GENERAL ASSEMBLY
COMMONWEALTH OF KENTUCKY

2016 REGULAR SESSION

HOUSE BILL NO. 535

AS ENACTED

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ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Adler

1 AN ACT relating to fiscal matters and declaring an emergency.

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

3 ➔Section 1. KRS 154.26-010 is amended to read as follows:

4 As used in this subchapter, unless the context clearly indicates otherwise:

5 (1) "Agreement" means a revitalization agreement entered into, pursuant to KRS
6 154.26-090, on behalf of the authority and an approved company with respect to an
7 economic revitalization project;

8 (2) "Agribusiness" means any activity involving the processing of raw agricultural
9 products, including timber, or the providing of value-added functions with regard to
10 raw agricultural products;

11 (3) "Appropriation agreement" means an agreement entered into, pursuant to KRS
12 154.26-090(1)(f)2., among the approved company, the authority, and local
13 governmental entities with respect to appropriations by these local governmental
14 entities for the benefit of the approved company;

15 (4) "Approved company" means any eligible company approved by the authority
16 pursuant to KRS 154.26-080 requiring an economic revitalization project;

17 (5) "Approved costs" means:

18 (a) Obligations incurred for labor and to vendors, contractors, subcontractors,
19 builders, suppliers, deliverymen, and materialmen in connection with the
20 acquisition, construction, equipping, rehabilitation, and installation of an
21 economic revitalization project;

22 (b) The cost of contract bonds and of insurance of all kinds that may be required
23 or necessary during the course of acquisition, construction, equipping,
24 rehabilitation, and installation of an economic revitalization project which is
25 not paid by the vendor, supplier, deliveryman, contractor, or otherwise
26 provided;

27 (c) All costs of architectural and engineering services, including estimates, plans

1 and specifications, preliminary investigations, and supervision of construction,
2 rehabilitation and installation, as well as for the performance of all the duties
3 required by or consequent upon the acquisition, construction, equipping,
4 rehabilitation, and installation of an economic revitalization project;
5 (d) All costs required to be paid under the terms of any contract for the
6 acquisition, construction, equipping, rehabilitation, and installation of an
7 economic revitalization project;
8 (e) All costs required for the installation of utilities, including but not limited to
9 water, sewer, sewer treatment, gas, electricity, communications, and railroads,
10 and including off-site construction of the facilities paid for by the approved
11 company; and
12 (f) All other costs comparable with those described above;
13 (6) "Assessment" means the job revitalization assessment fee authorized by KRS
14 154.26-100;
15 (7) "Authority" means the Kentucky Economic Development Finance Authority created
16 by KRS 154.20-010;
17 (8) "Commonwealth" means the Commonwealth of Kentucky;
18 (9) "Economic revitalization project" or "project":
19 (a) Means the acquisition, construction, equipping, and rehabilitation of
20 machinery and equipment, constituting fixtures or otherwise, and with respect
21 thereto, the construction, rehabilitation, and installation of improvements of
22 facilities necessary or desirable for the acquisition, construction, installation,
23 and rehabilitation of the machinery and equipment, including surveys;
24 installation of utilities, including water, sewer, sewage treatment, gas,
25 electricity, communications, and similar facilities; and off-site construction of
26 utility extensions to the boundaries of the real estate on which the facilities are
27 located, all of which are utilized to improve the economic situation of the

1 approved company to allow the approved company to remain in operation and
2 retain or create jobs or to resume operations in the case of closed facilities as
3 provided in subsection (10)(b) of this section; and
4 (b) Includes any supplemental project;
5 (10) "Eligible company" means any corporation, limited liability company, partnership,
6 limited partnership, sole proprietorship, business trust, or any other entity:
7 (a) Employing or intending to employ full-time a minimum of twenty-five (25)
8 persons engaged in manufacturing or agribusiness operations at the same
9 facility, whether acquired, owned, or leased, located and operating within the
10 Commonwealth on a permanent basis for a reasonable period of time
11 preceding the request for approval by the authority of an economic
12 revitalization project, including facilities where manufacturing or agribusiness
13 operations has been temporarily suspended and which meets the standards
14 promulgated by the authority pursuant to KRS 154.26-080; or
15 (b) Having or, in the case of closed facilities, intending, raw production of at least
16 three (3) million tons of coal mined from the economic revitalization project
17 facility and employing or, in the case of closed facilities, intending to employ,
18 a minimum of five hundred (500) persons engaged in coal mining and
19 processing operations at facilities, whether owned or leased, located and
20 operating within the Commonwealth on a permanent basis for a reasonable
21 period of time preceding the request for approval by the authority of an
22 economic revitalization project, including facilities on or adjacent to where
23 coal mining and processing operations have been closed, temporarily
24 suspended, or severely reduced, and which meets the standards promulgated
25 by the authority under KRS 154.26-080;
26 (11) "Final approval" means the action taken by the authority authorizing the eligible
27 company to receive inducements under this subchapter;

1 (12) "Inducements" means the Kentucky tax credit and the job revitalization assessment
2 fee as prescribed in KRS 154.26-090 and 154.26-100;
3 (13) "Manufacturing" means any activity involving the manufacturing, processing,
4 assembling, or production of any property, including the processing that results in a
5 change in the condition of the property and any related activity or function, together
6 with the storage, warehousing, distribution, and related office facilities;
7 (14) "Coal mining and processing" means activities resulting in the eligible company
8 being subject to the tax imposed by KRS Chapter 143;
9 (15) "Preliminary approval" means the action taken by the authority conditioning final
10 approval by the authority upon satisfaction by the eligible company of the
11 requirements under this subchapter;
12 (16) "State agency" means any state administrative body, agency, department, or division
13 as defined in KRS 42.010, or any board, commission, institution, or division
14 exercising any function of the state which is not an independent municipal
15 corporation or political subdivision;
16 (17) "Supplemental project" means an additional investment in an approved economic
17 revitalization project proposed during, or within ***sixty (60)***[~~twenty-four (24)~~] months
18 after the expiration of, the initial term of an agreement, and which may be approved
19 by the authority for additional inducements as set forth in KRS 154.26-090;
20 (18) "Kentucky gross profits" means Kentucky gross profits as defined in KRS
21 141.0401;
22 (19) "Kentucky gross receipts" means Kentucky gross receipts as defined in KRS
23 141.0401; and
24 (20) "Supplemental project agreement" means an agreement, entered into pursuant to
25 KRS 154.26-090, on behalf of the authority and an approved company with respect
26 to a supplemental project.
27 ➔Section 2. KRS 154.26-080 is amended to read as follows:

