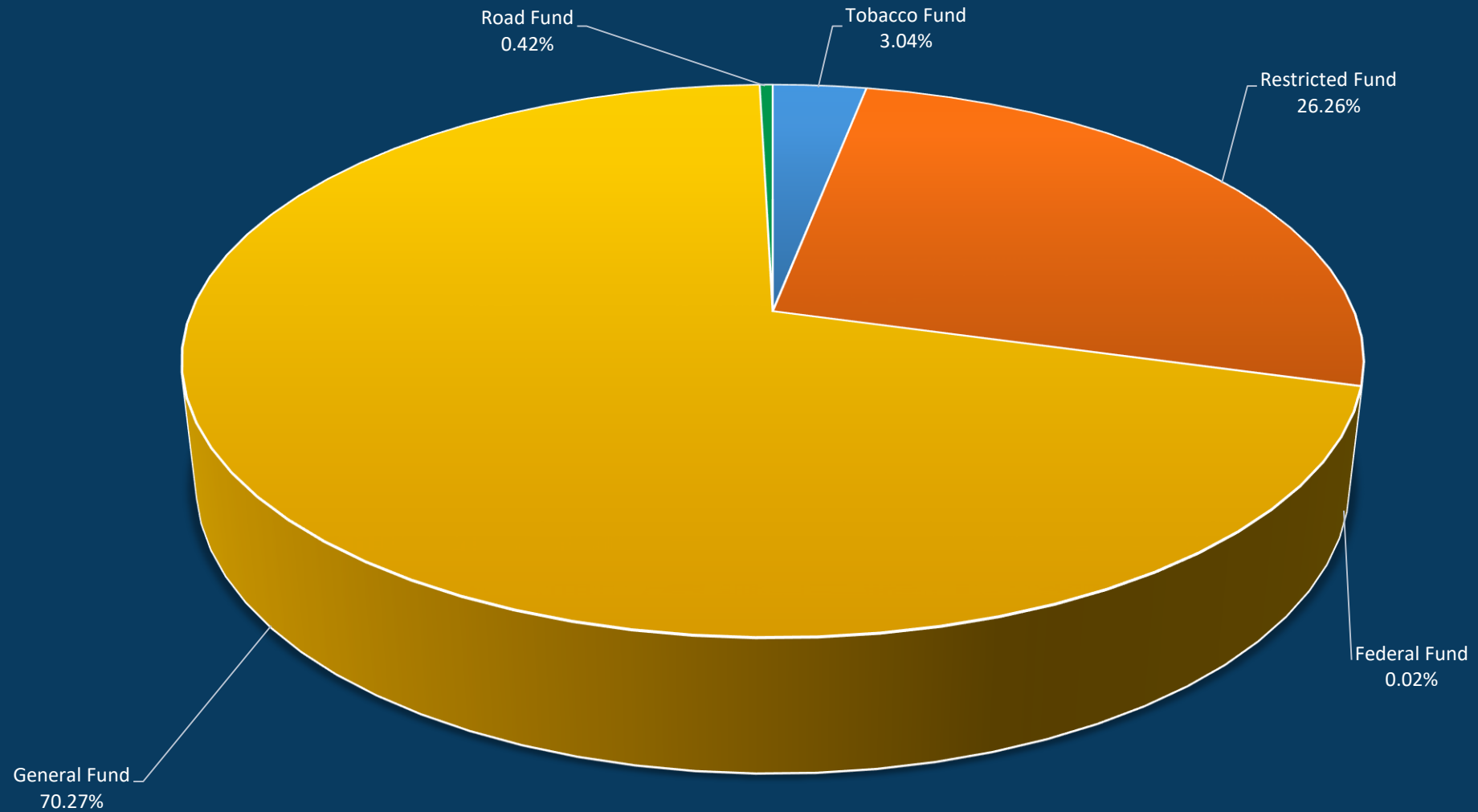
Agency	Enacted
Commonwealth Office of Technology	135,042,000
Department of Revenue	116,829,700
Controller's Office	19,929,400
Facilities and Support Services	58,784,600
General Administration	36,418,800
Office of Inspector General	1,269,700
Debt Service	510,185,700
County Costs	<u>21,446,000</u>
Total	899,905,900

