

1 AN ACT relating to budget requirements.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 48.020 is amended to read as follows:

4 Each branch of government shall have in continuous process of preparation and revision,
5 in the light of its direct studies of the operations, plans and needs of its budget units and
6 of the existing and prospective sources of income, a branch budget recommendation for
7 the next two (2) fiscal years for which a budget recommendation is required to be
8 prepared. Upon receipt of the estimates from its budget units, each branch of government
9 shall check these estimates in the light of its own information, and shall make such
10 further inquiries and investigations and revise its branch budget recommendation as it
11 deems warranted. ~~[The branch budget recommendation when approved shall be certified~~
12 ~~together with the budget statements provided for in KRS 48.110 and submitted as~~
13 ~~provided for in KRS 48.100.]~~

14 ➔Section 2. KRS 48.040 is amended to read as follows:

15 (1) On or before April 1 of each odd-numbered year, representatives designated by the
16 Governor, the Chief Justice, and the Legislative Research Commission for their
17 respective branches shall propose drafts of uniform forms to be used by all budget
18 units in submitting their budget estimates, requests and recommendations, and shall
19 recommend to the Legislative Research Commission such rules and regulations
20 deemed necessary for the preparation of such budget estimates, requests and
21 recommendations.

22 (2) On or before ~~June~~July 1 of each odd-numbered year, the Legislative Research
23 Commission shall prescribe uniform forms, records, and instructions to be used by
24 branch budget units. Included in such forms shall be a section requiring budget
25 units to identify the amount of funds to be spent on agency publications.

26 (3) (a) On or before August 15 of each odd-numbered year, each of the state-
27 administered retirement systems as defined by KRS 6.350(5) shall submit to

1 the state budget director's office and the Legislative Research Commission a
 2 preliminary projection of the actuarially required contribution rates payable
 3 for the budget biennium that begins in the following fiscal year.

4 (b) On or before **October**~~[November]~~ ~~1~~~~[15]~~ of each odd-numbered year, the state-
 5 administered retirement systems as defined by KRS 6.350(5) shall submit
 6 revised projections to the state budget director's office and the Legislative
 7 Research Commission, based upon the most recently completed actuarial
 8 valuation, of the actuarially required contribution rates payable for the budget
 9 biennium that begins in the following fiscal year.

10 (c) The Legislative Research Commission shall distribute the information
 11 received under this subsection to the committee staff and co-chairs of any
 12 committee that has jurisdiction over a state-administered retirement system.

13 (4) On or before **August**~~[September]~~ 1 of each odd-numbered year, the Finance and
 14 Administration Cabinet shall supply each branch of government with at least three
 15 (3) complete sets of the prescribed uniform forms and instructions for the
 16 preparation of estimates and statements, and one (1) copy of the complete statement
 17 of the expenditures of each budget unit of the branch to aid each branch of
 18 government in preparing its estimates and statements.

19 (5) Upon request, the Finance and Administration Cabinet shall provide such additional
 20 assistance to each branch of government as may be required.

21 ➔Section 3. KRS 48.050 is amended to read as follows:

22 **On or before October 1 of each odd-numbered year,** the head of each budget unit shall
 23 submit its budget unit request to:

24 **(1)** The Office of State Budget Director, in the case of the executive branch;~~[, to]~~

25 **(2)** The Chief Justice, in the case of the judicial branch;~~[, to]~~

26 **(3)** The director of the Legislative Research Commission, in the case of the legislative
 27 branch; and~~[to]~~

1 **(4)** The Legislative Research Commission~~[, not later than November 15 of each odd-~~
2 ~~numbered year].~~

3 ➔Section 4. KRS 48.110 is amended to read as follows:

4 Each branch budget recommendation shall contain a complete financial plan for the
5 branch of government for each of the next two (2) fiscal years. **Each branch budget**
6 **recommendation and all supporting documentation shall be submitted in a form and**
7 **format cooperatively developed by each respective branch of government and the**
8 **General Assembly and approved by the Legislative Research Commission.** Each branch
9 budget recommendation shall include:

10 (1) A budget message signed by:

11 (a) The Governor for the executive branch;

12 (b) The Chief Justice for the judicial branch; and

13 (c) The co-chairmen of the Legislative Research Commission for the legislative
14 branch;

15 (2) (a) Statements of income and receipts for the two (2) fiscal years last concluded,
16 and the estimated income and receipts, for each budget unit of the branch of
17 government for the current fiscal year and each of the next two (2) fiscal
18 years.