1 (1) The authority shall establish standards for the determination and approval of eligible
2 companies and their projects by the promulgation of administrative regulations in
3 accordance with KRS Chapter 13A.
4 (2) The criteria for approval of eligible companies and economic revitalization projects
5 or supplemental projects shall include but not be limited to the:
6 (a) Need for the project;
7 (b) New capital investment in the project or supplemental project that will result
8 in financial stability for the manufacturing or coal mining and processing
9 facility; and
10 (c) Retention or expansion of the greatest number of employees at the
11 manufacturing or coal mining and processing facility.
12 (3) With respect to each eligible company making an application to the authority for
13 inducements, and with respect to the project described in the application, the
14 authority shall make inquiries and request materials of the applicant, including but
15 not limited to written evidence that except for a substantial investment in the
16 project, assisted by the inducements authorized by KRS 154.26-015 to 154.26-100,
17 the eligible company will:
18 (a) Close its manufacturing or coal mining and processing facility; and
19 (b) Permanently lay off its employees and cease operations; or
20 (c) Not resume operations of a closed facility as permitted by KRS 154.26-
21 010(9).
22 (4) The eligible company shall, in a manner acceptable to the authority, detail the
23 condition of the facility, including but not limited to financial, efficiency, and
24 productivity matters; explain in detail why the company intends to close the facility
25 or not resume operations of the facility as permitted by KRS 154.26-010(9); and set
26 out alternatives that are available to the company.
27 (5) As a part of its application, an eligible company as described in KRS 154.26-

1 010(10)(b) may request an emergency declaration based upon the urgency of the
2 request and its impact on the local or regional economy.
3 (6) A request for an emergency declaration shall be reviewed by the secretary of the
4 Cabinet for Economic Development, the secretary of the Education and Workforce
5 Development Cabinet, and the secretary of the Finance and Administration Cabinet
6 and their findings in connection with the emergency declaration shall be delivered
7 to the authority.
8 (7) If the emergency declaration is granted in accordance with subsection (6) of this
9 section, the eligible company shall not be subject to the requirements contained in
10 subsection (8), (9), or (11) of this section.
11 (8) In accordance with, and after the adoption of a resolution under subsection (10) of
12 this section, the authority shall engage the services of a competent consulting firm
13 or technical resource to analyze the data made available by the company, and to
14 collect and analyze additional information necessary to determine that, in the
15 independent judgment of the consultant, the company will close the facility or not
16 resume operations of the facility as permitted by KRS 154.26-010(9) absent a
17 substantial investment in the project, assisted by the inducements authorized by
18 KRS 154.26-015 to 154.26-100. The company shall pay the cost of this evaluation.
19 (9) The company shall cooperate with the consultant and provide all of the data which
20 could reasonably be required by the consultant to make a fair assessment of the
21 company's intentions to close the facility or not resume operations of the facility as
22 permitted by KRS 154.26-010(9).
23 (10) After a review of relevant materials and completion of inquiries, the authority may,
24 by resolution, give its preliminary approval by designating an eligible company as a
25 preliminarily-approved company and authorizing the undertaking of the economic
26 revitalization project.
27 (11) The authority shall review the report of the consultant and other information which

has been made available to it in order to assist the authority in determining whether the company intends to close the facility for valid reasons or whether it intends or is able to resume operations of the facility in accordance with the requirements of KRS 154.26-010(10)(b) if inducements are granted. The authority shall determine the potential of the proposed revitalization project to make the facility stable, productive, and competitive in its market.

(12) After the review of the consultant's report or if an emergency declaration has been issued in accordance with subsection (6) of this section, the authority shall hold a public hearing to solicit public comment from any person, group, or interested party regarding the proposed project.

(13) After the public hearing, the authority, by resolution, may:

(a) Declare the jobs then existing at the facility to be lost or the company unable to resume operations as permitted by KRS 154.26-010(9);

(b) Give its final approval to the eligible company's application for a project; and

(c) Grant to the eligible company the status of an approved company.

The decision reached by the authority shall be final and no appeal shall be granted.

(14) (a) During the initial term of an agreement, or within ***sixty (60)***[~~twenty-four (24)~~] months after the expiration of the term, an eligible company may apply for, and the authority may approve, a supplemental project when the applicant:

1. Has expended approved costs of at least fifty million dollars ($50,000,000) on an approved economic revitalization project;

2. Employs a minimum of ***one hundred (100)***[~~seven hundred fifty (750)~~] employees at the site of the economic revitalization project;

3. Agrees to incur at least ***five million dollars ($5,000,000)***[~~ten million dollars ($10,000,000)~~] in additional eligible costs for improvements to a blast furnace that***:***