Fiscal Year 2021 Budget Summary



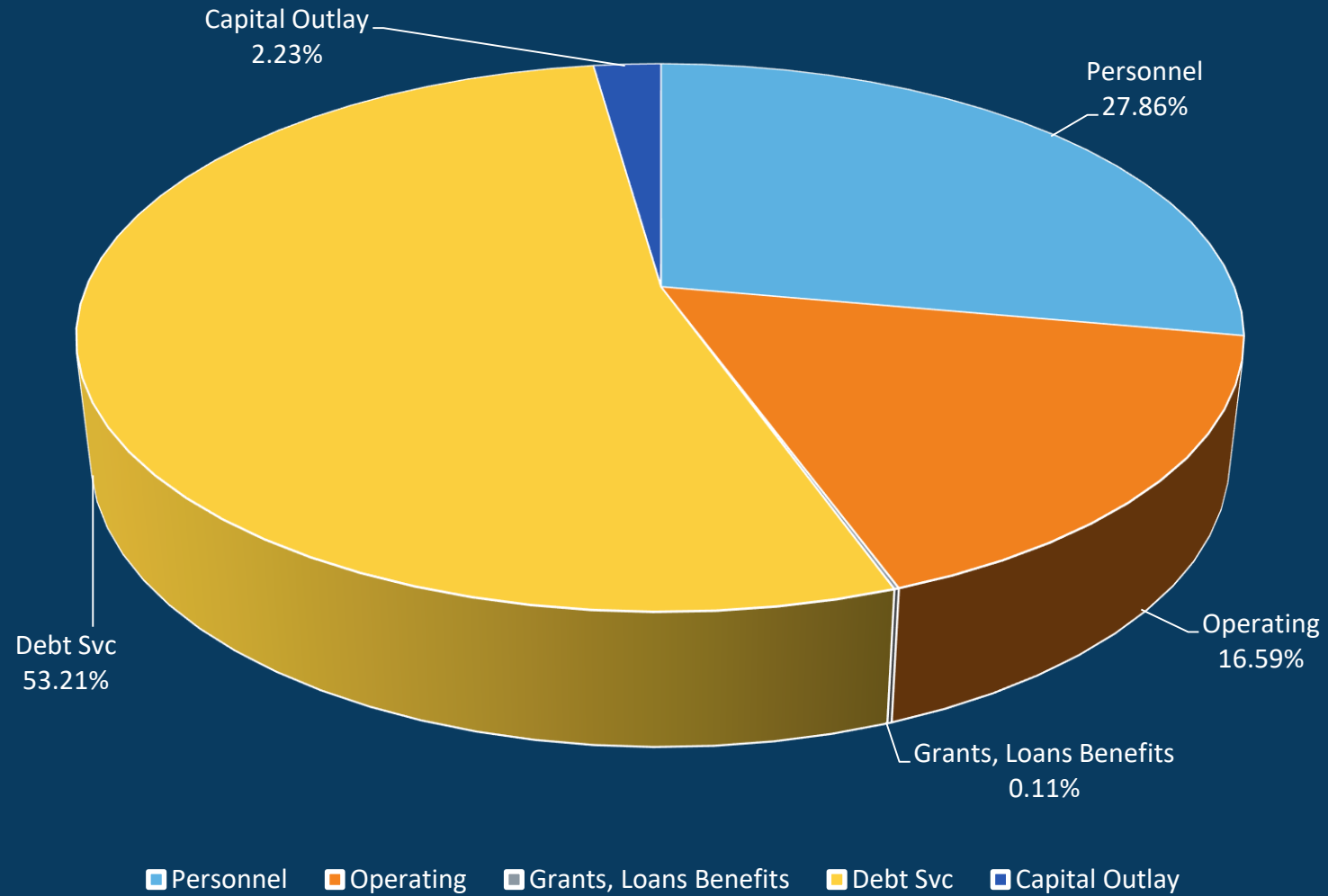
Gen Admin Controller OIG Debt Svc Facilities Co Costs DOR COT

Fiscal Year 2021 Fund Summary



 Tobacco Fund  Restricted Fund  Federal Fund  General Fund  Road Fund

Fiscal Year 2021 Expenditure Summary



Impact on the Commonwealth Office of Technology (COT)

- Strategies to implement \$14 million transfer to General Fund
 - Reduction of 40 positions
 - Termination of enterprise digitalization initiative
 - Termination of single sign-on initiative
- Per HB 352, COT is maintaining the current rate schedule at the FY19 levels
- Impact to agencies as a result of this reduction
 - IT security concerns
 - No supplemental assessment
- At this time, COT is not projected to meet its year-end cash balance target

