5.4.1 Kentucky Community and Technical College System
Budgetary Policies and Procedures

5.4.1.1 Budgetary Policies

A. Budgetary Authority

All budgetary matters follow the general organizational structure of the Kentucky Community and Technical College System (KCTCS) with the KCTCS Board of Regents having the ultimate and exclusive authority for the approval of the budget. All funds within the general fund, auxiliary fund, and restricted fund groups are subject to this policy and may be expended only for the approved programs and objectives of the respective fund groups. No revenue shall be expended except upon the establishment of an expenditure authorization approved by the KCTCS 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 KCTCS Board of Regents delegates the authority to approve such agreements and authorizes expenditures to the KCTCS President. If delegated, the KCTCS President must report to the KCTCS Board of Regents the authorization of such expenditures.

B. Organizational Responsibilities

1. The KCTCS President is responsible for the development and implementation of systemwide budget policies and procedures. Responsibility has been delegated to the KCTCS Vice President primarily responsible for Finance for the development and submission of the KCTCS budget requests in alignment with the strategic plan, and for the evaluation of the effectiveness of budget implementation in coordination with the achievement of program objectives. The Office of the KCTCS President coordinates the submission and justification of the annual operating budget to the KCTCS Board of Regents. The Office of the KCTCS President and the KCTCS Vice President also coordinate the biennial budget request, in alignment with the strategic plan, to the KCTCS Board of Regents, the Council on Postsecondary Education, and the executive and legislative branches of state government.

2. Responsibility for management of KCTCS funds rests with the KCTCS President. Budget authority is delegated to the college president/chief executive officer for funds allocated to the colleges. Responsibility for management of each KCTCS college’s funds rests with the college president/chief executive officer. Although the KCTCS President may delegate authority for systemwide specific fund management, the ultimate responsibility for KCTCS remains with the KCTCS President.

3. The KCTCS President is responsible for and may delegate the following:

   a. To develop and recommend plans for the effective use of resources;

   b. To manage programs within allocated resources including the management of contract and grant overruns and cost sharing (less than full cost recovery);
c. To operate within approved budget allocations;

d. To allocate funds consistent within approved plans;

e. To ensure that expenditures are consistent with established objectives;

f. To realize estimated revenue or to adjust expenditures in order not to exceed revenue available;

g. To 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);

h. To require that nonrecurring funds in addition to those approved in the budget process are not used for recurring purposes without prior approval of the KCTCS President; and

i. To ensure conformity with state and KCTCS rules and procedures applicable to the expenditure of funds generally and for purchasing and payment of goods and services specifically.

4. Each college president/chief executive officer is responsible for and may delegate the following:

a. To develop and recommend plans for the effective use of college resources;

b. To manage programs within college resources including the management of contract and grant overruns and cost sharing (less than full cost recovery);

c. To operate within approved budget allocations;

d. To allocate funds consistent within approved KCTCS and college plans;

e. To ensure that expenditures are consistent with established KCTCS and college objectives;

f. To realize estimated revenue or to adjust expenditures in order not to exceed revenue available;

g. To 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);
h. To 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

i. To ensure conformity with state and KCTCS rules and procedures applicable to the expenditure of funds generally and for purchasing and payment of goods and services specifically.

C. General Budget and Policy Statement

1. KCTCS shall distribute resources in a manner that supports the achievement of objectives and priorities established during the planning process.

2. The budget is used to establish and implement policies, allocate resources, foster accountability, and translate plans into action. These plans include, but are not limited to, the Strategic Plan and the Six-Year Capital Plan.

3. Recurring expenditures are to be supported by recurring revenue. Approved nonrecurring plans must have any recurring costs identified and adequate recurring financial support ensured. Exceptions to this policy must be reported to, and approved by, the KCTCS President and must include a plan to bring exceptions into compliance with this policy.

D. Biennial Budget Request

1. The biennial budget request will be based on the objectives of the programs for which units are responsible, must set forth the means to be employed in pursuing those objectives, and must describe criteria to be applied in evaluating progress toward objectives.

2. The biennial budget request will be related to specific program objectives, with a dollar value assigned to the achievement of such specific program objectives. The basic budgetary policy places emphasis on programs and the justification for the support of those programs, rather than on an incremental resource allocation. Programs proposed for consideration during the annual operating budget development process will be consistent with priorities included in the college’s biennial budget request. These program proposals must be approved by the KCTCS college’s local board of directors. The college president/chief executive officer must provide explanation and justification to the local board of directors for approval and to the Office of the KCTCS President for any deviation from those priorities.