a. Is located at the economic revitalization project***;***

1 ***b.*** ~~[, and that]~~Has burned at least one million (1,000,000) tons of
2 Kentucky coal during the initial term of the agreement; and
3 ***c. Was idled due to unfairly traded imports of carbon steel, with***
4 ***resulting layoffs of more than five hundred fifty (550)***
5 ***employees; and***
6 4. Is at risk of closure and carries a significant net loss carry forward for
7 the last three (3) tax years as certified by the approved company.
8 (b) The authority may approve a supplemental project by resolution, authorizing
9 the execution of a supplemental project agreement.
10 (15) All meetings of the authority shall be held in accordance with KRS 61.805 to
11 61.850. The authority may, pursuant to KRS 61.815, hold closed sessions of its
12 meetings to discuss matters exempt from the open meetings law and pertaining to
13 an eligible company.
14 ➔SECTION 3. A NEW SECTION OF SUBCHAPTER 26 OF KRS CHAPTER
15 154 IS CREATED TO READ AS FOLLOWS:
16 ***Costs incurred by an applicant required for the start-up of a blast furnace and related***
17 ***carbon steel-making operations that were idled due to unfairly traded imports of***
18 ***carbon steel shall be considered eligible costs for the purposes of KRS 154.26-010 to***
19 ***154.26-100.***
20 ➔Section 4. KRS 139.480 is amended to read as follows:
21 Any other provision of this chapter to the contrary notwithstanding, the terms "sale at
22 retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not
23 include the sale, use, storage, or other consumption of:
24 (1) Locomotives or rolling stock, including materials for the construction, repair, or
25 modification thereof, or fuel or supplies for the direct operation of locomotives and
26 trains, used or to be used in interstate commerce;
27 (2) Coal for the manufacture of electricity;

1 (3) All energy or energy-producing fuels used in the course of manufacturing,
2 processing, mining, or refining and any related distribution, transmission, and
3 transportation services for this energy that are billed to the user, to the extent that
4 the cost of the energy or energy-producing fuels used, and related distribution,
5 transmission, and transportation services for this energy that are billed to the user
6 exceed three percent (3%) of the cost of production. Cost of production shall be
7 computed on the basis of plant facilities which shall mean all permanent structures
8 affixed to real property at one (1) location;
9 (4) Livestock of a kind the products of which ordinarily constitute food for human
10 consumption, provided the sales are made for breeding or dairy purposes and by or
11 to a person regularly engaged in the business of farming;
12 (5) Poultry for use in breeding or egg production;
13 (6) Farm work stock for use in farming operations;
14 (7) Seeds, the products of which ordinarily constitute food for human consumption or
15 are to be sold in the regular course of business, and commercial fertilizer to be
16 applied on land, the products from which are to be used for food for human
17 consumption or are to be sold in the regular course of business; provided such sales
18 are made to farmers who are regularly engaged in the occupation of tilling and
19 cultivating the soil for the production of crops as a business, or who are regularly
20 engaged in the occupation of raising and feeding livestock or poultry or producing
21 milk for sale; and provided further that tangible personal property so sold is to be
22 used only by those persons designated above who are so purchasing;
23 (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be
24 used in the production of crops as a business, or in the raising and feeding of
25 livestock or poultry, the products of which ordinarily constitute food for human
26 consumption;
27 (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the

1 products of which ordinarily constitute food for human consumption;
2 (10) Machinery for new and expanded industry;
3 (11) Farm machinery. As used in this section, the term "farm machinery":
4 (a) Means machinery used exclusively and directly in the occupation of:
5 1. Tilling the soil for the production of crops as a business;
6 2. Raising and feeding livestock or poultry for sale; or
7 3. Producing milk for sale;
8 (b) Includes machinery, attachments, and replacements therefor, repair parts, and
9 replacement parts which are used or manufactured for use on, or in the
10 operation of farm machinery and which are necessary to the operation of the
11 machinery, and are customarily so used, including but not limited to combine
12 header wagons, combine header trailers, or any other implements specifically
13 designed and used to move or transport a combine head; and
14 (c) Does not include:
15 1. Automobiles;
16 2. Trucks;
17 3. Trailers, except combine header trailers; or
18 4. Truck-trailer combinations;
19 (12) Property which has been certified as a pollution control facility as defined in KRS
20 224.1-300, and all materials, supplies, and repair and replacement parts purchased
21 for use in the operation or maintenance of the facilities used specifically in the steel-
22 making process. The exemption provided in this subsection for materials, supplies,
23 and repair and replacement parts purchased for use in the operation of pollution
24 control facilities shall be effective for sales made through June 30, 1994;
25 (13) Tombstones and other memorial grave markers;
26 (14) On-farm facilities used exclusively for grain or soybean storing, drying, processing,
27 or handling. The exemption applies to the equipment, machinery, attachments,

1 repair and replacement parts, and any materials incorporated into the construction,
2 renovation, or repair of the facilities;
3 (15) On-farm facilities used exclusively for raising poultry or livestock. The exemption
4 shall apply to the equipment, machinery, attachments, repair and replacement parts,
5 and any materials incorporated into the construction, renovation, or repair of the
6 facilities. The exemption shall apply but not be limited to vent board equipment,
7 waterer and feeding systems, brooding systems, ventilation systems, alarm systems,
8 and curtain systems. In addition, the exemption shall apply whether or not the seller
9 is under contract to deliver, assemble, and incorporate into real estate the
10 equipment, machinery, attachments, repair and replacement parts, and any materials
11 incorporated into the construction, renovation, or repair of the facilities;
12 (16) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively
13 and directly to:
14 (a) Operate farm machinery as defined in subsection (11) of this section;
15 (b) Operate on-farm grain or soybean drying facilities as defined in subsection
16 (14) of this section;
17 (c) Operate on-farm poultry or livestock facilities defined in subsection (15) of
18 this section;
19 (d) Operate on-farm ratite facilities defined in subsection (24) of this section;
20 (e) Operate on-farm llama or alpaca facilities as defined in subsection (26) of this
21 section; or
22 (f) Operate on-farm dairy facilities;
23 (17) Textbooks, including related workbooks and other course materials, purchased for
24 use in a course of study conducted by an institution which qualifies as a nonprofit
25 educational institution under KRS 139.495. The term "course materials" means only
26 those items specifically required of all students for a particular course but shall not
27 include notebooks, paper, pencils, calculators, tape recorders, or similar student