Impact on the Department of Revenue (DOR)

Examples of cuts to services and/or personnel measures taken to absorb reduction of funding:

- 52 full-time (revenue generating) positions were not funded
- Operating costs for the Integrated Tax System (also referred to as DORIS) was not funded
- DOR is absorbing these operating costs within the department's budget by decreasing funded positions

Impact on the Facilities & Support Services

Reduced funding for Facilities and Support Services will:

- Delay the implementation of budgeted capital construction and property maintenance projects, affecting agencies housed in state-owned properties.
- Postpone preventive maintenance of state-owned facilities and extend project timelines.
- Deferred maintenance of state-owned buildings will continue to increase and further deterioration of state-owned properties would be expected.

Finance Cabinet COVID-19 response efforts

Emergency response work performed by the Finance and Administration Cabinet:

- Sourcing and purchasing of critical PPE, testing supplies, medical staff, medical equipment;
- Deep cleaning of state offices and public areas;
- Setting up health check stations in the 90 state-owned office buildings;
- Designing and posting entry signage in state offices regarding COVID-19 protocols;
- Adjusting revenue collection processes to align with IRS adjustments, where authorized to do so.
- Adding 7,000 users to VPN (Global Protect and SSL solution);
- Standing up new hotlines for the Governor's Office;
- Implementing solutions for a telecommuting workforce;
- Installing remote clients for agency call centers and training the users;
- Adding numerous conference phones;
- Providing additional support for other tools and systems that assist in remote communication, collaboration, and data sharing, such as Skype, Teams, GovDelivery and MOVEit.

Finance Cabinet notable accomplishments

- For the 33rd consecutive year, the Office of the Controller received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association, the highest form of recognition in governmental accounting and financial reporting.
- The Office of Facility Development and Efficiency closed out 235 capital construction projects and currently has approximately 850 projects in progress, which are vital to maintaining and improving the Commonwealth's facilities.
- In preparation for the June primary election, COT prepared 300+ computers for the State Board of Elections and successfully rolled them out in all 120 counties with 100% completion before the deadline to accommodate mail-in ballots.
- In the last 10 months, the Finance Cabinet has refinanced \$66.71 million in bonds at lower interest rates, which has resulted in \$1.74 million in debt service savings or 2.56%.
- In March, the Department of Revenue (DOR) Integrated System (doris) entered development and is on target for a release 1 implementation date of September 2021.

Building a BetterKY

KENTUCKY
PERSONNEL
CABINET

KENTUCKY PERSONNEL CABINET

BY THE NUMBERS

- **MISSION:**
The Personnel Cabinet provides leadership and guidance to attract, develop, motivate, and retain a talented, diverse workforce, foster an understanding of and adherence to regulatory requirements and create a positive, supportive work environment that values all employees.
- **28,878***
Total # of executive branch employees
- **160***
Total # of Personnel Cabinet employees
- **300,000***
Total # of Kentucky Employees' Health Plan (KEHP) members

The Personnel Cabinet includes the following agencies:

- Office of the Secretary
- Office of Legal Services
- Office of Public Affairs
- Office of Diversity, Equality and Training
- Office of Administrative Services
- Governmental Services Center
- Office of Employee Relations
- Department for Human Resources Administration
- Department for Employee Insurance
- Kentucky Public Employees Deferred Compensation Authority

Personnel Cabinet

Fiscal Year 2021 Budget

	Enacted FY 2021	Appropriation Increase FY 2021 *	Total FY 2021
<u>Source of Funds</u>			
Restricted Funds	62,500,200		62,500,200
Federal Funds-Employee COVID Testing		549,900	549,900
Total Budget by Fund Source	62,500,200	549,900	63,050,100
<u>Expenditures by Unit</u>			
General Operations	30,121,500	549,900	30,671,400
Public Employees Deferred Comp Authority	8,284,500		8,284,500
Workers' Compensation Benefits and Reserve	24,094,200		24,094,200
Total Expenditures by Unit	62,500,200	549,900	63,050,100
* Modified amount			4

2020 Highlights

Department of Human Resources Administration

- The Department of Human Resources Administration (“DHRA”) and the Office of Legal Services (“OLS”) for the Personnel Cabinet began to proactively develop policies and procedure to support agencies during the State of Emergency created by COVID-19. Providing (10) days of Emergency Paid Sick Leave was one of the early strategies created by DHRA to help employees cope with the threat of COVID-19. DHRA also coordinated six (6) COVID-19 testing events, which provided critical access to testing for employees and contractors.