19 (b) The statements of income and estimated income shall be itemized by budget
20 unit and fund, and shall show separately receipts from:

21 1. Current income;

22 2. Refunds and reimbursements of expenditures;

23 3. The sale of assets; and

24 4. Receipts on account of the income of prior years.

25 (c) Existing sources of income and receipts shall be analyzed as to their equity,
26 productivity and need for revision, and any proposed new sources of income
27 or receipts shall be explained;

- 1 (3) A statement of the surplus in any account and in any special fund of the branch of
2 government. If a surplus exists in any account of the branch of government the
3 statement shall show the excess of all current assets over all current liabilities as of
4 the beginning of each of the two (2) fiscal years last concluded, and all changes in
5 these accounts during each of such two (2) fiscal years;
- 6 (4) A statement as of the close of the last completed fiscal year and as of the close of
7 the current fiscal year showing, for each budget unit the total funded debt, the value
8 of sinking fund assets, the net funded debt, the floating liabilities as of the end of
9 the current fiscal year, and the total debt as of the close of the last completed fiscal
10 year and as of the close of the current fiscal year;
- 11 (5) Summary and detailed comparative statements of expenditures itemized by budget
12 unit for each of the two (2) fiscal years last concluded and requests for
13 appropriations by funds or accounts, the budget of the current year, and the
14 recommendations for appropriations for each of the next two (2) fiscal years.
15 Following the lists of actual and proposed expenditures of each budget unit there
16 shall be a detailed explanation of the actual and proposed expenditures, to include
17 activities, beneficiaries and expected results of the programs or services of the
18 budget units;
- 19 (6) A draft of the proposed branch budget bill containing:
- 20 (a) Recommendations of the branch of government for appropriations for the next
21 two (2) fiscal years, and drafts of such revenue and other acts as may be
22 recommended for implementing the proposed financial plan;
- 23 (b) Recommended appropriations for extraordinary expenses and capital outlays,
24 which shall be itemized in the proposed branch budget bill for the branch by
25 budget unit. The title of each budget unit shall be worded to limit each
26 appropriation to the specific use or purpose intended;
- 27 (c) A plan for the reduction of the branch budget if there is a revenue shortfall of

1 five percent (5%) or less in the general fund or road fund. In recommending
2 budget reductions, the Governor, the Chief Justice, and the Legislative
3 Research Commission shall not recommend universal percentage reductions,
4 but shall weigh the needs of all budget units and shall strive to protect the
5 highest possible level of service in their respective branches. Services which
6 are not essential to constitutional functions shall be subject to reduction.

7 Transfer of funds may be authorized by the budget reduction plan;

- 8 (d) 1. A plan for the expenditure of a general fund or road fund surplus of up
9 to two and one-half percent (2.5%).
- 10 2. The plan shall include provisions for the expenditure of a surplus, and
11 may provide for additional moneys for nonrecurring expenditures for
12 which an appropriation was not made in a branch budget bill, or for a
13 program or service authorized by law for which an appropriation was
14 not made, or which was not fully funded.
- 15 3. In lieu of recommending the appropriation of funds, the plan may
16 instead recommend the retention of surplus funds in the surplus account
17 of the general fund or road fund for investment until appropriated by the
18 General Assembly;
- 19 (e) 1. A recommended state capital projects program and a recommended
20 program for the purchase of major items of equipment.
- 21 2. The recommended capital construction program shall include:
- 22 a. A complete list and summary description of each specific capital
23 construction project recommended for funding during the
24 biennium; and
- 25 b. For each project:
- 26 i. The agency and purpose for which it will be used;
- 27 ii. The justification for the project;