1 aids;
2 (18) Any property which has been certified as an alcohol production facility as defined in
3 KRS 247.910;
4 (19) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the
5 direct operation of aircraft in interstate commerce and used exclusively for the
6 conveyance of property or passengers for hire. Nominal intrastate use shall not
7 subject the property to the taxes imposed by this chapter;
8 (20) Any property which has been certified as a fluidized bed energy production facility
9 as defined in KRS 211.390;
10 (21) ***(a) 1.*** Any property to be incorporated into the construction, rebuilding,
11 modification, or expansion of a blast furnace or any of its components or
12 appurtenant equipment or structures as part of an approved supplemental
13 project, as defined by KRS 154.26-010***; and***
14 ***2. Materials, supplies, and repair or replacement parts purchased for use***
15 ***in the operation and maintenance of a blast furnace and related***
16 ***carbon steel-making operations as part of an approved supplemental***
17 ***project, as defined by Section 1 of this Act***.
18 ***(b)*** The ***exemptions***[~~exemption~~] provided in this subsection shall be effective for
19 sales made:
20 ***1.***[~~(a)~~] On and after July 1, ***2018***[~~2016~~]; and
21 ***2.***[~~(b)~~] During the term of a supplemental project agreement entered into
22 pursuant to KRS 154.26-090;
23 (22) Beginning on October 1, 1986, food or food products purchased for human
24 consumption with food coupons issued by the United States Department of
25 Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to
26 be exempted by the Food Security Act of 1985 in order for the Commonwealth to
27 continue participation in the federal food stamp program;

1 (23) Machinery or equipment purchased or leased by a business, industry, or
2 organization in order to collect, source separate, compress, bale, shred, or otherwise
3 handle waste materials if the machinery or equipment is primarily used for recycling
4 purposes;
5 (24) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and
6 production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-
7 products, and the following items used in this agricultural pursuit:
8 (a) Feed and feed additives;
9 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
10 (c) On-farm facilities, including equipment, machinery, attachments, repair and
11 replacement parts, and any materials incorporated into the construction,
12 renovation, or repair of the facilities. The exemption shall apply to incubation
13 systems, egg processing equipment, waterer and feeding systems, brooding
14 systems, ventilation systems, alarm systems, and curtain systems. In addition,
15 the exemption shall apply whether or not the seller is under contract to deliver,
16 assemble, and incorporate into real estate the equipment, machinery,
17 attachments, repair and replacement parts, and any materials incorporated into
18 the construction, renovation, or repair of the facilities;
19 (25) Embryos and semen that are used in the reproduction of livestock, if the products of
20 these embryos and semen ordinarily constitute food for human consumption, and if
21 the sale is made to a person engaged in the business of farming;
22 (26) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for
23 the breeding and production of hides, breeding stock, fiber and wool products, meat,
24 and llama and alpaca by-products, and the following items used in this pursuit:
25 (a) Feed and feed additives;
26 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
27 and

1 (c) On-farm facilities, including equipment, machinery, attachments, repair and
2 replacement parts, and any materials incorporated into the construction,
3 renovation, or repair of the facilities. The exemption shall apply to waterer
4 and feeding systems, ventilation systems, and alarm systems. In addition, the
5 exemption shall apply whether or not the seller is under contract to deliver,
6 assemble, and incorporate into real estate the equipment, machinery,
7 attachments, repair and replacement parts, and any materials incorporated into
8 the construction, renovation, or repair of the facilities;
9 (27) Baling twine and baling wire for the baling of hay and straw;
10 (28) Water sold to a person regularly engaged in the business of farming and used in the:
11 (a) Production of crops;
12 (b) Production of milk for sale; or
13 (c) Raising and feeding of:
14 1. Livestock or poultry, the products of which ordinarily constitute food for
15 human consumption; or
16 2. Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;
17 (29) Buffalos to be used as beasts of burden or in an agricultural pursuit for the
18 production of hides, breeding stock, meat, and buffalo by-products, and the
19 following items used in this pursuit:
20 (a) Feed and feed additives;
21 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
22 (c) On-farm facilities, including equipment, machinery, attachments, repair and
23 replacement parts, and any materials incorporated into the construction,
24 renovation, or repair of the facilities. The exemption shall apply to waterer
25 and feeding systems, ventilation systems, and alarm systems. In addition, the
26 exemption shall apply whether or not the seller is under contract to deliver,
27 assemble, and incorporate into real estate the equipment, machinery,

1 attachments, repair and replacement parts, and any materials incorporated into
2 the construction, renovation, or repair of the facilities;
3 (30) Aquatic organisms sold directly to or raised by a person regularly engaged in the
4 business of producing products of aquaculture, as defined in KRS 260.960, for sale,
5 and the following items used in this pursuit:
6 (a) Feed and feed additives;
7 (b) Water;
8 (c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
9 and
10 (d) On-farm facilities, including equipment, machinery, attachments, repair and
11 replacement parts, and any materials incorporated into the construction,
12 renovation, or repair of the facilities and, any gasoline, special fuels, liquefied
13 petroleum gas, or natural gas used to operate the facilities. The exemption
14 shall apply, but not be limited to: waterer and feeding systems; ventilation,
15 aeration, and heating systems; processing and storage systems; production
16 systems such as ponds, tanks, and raceways; harvest and transport equipment
17 and systems; and alarm systems. In addition, the exemption shall apply
18 whether or not the seller is under contract to deliver, assemble, and
19 incorporate into real estate the equipment, machinery, attachments, repair and
20 replacement parts, and any materials incorporated into the construction,
21 renovation, or repair of the facilities;
22 (31) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the
23 production of hides, breeding stock, meat, and cervid by-products, and the
24 following items used in this pursuit:
25 (a) Feed and feed additives;
26 (b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and
27 (c) On-site facilities, including equipment, machinery, attachments, repair and