2020 Highlights

Office of Legal Services

- Since March, the Office of Legal Services (“OLS”) has partnered with DHRA, the Department of Employee Relations, and other Personnel Cabinet departments to develop policies and procedures to navigate the ever-changing landscape of COVID-19. OLS worked with DHRA to promptly develop guidance and procedures for implementation of the Families First Coronavirus Recovery Act (“FFCRA”), which among other things, significantly expanded the Family Medical Leave Act (“FMLA”).
- In April, OLS provided guidance in regard to the application of the ADA to testing, health screening and personnel actions related to COVID-19. OLS worked with the Department of Employee Relations and local blood donation facilities to develop new protocols for employee blood drives in light of the COVID-19 public health emergency.

2020 Highlights

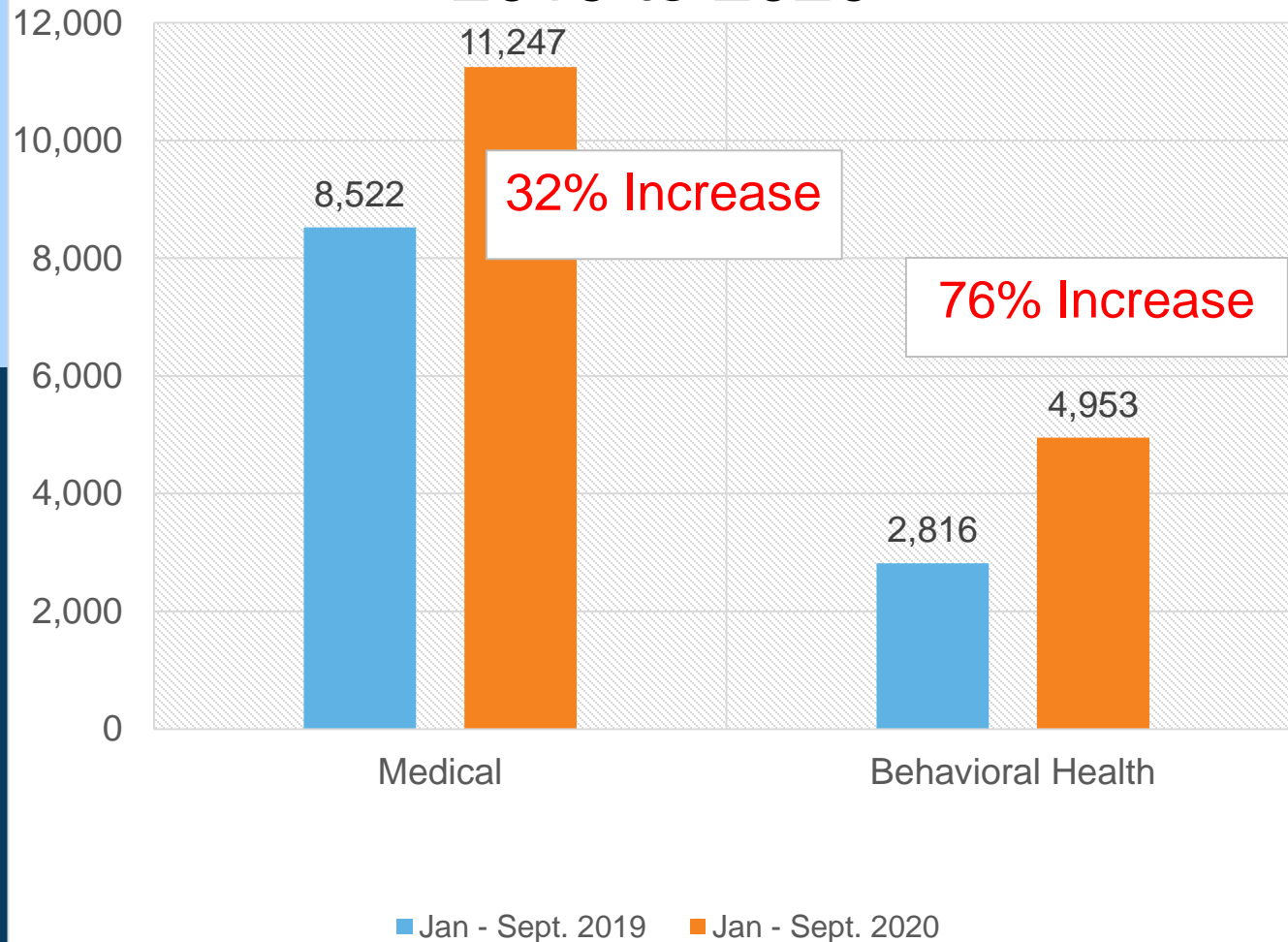
The Department of Employee Insurance

Since January, the Department of Employee Insurance has worked closely with approx. 300,000 members of the KY Employee Health Plan providing premier healthcare services throughout 2020.

