Upcoming Changes to Labor Cost Distribution (LCD) Processing

What Agencies Need to Know About the Transition From KHRIS LCD to eMARS LCD

The Finance and Administration Cabinet is preparing to launch a major modernization effort that will improve the way payroll allocation data is calculated, posted, and reported across the Commonwealth. This work replaces long-standing custom KHRIS processes and transitions Kentucky to the delivered Payroll Accounting Management (PAM) functionality within eMARS.

What Is Changing?

The custom Kentucky Human Resource Information System (KHRIS) allocation process—responsible for generating CA documents—will be retired.

Under the new model, the Labor Cost Distribution (LCD) process will:

- Retrieve unallocated payroll data from the Personnel Cabinet

- Perform allocation calculations within eMARS using PAM

- Post payroll results to eMARS using new Payroll transactions

- Replace CA transactions for payroll data with new transaction types

New eMARS Payroll Posting Transactions

LCD will use the following Advantage-delivered transaction types:

- **PRLID – Payroll Internal Transaction**
  Posts liability for employer-paid fringe and employee deductions into Holding Accounts.

- **PREXP – Payroll Expenditure** Posts employer-paid fringe and gross pay expenses.

- **PRLIA – Payroll Liability**
  Posts net pay liability.

How will this affect my agency?

Changes in Posting & Accounting Procedures

The longstanding Cost Allocation (CA) transaction for payroll expenses will be replaced with the PREXP transaction in eMARS.

Going forward, agencies will start seeing **PREXP, PRLID, and PRLIA** transactions generated by eMARS as LCD posts payroll.

Agencies may start to receive outreach to review or update Chart of Accounts (COA) values on:

- Positions

- Employees

- Agency default templates

- Professional service contract templates

- Any PYRL documents using outdated COA structures

Statewide Accounting staff are currently reviewing all agency-used accounting templates to identify any invalid Chart of Accounts (COA) elements. Templates containing invalid or outdated values must be corrected, as these issues will cause delays in the processing and posting of payroll transactions in eMARS. More information related to these accounting templates will be forthcoming.

Reporting Changes

Today, agencies rely on both eMARS and KHRIS for reporting allocated payroll data. **After LCD go-live, allocated data will no longer be available in KHRIS.**

All payroll allocation reporting will transition fully to **eMARS**.

This means:

- New statewide reports will be created to replace most of the SAPGUI reports for allocated data available in KHRIS

- eMARS will become the single source for payroll allocation data

Some agencies will still need to use the KHRIS reports for employee specific data that will not be imported into eMARS after this transition. Historical reporting will still be available. More information on this to come…

What Agencies should do Now…

To prepare for the transition to LCD and ensure a smooth implementation, agencies should begin internal coordination and communication efforts now. The following activities are essential:

1. Ensure Communication Reaches All Impacted Staff

   - Agencies should identify and notify all individuals who will be directly affected by these changes, including:
   - Human Resources staff responsible for entering employee data and accounting defaults in KHRIS
   - Fiscal and accounting staff responsible for payroll posting, reconciliation, and reporting
   - Systems or technical personnel who support agency-specific integrations or data processes

Clear internal communication will help ensure accuracy in COA values and readiness for LCD reporting and transaction changes.

2. Strengthen Coordination Between HR and Fiscal Offices

Because payroll accounting values entered in KHRIS flow directly into LCD processing, HR and Fiscal offices should begin meeting now to:

   - Review how accounting defaults are currently assigned in KHRIS
   - Confirm that position- and employee-level accounting information is accurate and aligns with agency budget and accounting expectations
   - Establish or refresh procedures for cross-checking COA values before payroll is submitted

Early alignment will minimize payroll posting delays once the new PYRL transactions are implemented.

3. Review and Update Any Existing Agency Templates

Statewide Accounting staff are currently reviewing commonly used accounting templates to identify invalid or outdated COA elements. Agencies should be prepared to:

   - Update any templates flagged by Statewide Accounting
   - Validate internally maintained accounting templates (for positions, employees, default templates, professional service contracts, or PYRL documents)
   - Correct invalid elements as soon as identified to avoid delays in payroll processing

4. Identify and Assess Any Custom Processes Relying on CA Documents

Agencies that rely on the current CA transaction for downstream processes must take action. This includes:

- Custom-built data extracts pulling CA data into an agency system
- Automated data imports or reconciliations triggered by CA documents
- Any reporting tools or dashboards that depend on CA-based allocation information

Since CA documents will be replaced by PREXP, PRLID, and PRLIA transactions, agencies must begin planning technical updates now to ensure that data continues to flow properly under the new LCD structure.

5. Prepare for Reporting Transition

Agencies should begin planning for:

- The retirement of KHRIS allocation data
- Transition to eMARS-based reporting for allocated payroll
- Reviewing internal reporting needs ahead of upcoming training

This includes identifying who in the agency will be responsible for attending reporting-related training sessions in early 2026.

***If users have any questions or need further assistance, please contact the
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