E. Budget Allocation and Use

1. Funds will be allocated based upon specific objectives agreed upon for a given fiscal year. Funds may be allocated to the colleges for specific expenditure categories (personal services, current expenses, and capital). However, policies formulated from time to time and provisions herein may affect the use of funds within the total allocation.
2. Annual budgetary allocations shall be based on program and resources with respect to the biennial budget request, but will be influenced by changes in the KCTCS request as submitted and effected by the Council on Postsecondary Education, executive branch of state government, and General Assembly. The college presidents/chief executive officers have discretion in the allocation of funds in accordance with the policies set forth in this document.

3. A budget reserve will be budgeted annually by the KCTCS Board of Regents.

4. The capital budget will be submitted as part of the annual operating budget.

5. Physical facilities projects more than $400,000 in scope shall not be reduced or increased without the KCTCS President’s approval.
   a. The KCTCS President shall make a determination of the initial funding source regarding responsibility for covering overdrafts, regardless of the initial funding source.
   b. Balances remaining after plant fund accounts are closed shall be lapsed to the KCTCS central clearing account, depending upon the original funding source.

The KCTCS President shall have the option of reallocating balances to other approved projects or equipment items, or transferring the balances back to the renovation reserve for redistribution within the plant funds.

6. Balances remaining from physical plant projects under $100,000 originally funded from restricted or auxiliary enterprise accounts shall be lapsed to the appropriate fund source.

7. The assignment of funds on a systemwide basis into expenditure accounts and categories of expenditure is the responsibility of the KCTCS President. The allocation of funds on a college basis into expenditure accounts and categories of expenditure is the responsibility of the college president/chief executive officer. After approval by the KCTCS President, the breakdown by account and expenditure category is the basis for the KCTCS college operating budgets which are identified in the KCTCS budget and must be submitted to the KCTCS Board of Regents for approval. Individual salaries will be determined according to guidelines approved by the KCTCS President. Each college president/chief executive officer is responsible for submission of necessary documents to implement the July 1 payroll for their college each year according to procedures set forth. Each college president/chief executive officer is responsible for ensuring that the annual salary authorizations for their college which are submitted to the Payroll Department are the same as those specifically approved for each individual within the salary guidelines established by the KCTCS Office of the President.

8. Expenditures charged to a particular account must be for the accomplishment of those objectives of the program named in that account. Expenditures will not be reduced by utilization of revenue for a non-intended purpose or for any other reason except
correction of an error or in the case of a refund, which occurs during the fiscal year in which the expenditure occurred. Expenditure of funds from nonrecurring sources must be limited to nonrecurring purposes unless prior approval by the KCTCS President has been received. Expenditure of funds within a given fiscal year must be for services rendered during that fiscal year.

F. Revenue Generation

Funds allocated in the annual operating budget will be based on estimates of revenue by source including recharges (recharges represent expenditures of one unit in support of activities of another unit, assuming both units are included in the approved operating budget). Any changes during the year in the planned revenue amounts will require submission of a revised plan of expenditures to the Office of the KCTCS President which sets forth the actions proposed to address the revenue changes. These changes must also be reported to the KCTCS colleges’ board of directors.

In the event actual annual revenues exceed estimated revenues, the KCTCS President may authorize an increase in the current funds expenditure budget in accordance with the Annual Budget Adoption resolution adopted annually by the KCTCS Board of Regents.

G. Budget Changes

Any change in the established priorities or any requested reallocation of funds which involves an alteration in priorities must be approved in the same manner as originally established. Any request involving additional funds, the redistribution of funds, or the establishment of additional expenditure authority must include a statement of the program implication. Requests submitted by a college president/chief executive officer shall be in the context of the change or modification which would occur in the total operations of that college.

Budgetary changes fall into one of the following two categories:

1. Fund Transfer - The redistribution of funds made available to a college president/chief executive officer requires a fund transfer. Authority for processing fund transfers will reside with the KCTCS Budget Office.

2. Budget Revisions - A request for increased (or decreased) expenditure authority based on increased (decreased) revenue and/or increased (decreased) support from other units of KCTCS (recharges) requires a budget revision. Requests which involve budgeting of increases (decreases) in revenue are evaluated in view of program needs and the changes in circumstances since the original budgeting of revenue.

H. Budget Savings

1. Salary savings, either actual or potential, are those funds which have accrued, or will accrue, in a given budgeted position as a result of:
a. A position being vacant for any period of time;
b. A portion of the salary of an incumbent being transferred to another fund source; or
c. A position being filled at less than the budgeted salary amount.

2. Current expense savings are those which result from under expenditure in a particular expense category.

3. The KCTCS President is responsible for the management of budget savings within KCTCS. Savings which are nonrecurring should be used only for nonrecurring purposes. Savings must be used in a manner consistent with established plans and program objectives.