The Personnel Cabinet also processed approximately 43,000 enrollment applications for health, dental, vision and life claims and answered over 24,000 customer service calls especially beginning in March when COVID-19 became prevalent.

KEHP TELEHEALTH GROWTH

LiveHealth Online Utilization Growth 2019 to 2020



- Experienced a 55% increased usage of LiveHealth Online.

Plan Expenses

\$1.9 billion annual plan spend



95% of KEHP expenses are claims payments



DEI salaries are less than one-quarter of a penny for every dollar spent

WORKERS' COMPENSATION

Coverage provided for over 58,500 employees and volunteers

Five hundred and twenty one (521) First Report of Injuries related to COVID-19 reported to date

Medical and income benefits are being managed per Kentucky's Workers' Compensation Law (KRS 342) and Executive Order 2020-277

Covered Entities:

- All State Cabinets and Agencies (with the exception of the Transportation Cabinet)
- Volunteer Firefighters/Ambulance
- Division of Emergency Management
- National Guard (State Active Duty)
- 10 County Sheriff and Clerk Offices
- Quasi-Governmental Agencies (including child advocacy/rape crisis centers)
- Kentucky Community & Technical College System (KCTCS)
- Medical Volunteers (for purposes of COVID-19 response)

2020 Highlights

Office of Employee Relations

Since March, the Workers' Compensation Program has paid \$372,431.12 in benefits for COVID-19 related claims. These benefits have been critical to maintaining the health and financial well-being of state employees who are on the front lines of the battle against COVID-19, including first responders (law enforcement, emergency medical services, volunteer firefighters), corrections officers, and Department for Community Based Services employees.

2020 Highlights

Department of Human Resources Administration
&
The Division of Technology Services, “DTS”

In January, the Personnel Cabinet launched its state of the art electronic performance management system called *MyPERFORMANCE* assisting approximately 24,000 employees (which allowed more efficient access during COVID-19). It streamlined the performance evaluation process thus allowing a greater opportunity for more manager/employee engagement. In August, the MyPerformance performance management program was selected as the *Best of Kentucky award winner for Most Innovative Use of Technology*.

2020 Highlights

Kentucky Deferred Compensation Authority

Kentucky Deferred Compensation Authority (“KDC”) has assisted 77,425 participants with no interruption of services throughout the pandemic. Assets under KDC’s management as of November 3, 2020 total \$3,425,593,622.55.

Plan Type	Current Value
<u>457</u>	\$1,272,047,641.37
<u>401(k)</u>	\$2,062,320,156.47
<u>IRA</u>	\$91,225,824.71
Total:	\$3,425,593,622.55 ₃

2020 Highlights

Training & Education

- The Office of Diversity, Equality and Training (ODET) is responsible for the development and implementation of policies, procedures and programs to promote and monitor progressive statewide workforce management in the areas of diversity and inclusion, equal employment opportunity, affirmative action and other supportive initiatives to help position state government as an employer of choice.
- From January – October, the Cabinet has “reimagined” new ways of providing over 146,000 online and virtual instructor-led trainings for state employees.

2020 Highlights

Office of Public Affairs

In March, the Office of Public Affairs, the creative and communication hub for the Personnel Cabinet, launched the “Team Kentucky Connection” a monthly state e-newsletter, bridging the gap and allowing over 28,000 state employees to communicate and highlight their agencies regarding resources, benefits, and events.

2020 Highlights

The Personnel Cabinet created “*Healthy At Work COVID-19 and Beyond*,” the State’s first comprehensive, interactive Resource Guide for all state employees and employers, providing guidance for an array of services; from webinars on mental, physical and financial health to recruitment strategies, new telecommuting policies and many more. It is a multifaceted response to guide employers and state employees through the process of resuming to a safe work environment post COVID-19.