1 replacement parts, and any materials incorporated into the construction,
2 renovation, or repair of the facilities. In addition, the exemption shall apply
3 whether or not the seller is under contract to deliver, assemble, and
4 incorporate into real estate the equipment, machinery, attachments, repair and
5 replacement parts, and any materials incorporated into the construction,
6 renovation, or repair of the facilities;
7 (32) (a) Repair or replacement parts for the direct operation or maintenance of a motor
8 vehicle, including any towed unit, used exclusively in interstate commerce for
9 the conveyance of property or passengers for hire, provided the motor vehicle
10 is licensed for use on the highway and its declared gross vehicle weight with
11 any towed unit is forty-four thousand and one (44,001) pounds or greater.
12 Nominal intrastate use shall not subject the property to the taxes imposed by
13 this chapter;
14 (b) Repair or replacement parts for the direct operation and maintenance of a
15 motor vehicle operating under a charter bus certificate issued by the
16 Transportation Cabinet under KRS Chapter 281, or under similar authority
17 granted by the United States Department of Transportation; and
18 (c) For the purposes of this subsection, "repair or replacement parts" means tires,
19 brakes, engines, transmissions, drive trains, chassis, body parts, and their
20 components. "Repair or replacement parts" shall not include fuel, machine
21 oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential
22 to the operation of the motor vehicle itself, except when sold as part of the
23 assembled unit, such as cigarette lighters, radios, lighting fixtures not
24 otherwise required by the manufacturer for operation of the vehicle, or tool or
25 utility boxes; and
26 (33) Food donated by a retail food establishment or any other entity regulated under KRS
27 217.127 to a nonprofit organization for distribution to the needy.

1 ➔Section 5. KRS 16.010 is amended to read as follows:
2 As used in KRS 16.010 to 16.199, unless the context requires otherwise:
3 (1) ***"Board" means the Department of Kentucky State Police Personnel Board;***
4 ***(2)*** "Cabinet" means the Justice and Public Safety Cabinet;
5 ***(3)***[~~(2)~~] ***"Cadet Trooper" means an applicant for employment as an officer who is***
6 ***selected by the commissioner to attend the department training program, and who***
7 ***is employed as a trainee;***
8 ***(4) "Civilian" means experts, statisticians, clerks, and other assistants who are not***
9 ***peace officers***[~~"Secretary" means the secretary of justice and public safety~~];
10 ***(5)***[~~(3)~~] "Commissioner" means the commissioner of the Department of Kentucky
11 State Police;
12 ***(6) "Continuous service" for participation in and eligibility for the promotional***
13 ***process for each rank of officer commissioned under this chapter means:***
14 ***(a) For sergeant, service as a commissioned Kentucky State Police officer that***
15 ***has not been interrupted by actual separation from the department, whether***
16 ***in the form of resignation, retirement, or termination;***
17 ***(b) For lieutenant, service in grade as a sergeant that has not been interrupted***
18 ***by actual separation from the department, whether in the form of***
19 ***resignation, retirement, termination, or by demotion in accordance with***
20 ***KRS 16.140; and***
21 ***(c) For captain, service in grade as lieutenant that has not been interrupted by***
22 ***actual separation from the department, whether in the form of resignation,***
23 ***retirement, termination, or by demotion in accordance with KRS 16.140;***
24 ***(7) "CVE R Class" means any retired Kentucky State Police commercial vehicle***
25 ***enforcement officer commissioned under KRS 16.187 who has become***
26 ***reemployed with the department on a contractual basis pursuant to KRS 16.196***
27 ***to 16.199;***

1 ***(8) "Department" means the Department of Kentucky State Police;***
2 ***(9)***[~~(4)~~] "Officer" means any member of the Department of Kentucky State Police,
3 other than an individual employed as a Trooper R Class or CVE R Class, who
4 possesses the powers of a peace officer;
5 [~~(5) "Civilian" means such experts, statisticians, clerks, and other assistants who do not~~
6 ~~possess the powers of a peace officer;~~
7 ~~(6) "Board" means the Department of Kentucky State Police Personnel Board;~~
8 ~~(7) "Department" means the Department of Kentucky State Police;~~
9 ~~(8) "Continuous service" for participation in and eligibility for the promotional process~~
10 ~~for each rank of officer commissioned under this chapter means:~~
11 ~~(a) For sergeant, service as a commissioned Kentucky State Police officer that has~~
12 ~~not been interrupted by actual separation from the department, whether in the~~
13 ~~form of resignation, retirement, or termination;~~
14 ~~(b) For lieutenant, service in grade as a sergeant that has not been interrupted by~~
15 ~~actual separation from the department, whether in the form of resignation,~~
16 ~~retirement, termination, or by demotion in accordance with KRS 16.140;~~
17 ~~(c) For captain, service in grade as lieutenant that has not been interrupted by~~
18 ~~actual separation from the department, whether in the form of resignation,~~
19 ~~retirement, termination, or by demotion in accordance with KRS 16.140;~~]
20 ***(10)***[~~(9)~~] ***"Secretary" means the secretary of Justice and Public Safety Cabinet; and***
21 ***(11)*** "Trooper R Class" means any retired Kentucky State Police officer commissioned
22 under this chapter who has become reemployed with the department on a
23 contractual basis pursuant to KRS 16.196 to 16.199[~~; and~~
24 ~~(10) "CVE R Class" means any retired Kentucky State Police commercial vehicle~~
25 ~~enforcement officer commissioned under KRS 16.187 who has become reemployed~~
26 ~~with the department on a contractual basis pursuant to KRS 16.196 to 16.199~~].
27 ➔SECTION 6. A NEW SECTION OF KRS 16.010 TO 16.199 IS CREATED TO

1 READ AS FOLLOWS:

2 *(1) The base compensation of officers shall be determined based on years of service*
3 *and rank, as provided in this section.*

4 *(2) (a) The years-of-service requirements for the salary schedule for ranks below*
5 *sergeant are as follows:*

6 *1. A Trooper is an officer with less than three (3) years of continuous*
7 *service as a commissioned officer with the department;*

8 *2. A Senior Trooper shall have at least three (3) years of continuous*
9 *service as a commissioned officer with the department and sixty (60)*
10 *college credit hours, or five (5) years of continuous service as a*
11 *commissioned officer with the department with no college credit*
12 *requirement;*

13 *3. A Trooper First Class shall have at least ten (10) years of continuous*
14 *service as a commissioned officer with the department; and*

15 *4. A Master Trooper shall have at least fifteen (15) years of continuous*
16 *service as a commissioned officer with the department.*