- 1 iii. Its estimated completion date;
- 2 iv. The total estimated cost of completing the project;
- 3 v. The estimated cost of the project during the biennium;
- 4 vi. The recommended sources of funds for the entire project;
- 5 and
- 6 vii. The dollar amounts recommended for appropriation and the
- 7 dollar amounts, listed by source, that are anticipated
- 8 from every other source of funds for the biennium.
- 9 3. All information required by subparagraph 2. of this paragraph shall be
- 10 included in each branch budget recommendation. Each branch budget
- 11 bill shall contain only a complete list of the specific capital construction
- 12 projects recommended for funding during the biennium and, for each
- 13 project, the information specified in subparagraph 2.b.v., vi., and vii. of
- 14 this paragraph.
- 15 4. A report which details the effect of recommended new debt on the debt
- 16 position of the Commonwealth shall be submitted at the same time the
- 17 recommended capital program is submitted. Information shall be
- 18 presented separately, and in total, for the general fund, road fund, and
- 19 any affected restricted fund account.
- 20 5. Information in the report shall include but not be limited to the
- 21 following:
- 22 a. Debt service on existing appropriation-supported debt, as a
- 23 percentage of anticipated total revenues;
- 24 b. Debt service on existing appropriation-supported debt, as a
- 25 percentage of anticipated available revenues;
- 26 c. The sum of debt service on existing appropriation-supported debt
- 27 and debt service on recommended new appropriation-supported

- 1 debt, as a percentage of anticipated total revenues;
- 2 d. The sum of debt service on existing appropriation-supported debt
- 3 and debt service on recommended new appropriation-supported
- 4 debt, as a percentage of anticipated available revenues;
- 5 e. The sum of debt service on existing appropriation-supported debt
- 6 and debt service on recommended new appropriation-supported
- 7 debt, as a percentage of estimated state total personal income; and
- 8 f. The sum of existing appropriation-supported debt and
- 9 recommended new appropriation-supported debt, as a percentage
- 10 of estimated state total personal income.
- 11 6. The recommended program for the purchase of major items of
- 12 equipment submitted by the head of each branch of government shall
- 13 include:
- 14 a. A complete list and summary description of each specific major
- 15 item of equipment recommended for purchase during the
- 16 biennium; and
- 17 b. For each major item of equipment:
- 18 i. The agency and purpose for which it will be used;
- 19 ii. The justification for the purchase;
- 20 iii. The estimated cost of the item, including ancillary expenses
- 21 and any expenses necessary to make the equipment
- 22 functional and operational;
- 23 iv. The recommended sources of funds; and
- 24 v. The dollar amounts recommended for appropriation and
- 25 anticipated from every other source of funds for the
- 26 purchase.
- 27 7. All information required by subparagraph 5. of this paragraph shall be

1 included in the executive branch budget recommendation. The branch
2 budget bill for the executive branch shall contain only a complete list of
3 each specific item of major equipment recommended for purchase
4 during the biennium and, for each item, the information specified in
5 subparagraph 6.b.iii., iv., and v. of this paragraph;

6 (f) The branch budget recommendation for the Transportation Cabinet shall
7 include the following information:

- 8 1. A separate branch budget bill;
- 9 2. A recommended biennial highway construction plan, which shall be
10 presented as a separate bill, and which shall include a list of individual
11 transportation projects included in the last four (4) years of the six (6)
12 year road plan, not to exceed ten percent (10%) of the recommended
13 biennial highway construction appropriation, which can be advanced if:
 - 14 a. Additional funds are received; and
 - 15 b. All projects included in the biennial highway construction plan
16 have been advanced or completed to the extent possible; and
- 17 3. The six (6) year road plan. The Governor shall have ten (10) working
18 days after submission of the branch budget recommendation and the
19 recommended biennial highway construction plan to submit the six (6)
20 year road plan. The six (6) year road plan shall be submitted in a form
21 and format cooperatively developed by the Transportation Cabinet and
22 the General Assembly and approved by the Legislative Research
23 Commission; and

- 24 (g) 1. In the executive branch budget recommendation, as a separate section,
25 an amount sufficient to meet unexpected contingencies or emergencies,
26 including but not limited to natural or man-made disasters, civil
27 disorders, court orders requiring or resulting in the expenditure of state

1 funds, or other related causes.

2 2. The amount shall be based on the nature, type, and frequency of named
3 categories of events which may, from past experience, be reasonably
4 anticipated.

5 3. This portion of the budget recommendation shall detail similar incidents
6 and the nature and amount of the expenditures for each during the ten
7 (10) years immediately preceding.