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Office of the Governor

*Budget Review Subcommittee on General Government,
Finance, Personnel, and Public Retirement*

Tina Howard, Executive Assistant

Kenny Hobbs, Budget Specialist

November 10, 2020

Agencies included within the Governor's Office Appropriation

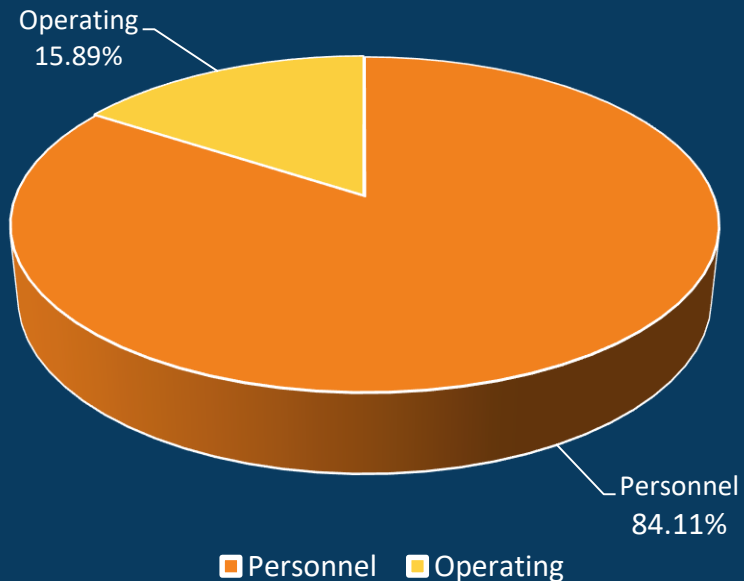
- Governor's Office
 - Constituent Services
 - Boards and Commissions
 - Communication
 - Legislative Affairs
- Secretary of the Cabinets
- Lieutenant Governor's Office
- Kentucky Military Affairs Commission (KCMA)

Office of the Governor Fiscal Year 2021

Enacted Budget - \$7,293,700

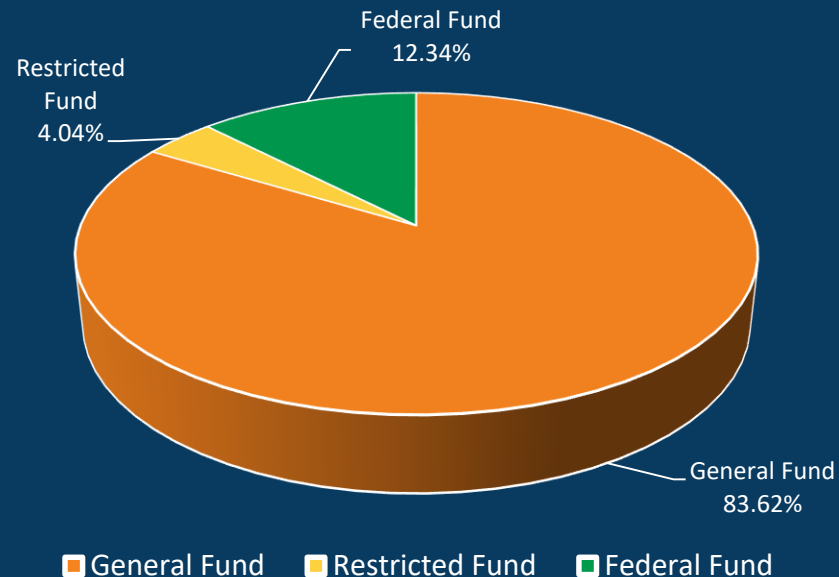
Expenditure Summary

- Personnel = \$6,207,600
- Operating = \$1,086,100



Fund Summary

- General Fund = \$6,099,000
- Restricted Fund = \$294,700
- Federal Fund = \$900,000



Department for Local Government

Fiscal Year 2021 Enacted Budget (20RS HB 352)

General Funds.....	\$ 9,415,300
Restricted Funds.....	\$ 888,700
Federal Funds.....	\$ 46,227,500

Since the enacting of the budget bill, DLG has taken on the responsibility of administering additional Federal Funds, made available through the Coronavirus Aid, Relief, and Security (CARES) Act. These additional Federal Funds include:

Coronavirus Relief Fund (CRF).....	\$ 300,000,000
Community Development Block Grant (CDBG)/CARES Act.....	\$ 41,036,762
Economic Development Administration(EDA)/CARES Act.....	\$ 6,000,000

Office of the Attorney General

FY' 22 Budget Request

November 10, 2020

FY' 21 Budget

No increase and \$500,000 swept

General Fund:	\$12,473,700
Federal:	\$ 4,989,000
Restricted:	\$18,051,600*
Tobacco:	\$ 150,000