I. Fund Balances

The responsibility for projecting and managing all fund balances generated within KCTCS rests with the KCTCS President. The responsibility for projecting and managing fund balances generated within the college rests with the college president/chief executive officer.

J. Budget Evaluation

Budget evaluation is the assessment of the achievement of established goals and objectives for which funds have been made available. Budget evaluation will be conducted in terms of the following:

1. Effective implementation of approved plans; and
2. Accomplishment of the agreed-upon program objectives, activity indicators, and outcome indicators; and adherence to KCTCS budget policies.

5.4.1.2 Procedures

A. Revenue Estimates

As part of the annual budget cycle, revenue and recharge estimates will be projected for all revenue producing units. These revenue estimates must be realistic and reviewed carefully. Detailed information is required regarding amounts and types of revenue, including support from other units within the KCTCS (recharges).

B. Budget Calendar

The budget calendar for a complete cycle reflects the earliest possible dates for internal decisions, recognizing the external actions of such agencies as the Council on Postsecondary Education and the executive and legislative branches of state government. The budget cycle
covers a two-year period during which the biennial budget request and two annual operating budgets are developed, approved, implemented, and evaluated.

C. Budget Requests

The call for budget requests within KCTCS originates in the Office of the KCTCS Vice President primarily responsible for Finance and is directed to the KCTCS colleges. Budget requests will be of two types:

1. Biennial budget requests are prepared in the winter and spring of each odd-numbered year and are the basis for the integrated budget request which the KCTCS President submits to the KCTCS Board of Regents for approval, and to the Council on Postsecondary Education, the executive branch, and legislative branch of state government. The call for each biennial budget request is incorporated into KCTCS planning cycles; and

2. Operating budget requests are prepared each year and serve as the basis for preparation of the internal operating budget. These requests are prepared in the context of the approved biennial budget request. The call is issued at a time which takes into consideration the convenience of all units involved; however, it is based on actions of the KCTCS Board of Regents.

D. Budget Transfer

The procedures for processing a budget transfer are as follows:

1. The budget transfer form will be prepared with all pertinent information;

2. The KCTCS President and college presidents/chief executive officers may delegate the signing of budget transfers to a designee.

3. The budget transfer form will contain the recommendations of the college president/chief executive officer or designee.

4. The budget transfer form will be returned to the college from the KCTCS Office of Budget to the initiating unit from the college bearing an approval or a notification of the insufficiency of funds.

E. Budget Revision

The procedures for processing a budget revision are as follows:

1. The budget revision form will be prepared with all pertinent information;

2. The budget revision form should bear the recommendations of the college president/chief executive officer or designee;
3. The budget revision form is to be forwarded to the KCTCS Office of Budget for action;

The revision, if approved by the KCTCS President, will be reported to the KCTCS Board of Regents in accordance with the Annual Budget Adoption Resolution adopted annually by the KCTCS Board of Regents.

F. Budget Implementation

KCTCS will be responsible for the implementation of the annual operating budget, as approved by the KCTCS Board of Regents.

G. Capital Outlay and Equipment Procedures

KCTCS’ annual operating budget process shall include the development and submission of an annual capital budget for capital allocations. This budget shall be prepared within guidelines established by the KCTCS President.

5.4.1.3 Definitions

A. Fund Groups

The budget procedure of KCTCS and the annual operating budget of KCTCS covers the major fund groups set forth below:

1. General Fund - Expenditures are supported by revenue from state appropriations, student fees, sales and services, fund balances, and those gifts and grants, endowment incomes, investment incomes, and federal and county appropriations that are not restricted as to purpose by a person or an agency external to KCTCS.

2. Auxiliary Funds - Expenditures are supported by income from the respective components of auxiliary operations, including grills, college-operated vending, and housing and dining operations.

3. Restricted Funds - Expenditures are supported by income restricted for a specific purpose by a person or an agency external to KCTCS.

B. Capital Budgets

1. Physical Facilities

   a. Capital construction and major renovation projects are those projects with a scope of $600,000 or more which (1) have approval in the current biennium by the legislature for state appropriations, debt service, or agency funding (as defined with the Budget of the Commonwealth); or (2) are of an emergency nature or (3) are funded from private or federal sources. These projects require prior approval by the KCTCS Board of Regents, Council on Postsecondary Education, and the legislature.
b. Other renovation projects are those projects with a scope of less than $600,000 and are included in the capital budget as pooled projects within defined categories.

2. Equipment

a. Major equipment items are those with a scope of $200,000 or more which have legislative approval in the current biennium or are funded from private or federal sources.

b. Other equipment items are those with a scope of less than $200,000 which are included in the capital budget as pooled equipment items within defined categories.

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