8 The total amount of appropriations recommended from any fund shall not exceed
9 the cash resources estimated to be available and to become available to meet
10 expenditures under the appropriations;

11 (7) A certificate of the branch of government as to the accuracy of the statements of
12 financial condition, of income and receipts, and of expenditures; and

13 (8) Such other information as is deemed desirable, or is required by law or regulation.

14 ➔Section 5. KRS 48.120 is amended to read as follows:

15 (1) By August 15 of each odd-numbered year, the Office of State Budget Director, in
16 conjunction with the consensus forecasting group, shall provide to each branch of
17 government a budget planning report. The budget planning report shall include:

18 (a) A baseline analysis and projections of economic conditions and outlook;

19 (b) Any potential consequences of the analysis and projections for the
20 Commonwealth's fiscal condition;

21 (c) The revenue estimates and implications for the general fund and road fund for
22 the current fiscal year and next four (4) fiscal years; and

23 (d) Projections of personal income, employment, and economic indicators that
24 reflect economic conditions.

25 (2) By October 15 of each odd-numbered year, the Office of State Budget Director
26 shall provide to each branch of government preliminary revenue estimates made by
27 the consensus forecast group for the general fund and road fund for the current and

1 next two (2) fiscal years, including explanatory statements, and a comparative
 2 record of the actual revenues of these funds for each of the last two (2) years
 3 concluded.

4 (3) **By December 20 of each odd-numbered year**~~[On or before the fifteenth legislative~~
 5 ~~day]~~, the Office of State Budget Director shall certify and present to the **Legislative**
 6 **Research Commission**~~[General Assembly]~~ the official revenue estimates made by
 7 the consensus forecasting group for the general fund and road fund for the current
 8 and next two (2) fiscal years.

9 (4) Appropriations made in the branch budget bills enacted for each branch of
 10 government shall be based upon the official revenue estimates presented to the
 11 **Legislative Research Commission**~~[General Assembly]~~ by the Office of State
 12 Budget Director under subsection (3) of this section, as modified by the General
 13 Assembly.

14 (5) The enacted estimates shall become the official revenue estimates of the
 15 Commonwealth upon the branch budget bills becoming law, and shall remain the
 16 official revenue estimates of the Commonwealth until revised by the consensus
 17 forecasting group as provided in KRS 48.115.

18 ➔Section 6. KRS 48.170 is amended to read as follows:

19 In addition to the requirements set forth in this chapter, the **standing**~~[appropriations]~~
 20 committees of each house or **interim joint committees of** the Legislative Research
 21 Commission, as appropriate, may require additional information and **shall**~~[may]~~ prescribe
 22 the form in which such additional information shall be submitted as a part of, or in
 23 support of, a branch budget recommendation. **The information shall be submitted within**
 24 **fourteen (14) days of the request unless an extension is granted by the requesting staff**
 25 **person. The extension shall not exceed seven (7) days from the date the extension was**
 26 **granted.**

27 ➔Section 7. KRS 48.300 is amended to read as follows:

1 (1) The financial plan for each fiscal year ~~[as presented in the branch budget~~
2 ~~recommendation]~~ shall be adopted, with any modifications made by the General
3 Assembly, by the passage of a branch budget bill for each branch of government,
4 and any revenue and other acts as necessary.

5 (2) With regard to the Transportation Cabinet, the General Assembly shall:

6 (a) Enact, as a separate bill, a branch budget for the Transportation Cabinet;

7 (b) Enact, as a separate bill, the biennial highway construction plan, as amended
8 by the General Assembly, including identification of projects from the last
9 four (4) years of the six (6) year road plan that may be moved forward, and
10 the conditions and requirements under which the identified projects may be
11 moved forward; and

12 (c) Adopt the last four (4) years of the six (6) year road plan, as amended by the
13 General Assembly, as a joint resolution.

14 ➔Section 8. KRS 48.810 is amended to read as follows:

15 Each ~~[program]~~ cabinet, the Department for Local Government, the Department of
16 Military Affairs, and the Commonwealth Office of Technology shall develop and submit
17 a four (4) year strategic plan to meet the broad goals outlined by the Governor and shall
18 submit an electronic copy of the full plan and an electronic copy of a brief summary of
19 that plan to the state budget director, the secretary of the Executive Cabinet, and the
20 Legislative Research Commission with each biennial budget request.