Total: \$ 35,664,300

*\$500,000 transfer to General Fund

FY' 22 Request:

\$3,000,000 Additional General Fund

\$1,000,000 Additional Federal Spending Authority

2020 Statistics

- Office of Criminal Appeals: 25% drop in attorney personnel since 2014, yet the caseload has remained roughly the same.
- Department of Criminal Investigations: 1162 calls and complaints, more than double 2019 numbers.
- Office of Rate Intervention: 452 complaints, on pace in 2020 for the highest number of constituent complaints in the last three years.
- Office of Consumer Protection: In September, the Office of Consumer Protection saw a 482% increase in the caseload of reported scams. The current 2020 consumer complaint mediation caseload is 2,645 cases divided among three employees.
- Office of Senior Protection: Since the pandemic began, dollar losses resulting from scams have seen as much as an 8,000% increase over 2019.



Attorney General
DANIEL CAMERON



KENTUCKY STATE TREASURER ALLISON BALL

Kentucky State Treasury Budget Submission for FY 2022 (Same as FY 21 Enacted Budget)

The Treasury's budget includes funding for the Commonwealth Council on Developmental Disabilities (CCDD). This request assumes no changes to retirement and other benefit costs.

General Fund:	\$2,411,800 <i>(Treasury: \$2,263,600; CCDD: \$148,200)</i>
Restricted Fund:	\$1,848,400
Road Fund:	\$250,600
Federal Fund:	\$1,254,800 <i>(Only available to CCDD)</i>
ABR:	\$113,800 <i>(Systems Support Specialist IT Position)</i>

*****CRITICAL Capital Project*****

Nuvera 120MX MICR Printer

- ☐ The Treasury's printers are 10 years old with maintenance contracts expiring December 2020
- ☐ Treasury printers provide essential services:
 - Pay Checks,
 - Unemployment Insurance
 - Child Support
 - Retirement Checks
- ☐ Cost: \$66,000 annually for 5-year lease-purchase agreement

Kentucky Department of Agriculture

	2021 (HB 352)	2021-2022 Request
General Fund (Tobacco)	\$500,000	\$600,000
General Fund	\$16,822,000	\$20,690,800
Restricted Funds	\$14,362,700	\$12,198,200
Federal Funds	\$8,681,400	\$8,689,400
Total	\$40,366,100	\$42,178,400
IT Capital Project	\$1,052,400	\$1,065,600
Total	\$42,949,700	\$43,244,000
- Restore \$2 million to KDA's General Fund		
- Notwithstanding language (return what was in HB 352 – product registration and small farm wineries)		

Fiber Construction



Completed (~98*)

*KYW's primary vendor has achieved 99% completion.