17 *(b) In addition to meeting the years of service requirements established by*
18 *paragraph (a) of this subsection, officers listed in the salary schedule for*
19 *officers below the rank of sergeant shall also meet the requirements for*
20 *promotion in rank established by the commissioner pursuant to Section 7 of*
21 *this Act.*

22 *(c) Requirements for promotion to sergeant, lieutenant, and captain are as*
23 *established by KRS 16.055.*

24 *(3) Any overtime and any salary supplement received from the Law Enforcement*
25 *Foundation Program pursuant to KRS 15.410 to 15.510 or any comparable*
26 *supplements received from another funding source shall be in addition to the*
27 *amounts reflected in the base salary schedules established by subsection (4) of*

1 *this section.*

2 *(4) (a) The salary schedules established in this subsection are based on a*

3 *combination of officer classification and years of service.*

4 *(b) When "NA" appears in the schedule, it is not possible for an officer to be in*

5 *that classification and years-of-service combination based upon statutory or*

6 *regulatory conditions established for promotion or advancement.*

7 *(c) Salary increases based on years of service shall be effective on the first day*

8 *of the month during which the anniversary of the officer's appointment as a*

9 *commissioned Kentucky State Police officer falls.*

10 *(d) Salary increases based on promotion to a higher rank shall be effective on*

11 *the first day of the month following completion of any probationary period*

12 *established for that rank.*

13 *(e) If an officer is reverted to a previous rank, the officer's salary shall be*

14 *adjusted to the salary reflected in the base salary schedule for the officer's*

15 *applicable number of years of service and rank. The adjustment shall take*

16 *effect the first pay period following the pay period in which the reversion*

17 *occurs.*

18 *(f) The base salary for a Cadet Trooper shall be thirty-five thousand dollars*

19 *($35,000).*

20 *BASE SALARY SCHEDULE FOR RANKS BELOW SERGEANT*

21 | *Years of Service* | *Trooper Salary Steps Based on Rank* | | | |

22 | | *Trooper* | *Senior* | *First Class* | *Master* |

23 | *Base Pay* | *$37,000* | *$43,014* | *NA* | *NA* |

24 | *3 years* | *$41,310* | *NA* | *NA* | *NA* |

25 | *5 years* | *$43,014* | *$44,216* | *NA* | *NA* |

26 | *7 years* | *NA* | *$45,452* | *NA* | *NA* |

27 | *9 years* | *NA* | *$46,726* | *NA* | *NA* |

1	*10 years*	*NA*	*NA*	*$47,000*	*NA*
2	*13 years*	*NA*	*NA*	*$49,450*	*NA*
3	*15 years*	*NA*	*NA*	*NA*	*$55,356*
4	*17 years*	*NA*	*NA*	*NA*	*$58,224*
5	*19 years*	*NA*	*NA*	*NA*	*$61,263*
6	*21 years*	*NA*	*NA*	*NA*	*$64,397*
7	*23 years*	*NA*	*NA*	*NA*	*$67,716*
8	*25 years*	*NA*	*NA*	*NA*	*$68,414*
9	*27 years*	*NA*	*NA*	*NA*	*$69,118*
10	*29 years*	*NA*	*NA*	*NA*	*$69,829*

11 ***BASE SALARY SCHEDULE SERGEANT AND ABOVE***

12	*Years of Service*	*Salary Steps Based on Rank*		
13		*Sergeant*	*Lieutenant*	*Captain*
14	*6 years*	*$45,271*	*NA*	*NA*
15	*7 years*	*$47,271*	*$53,500*	*NA*
16	*8 years*	*$47,805*	*NA*	*$59,100*
17	*9 years*	*$49,918*	*$55,500*	*NA*
18	*11 years*	*$50,911*	*$57,500*	*$61,199*
19	*13 years*	*$53,108*	*$60,500*	*$63,798*
20	*15 years*	*$56,966*	*$63,516*	*$67,188*
21	*17 years*	*$61,093*	*$66,892*	*$70,747*
22	*19 years*	*$65,510*	*$70,436*	*$74,845*
23	*21 years*	*$70,235*	*$74,158*	*$78,409*
24	*23 years*	*$75,292*	*$78,066*	*$82,529*
25	*25 years*	*$80,702*	*$82,169*	*$86,755*
26	*27 years*	*$85,491*	*$86,478*	*$90,306*
27	*29 years*	*$90,686*	*$91,002*	*$93,998*

1 ***(5) The salary schedules shall be applied to officers employed by the department on***
2 ***the effective date of this Act as follows:***
3 ***(a) Except as provided in paragraph (b) of this subsection:***
4 ***1. Any officer whose base salary exceeds the amount established for his***
5 ***or her years of service and rank in subsection (4) of this section shall***
6 ***retain his or her base salary and shall not receive an increase under***
7 ***the salary schedule until the officer's years of service and rank require***
8 ***a higher base salary than the base salary he or she was receiving on***
9 ***the effective date of this Act; and***
10 ***2. Any officer whose base salary is below the amount established for his***
11 ***or her years of service and rank in subsection (4) of this section shall***
12 ***receive the base salary he or she qualifies for under the salary***
13 ***schedule for the pay period beginning August 1, 2016; and***
14 ***(b) Any officer who is receiving compensation under Section 8 of this Act shall***
15 ***not receive any years of service or rank increases during any period that he***
16 ***or she is receiving compensation under Section 8 of this Act.***
17 ➔Section 7. KRS 16.050 is amended to read as follows:
18 (1) The commissioner shall appoint or promote to the ranks and grades and positions of
19 the department such officers as are considered by him or her to be necessary for the
20 efficient administration of the department.~~[Notwithstanding the provisions of KRS~~
21 ~~64.640, the commissioner of the Department of Kentucky State Police and the~~
22 ~~secretary of the Personnel Cabinet shall biennially conduct a salary survey, by rank,~~
23 ~~of State Police/highway patrol officers in those states adjoining Kentucky. The~~
24 ~~salaries of such officers of equal rank in those states surveyed shall be averaged,~~
25 ~~and such averages where the average for that rank exceeds the salary paid to~~
26 ~~Kentucky officers of that rank in the preceding biennium shall be included in the~~
27 ~~department's budget request submitted to the Kentucky General Assembly.]~~