21 (1) Each strategic plan shall include but not be limited to:

22 (a) A statement of the cabinet or administrative entity's value, vision, and
23 mission;

24 (b) A statement of how the cabinet or administrative entity's strategic plan is
25 aligned with the Governor's goals and linked to the budget request **by**
26 **program** and the six (6) year capital plan of the cabinet or administrative
27 entity;

- 1 (c) A brief summary of a situation analysis conducted by the ~~[program]~~ cabinet or
2 administrative entity;
- 3 (d) Identification of measurable goals for the next four (4) years **by program**;
- 4 (e) Specification of objectives to meet the stated goals **by program**;
- 5 (f) Identification of performance indicators to be used to measure progress
6 toward meeting goals and objectives **by program**; and
- 7 (g) A progress report providing data and information on the performance
8 indicators set forth in the ~~[program]~~ cabinet or administrative entity's most
9 recent strategic plan.
- 10 (2) On or before September 1 of each even-numbered fiscal year, ~~[program]~~ cabinets
11 and administrative entities which have submitted strategic plans in the previous
12 fiscal year shall submit a progress report to the Office of ~~the~~ State Budget
13 Director, or its designee, which provides data and information regarding the
14 progress the ~~[program]~~ cabinet or entity has made toward meeting its goals as
15 measured by performance indicators set forth in the cabinet's or entity's most recent
16 strategic plan.
- 17 (3) The state budget director shall designate an entity to develop and implement a
18 methodology for strategic planning and progress reporting for use by ~~[program]~~
19 cabinets and administrative entities submitting strategic plans and progress reports
20 pursuant to this section. The entity designated by the state budget director shall
21 develop and make available a training course in strategic planning that is
22 appropriate for and targeted to state government managers, and shall make that
23 training course available to state managers and their designees who have
24 responsibility for the completion of a strategic plan as required by this section.
- 25 (4) The Commonwealth Office of Technology shall maintain uniform electronic
26 strategic plan and progress report submission forms and a procedure that allows all
27 plans and progress reports to be entered into an electronic database that is

1 searchable by interested parties. The database shall be developed and maintained in
2 a form that complies with all provisions of KRS 48.950, 48.955, and 48.960. The
3 Commonwealth Office of Technology shall develop and maintain a program to
4 provide public access to submitted plans and progress reports.

5 ➔Section 9. KRS 48.950 is amended to read as follows:

- 6 (1) In order to effectuate the constitutional power and duty of the General Assembly to
7 raise and appropriate revenue and approve and adopt a balanced budget, and in
8 order that members and committees of the General Assembly and the Legislative
9 Research Commission may be informed on a continuous basis about current and
10 prospective financial conditions and budgetary needs of the Commonwealth and its
11 budget units, the Kentucky General Assembly finds and declares that uniform
12 detailed budget data and records relating to expenditures, receipts and activities and
13 the budgetary operations of all budget units must be available in electronic and print
14 form to the General Assembly and the Legislative Research Commission on a
15 continuous and timely basis, including the electronic accounting and budgeting
16 systems utilized by all branches of state government such as the Enhanced
17 Management Reporting System and the Kentucky Budgeting System.
- 18 (2) The contents of all electronic and print forms, records, data and procedures
19 established under KRS 48.955 and 48.960 shall pertain to:
- 20 (a) The submission of budget unit requests and branch budget recommendations;
 - 21 (b) The adoption of budget bills;
 - 22 (c) The allotments under, and authorized adjustments and revisions to, the
23 enacted budget;
 - 24 (d) The receipts and disbursements of budget funds pursuant to appropriations
25 enacted by the General Assembly; and
 - 26 (e) The financial and budgetary conditions of the Commonwealth and branch
27 budget units.

1 These contents, forms and records shall be standard and uniform for all budget
2 units.

3 (3) The Governor, the Chief Justice and the Legislative Research Commission for their
4 respective branches and budget units, shall cause to be created, maintained and
5 transmitted in electronic form the data, records and procedures necessary to fulfill
6 the intent and purposes of KRS 48.955 and 48.960 and which may be provided by
7 KRS 48.955 and 48.960.