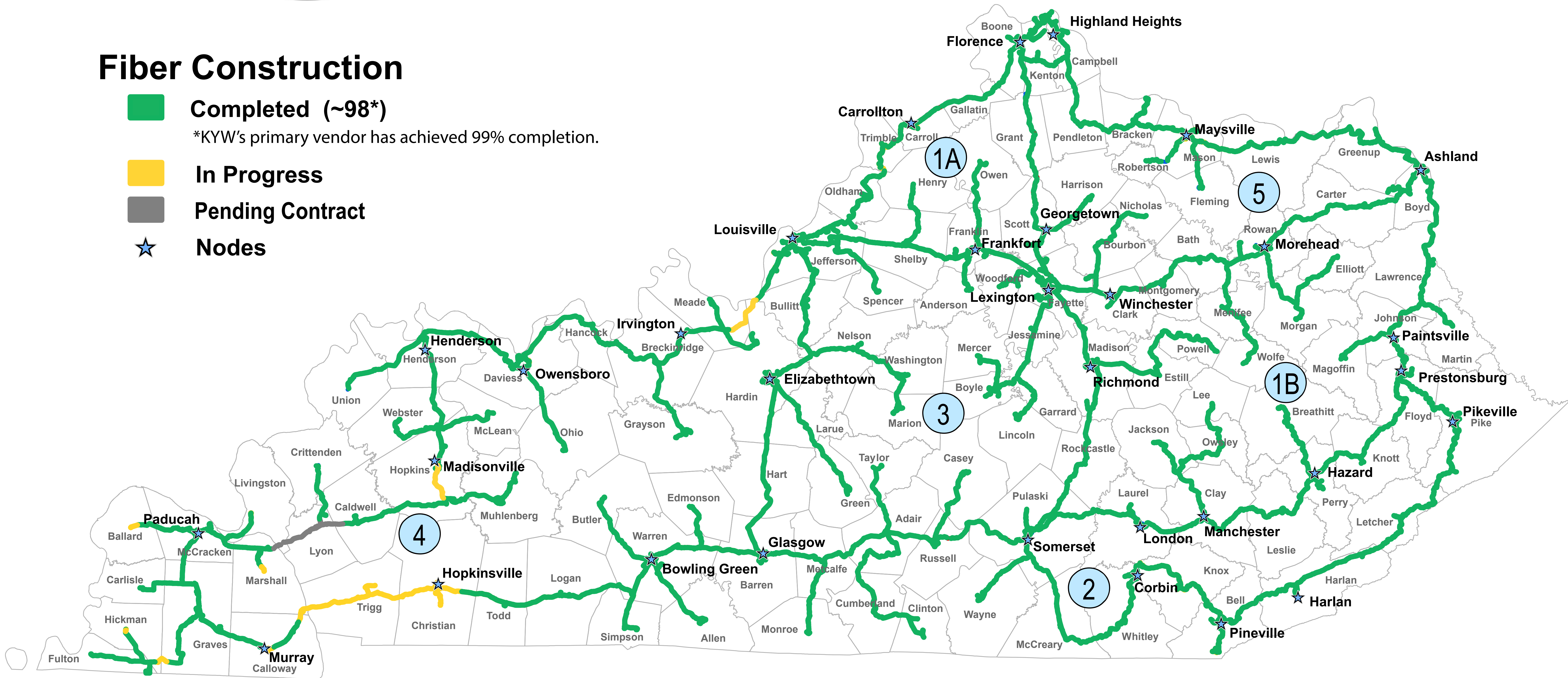
In Progress



Pending Contract



Nodes



Kentucky Retirement Systems		
	FY 2021 Budget	FY 2022 Budget Requested
PERSONNEL	\$36,687,445	\$36,687,445
Salaries	\$16,793,500	\$16,793,500
Emp Paid FICA	\$1,135,000	\$1,135,000
Emp Paid Retirement	\$16,086,645	\$16,086,645
Emp Paid Health Ins	\$2,550,000	\$2,550,000
Other Benefits	\$122,300	\$122,300
CONTRACTUAL SERVICES	\$2,658,950	\$2,658,950
Legal	\$1,302,700	\$1,302,700
Actuary	\$612,000	\$612,000
Medical Review	\$445,000	\$445,000
Auditing	\$176,500	\$176,500
Other Contracts	\$122,750	\$122,750
OPERATIONAL	\$9,541,805	\$9,541,805
Computer Equip./Software	\$4,325,000	\$4,325,000
Other Operational Expense	\$4,116,805	\$4,116,805
Building Rental - PPW	\$1,100,000	\$1,100,000
TOTAL	\$48,888,200	\$48,888,200

Kentucky Retirement Systems

- **Not general fund monies**
- **No change in budget FY21 to FY22**
- **Expenses are paid from the pension funds and are allocated based on membership in each of the five plans:**
 - CERS 59.50%**
 - KERS 31.24%**
 - CERS Hz 5.24%**
 - KERS Hz 3.34%**
 - SPRS 0.68%**



Teachers' Retirement System of the State of Kentucky

Budget Review Subcommittee on Personnel, Public Retirement and Finance

Gary L. Harbin, CPA
Executive Secretary

Nov. 10, 2020

2022 Budget Request

	FY 2021	FY 2022
Pension Leave of Absence Matching and Other \$	4,046,500	\$ 4,208,000
State's Portion of Shared Responsibility Medical Funding	61,700,000	52,434,100
Total Annual Expenditures in Budget	65,746,500	56,642,100
Amortized Payments	114,772,900	117,841,500
Additional Employer Contributions Required for ADEC	549,440,600	576,194,200
TRS BUDGET ACTUAL / Requested	729,960,000	750,677,800
Statutory Contribution Funded Through SEEK Formula in KDE Budget	425,565,500	434,040,000
Total to TRS	\$1,155,525,500	\$1,184,717,800



Our Members Come First!

800-618-1687

**8 a.m. – 5 p.m. ET
Monday – Friday**

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<https://trs.ky.gov>

Protecting & Preserving Teachers' Retirement Benefits