1 (2) All initial appointments of officers to the department shall be made for merit and
2 fitness after a competitive examination.
3 (3) There is created a Department of Kentucky State Police Personnel Board consisting
4 of the commissioner and four (4) other members to be appointed by the Governor,
5 two (2) to be appointed from each of the two (2) major political parties.
6 (4) The initial appointment of members of the board shall be for terms of one (1), two
7 (2), three (3), and four (4) years. Thereafter each appointment shall be for a term of
8 four (4) years, except that a person appointed to fill a vacancy occurring prior to the
9 expiration of a term shall be appointed for the remainder of that term.
10 (5) Members of the board may be removed by the Governor only for cause, after being
11 given a copy of charges against them and an opportunity to be heard publicly on
12 such charges before the Governor.
13 (6) The board shall elect one (1) of its members chairman. It shall meet at such time
14 and place as shall be specified by call of the commissioner. Three (3) members shall
15 constitute a quorum for the transaction of business. Members of the board other
16 than the commissioner shall receive compensation of fifty dollars ($50) and
17 reimbursement of travel expenses for each meeting of the board which they attend.
18 (7) The board shall promulgate administrative regulations to carry out the purposes
19 herein, which shall include provisions for:
20 (a) Open competitive examination as to fitness of applicants for employment as
21 officers; and
22 (b) Establishment of eligible lists as a result of such competitive examinations,
23 from which lists vacancies shall be filled.
24 (8) The board shall hear appeals from applicants for employment for which
25 examinations are being given or have been conducted and from eligibles on
26 examination registers subject to the procedural rules which the board may adopt
27 pursuant to the provisions of this section.

1 *(9) (a) Prior to appointment as a Cadet Trooper, all applicants shall agree in*
2 *writing that if, within three (3) years of completing the basic training course*
3 *offered by the department, he or she accepts employment as a peace officer*
4 *with another law enforcement agency, or accepts employment with another*
5 *type of agency or entity in a position that requires law enforcement training*
6 *to meet the qualifications for the position, he or she will repay to the*
7 *department the cost incurred by the department in providing training to the*
8 *officer to the extent repayment has not been made by the agency with which*
9 *the officer accepts employment under paragraph (b) or (c) of this*
10 *subsection.*
11 *(b) If the officer accepts employment as a peace officer with another state*
12 *agency or a state university or educational institution within Kentucky*
13 *within three (3) years of completing the basic training course offered by the*
14 *department, the agency, university, or educational institution shall*
15 *reimburse the department for costs incurred in providing training to the*
16 *officer.*
17 *(c) If the officer accepts employment with a city, county, or other local law*
18 *enforcement agency within Kentucky within three (3) years of completing*
19 *the basic training course offered by the department, KRS 70.290 shall apply*
20 *as well, except that the amount of the reimbursement shall not be prorated*
21 *as provided in KRS 70.290.*
22 ➔Section 8. KRS 16.165 is amended to read as follows:
23 Any Department of Kentucky State Police officer, as defined in KRS 16.010, who
24 becomes disabled after July 1, 1977, as a direct result of an injury or disease arising out of
25 the performance of a hazardous duty in the course of employment with the department
26 may elect to be retained on the regular payroll of the department subject to the following:
27 (1) *(a) For officers who become disabled after July 1, 1977, but prior to the*

1 ***effective date of this Act,*** compensation paid to the officer by the department
2 shall be[~~ adjusted and~~] maintained at the officer's[~~ regular~~] rate of pay ***that he***
3 ***or she was receiving on the effective date of this Act.***[~~ based upon the~~
4 ~~officer's rank and tenure with the department and shall include annual~~
5 ~~increments, salary adjustments, and other benefits of employment~~]
6 ***(b) For officers becoming disabled on or after the effective date of this Act,***
7 ***compensation paid to the officer by the department shall be maintained at***
8 ***the officer's regular rate of pay based upon the officer's rank and tenure***
9 ***with the department on the date he or she elects to be retained on the***
10 ***regular payroll of the department under this section.***
11 ***(c) On and after the effective date of this Act:***
12 ***1. Any officer receiving compensation under this section shall not***
13 ***receive any annual increments or increases based on years of service***
14 ***or rank established by the schedules set forth in Section 6 of this Act***
15 ***during the period in which the officer receives compensation under***
16 ***this section; and***
17 ***2. If the officer returns to full active duty, and the base salary he or she***
18 ***qualifies for at that time exceeds the base salary he or she was***
19 ***receiving under this section, the officer shall receive the base salary he***
20 ***or she qualifies for under the schedules established by Section 6 of***
21 ***this Act beginning on the first day of the month following the month***
22 ***that he or she returns to full active duty.***
23 ***(d) Any***[~~; provided, however, such~~] compensation paid to ***an***[~~the~~] officer by the
24 department ***under paragraph (a) or (b) of this subsection*** shall be reduced by
25 the amount of payments received by the officer from workers' compensation
26 insurance, Social Security benefits, and other federal or state-financed
27 disability programs designed to supplement the officer's income for which the

1 officer is qualified and elects participation. Final compensation shall not be
2 reduced by payments for medical care. The disabled officer's regular rate of
3 pay, without the reductions required by this subsection, shall be his ***or her***
4 creditable compensation for purposes of KRS 16.510 to 16.652;~~[.]~~
5 (2) ***The***~~[Such]~~ officer shall be assigned by the commissioner of the Department of
6 Kentucky State Police to a position in the department for which the officer is
7 qualified, if the commissioner determines, based upon medical reports and
8 recommendations submitted for that purpose, that the officer is able to perform
9 limited duties. If it is determined that the officer is able to perform limited duties
10 and refuses to accept an assignment from the commissioner, the officer shall not be
11 eligible for the payment of compensation authorized by this section. If the
12 commissioner determines that the officer is unable to perform limited duties, the
13 officer shall be eligible for the payment of compensation authorized by this section
14 without the performance of limited duties. Any officer adversely affected or
15 aggrieved by a final determination of the commissioner pursuant to this section may
16 appeal within thirty (30) days to the local Circuit Court;~~[.]~~
17 (3) (a) For an officer whose participation date in the State Police Retirement System
18 is prior to January 1, 2014, payments made pursuant to this section shall
19 continue until the officer is eligible for normal retirement allowances pursuant
20 to KRS 16.576 or until the officer elects early retirement allowances pursuant
21 to KRS 16.577 or disability retirement allowances pursuant to KRS 16.582.
22 (b) For an officer whose participation date in the State Police Retirement System
23 is on or after January 1, 2014, payments made pursuant to this section shall
24 continue until the officer is eligible to retire under KRS 16.583(6)(a) or until
25 the officer elects to retire under KRS 16.583(6)(b) or to receive disability
26 retirement allowances pursuant to KRS 16.582.
27 (c) If the officer receives preretirement payments under this section or KRS

1 16.167 and subsequently elects disability retirement, the effective date of his
2 disability retirement shall be the first month following the month in which the
3 officer last receives preretirement payments under this section or KRS 16.167,
4 KRS 16.505(16) to the contrary notwithstanding***; and***[~~.~~]
5 (4) Any Department of Kentucky State Police officer, disabled prior to July 1, 1977, as
6 a result of severe physical injuries arising out of the performance of duty, who is
7 unable to maintain gainful employment as a result of such injuries, but who was
8 ineligible for retention on the regular payroll because of the date of his injury, shall,
9 if his or her time in active service plus his or her time on disability retirement
10 allowance equal the time necessary for normal retirement pursuant to KRS
11 16.505(15), have his or her retirement allowance increased to the amount he or she
12 would receive, had he or she been retained on the regular payroll of the department
13 pursuant to this section and had he or she subsequently elected normal retirement
14 pursuant to KRS 16.576 when first eligible, but any survivor option which he or she
15 chose at the time of disability retirement shall not be changed.
16 ➔Section 9. KRS 16.198 is amended to read as follows:
17 The appointment, salary, benefits, and number of individuals employed as a Trooper R
18 Class and ***CVE***[~~commercial vehicle enforcement officer~~] R class shall be as follows:
19 (1) The commissioner may appoint ***CVE***[~~Trooper R Class employees and commercial~~
20 ~~vehicle enforcement officer~~] R Class ***employees***. ***CVE***[~~Trooper~~] R Class employees[
21 ~~and Commercial vehicle enforcement officer R class~~] shall serve on a contractual
22 basis for a term of one (1) year, and the contract may be renewed annually, by
23 agreement of the parties, for no more than four (4) additional one (1) year terms.
24 ***(2) The commissioner may appoint Trooper R Class employees who shall serve on a***
25 ***contractual basis for a term of one (1) year. The contract may be renewed on an***
26 ***annual basis so long as the Trooper R Class employee passes a physical fitness***
27 ***test prior to each renewal.***

1 *(3)*[~~(2)~~] The compensation for Trooper R Class employees and *CVE*[~~commercial~~
2 ~~vehicle enforcement officer~~] R Class *employees* shall be established by
3 administrative regulation promulgated pursuant to KRS Chapter 13A.
4 *(4)*[~~(3)~~] (a) All appointments of individuals employed as a Trooper R Class and
5 *CVE*[~~commercial vehicle enforcement officer~~] R Class shall be based upon
6 agency need as determined by the commissioner.
7 (b) Work stations for individuals employed as a Trooper R Class and
8 *CVE*[~~commercial vehicle enforcement officer~~] R Class shall be determined by
9 agency need with consideration given to the applicant's stated preference.
10 (c) Merit of individuals employed as a Trooper R Class and *CVE*[~~commercial~~
11 ~~vehicle enforcement officer~~] R Class shall be determined by the applicant's
12 work performance history.
13 (d) Fitness of individuals employed as a Trooper R Class and *CVE*[~~commercial~~
14 ~~vehicle enforcement officer~~] R Class shall be determined by the applicant's
15 ability to adhere to the agency standards set by the commissioner under this
16 chapter.
17 *(5)*[~~(4)~~] The number of individuals employed as a Trooper R Class and
18 *CVE*[~~commercial vehicle enforcement officer~~] R Class by the department shall not:
19 (a) Exceed one hundred (100); or
20 (b) Be counted in the total employee cap for the department.
21 *(6)*[~~(5)~~] All individuals employed as a Trooper R Class and *CVE*[~~commercial vehicle~~
22 ~~enforcement officer~~] R Class shall be assigned the job duties of trooper or
23 commercial vehicle enforcement officer and shall not be placed in any supervisory
24 positions or special work assignments.
25 *(7)*[~~(6)~~] Notwithstanding any provision of KRS 16.505 to 16.652, KRS 18A.005 to
26 18A.228, and KRS 61.510 to 61.705 to the contrary:
27 (a) Individuals employed as a Trooper R Class and *CVE*[~~commercial vehicle~~

1 ~~enforcement officer~~] R Class shall continue to receive all retirement and
2 health insurance benefits provided by the systems administered by Kentucky
3 Retirement Systems to which they were entitled upon retiring from the
4 department as a commissioned officer under this chapter;
5 (b) Individuals employed as a Trooper R Class and ***CVE***[~~commercial vehicle~~
6 ~~enforcement officer~~] R Class shall not be eligible to receive health insurance
7 coverage or benefits through the department and shall not be eligible to
8 participate in the State Police Retirement System or the Kentucky Employees
9 Retirement System; and
10 (c) The department shall not pay health insurance contributions to the state health
11 insurance plan for individuals employed as a Trooper R Class ***or CVE***[~~and~~
12 ~~commercial vehicle enforcement officer~~] R Class.
13 ***(8)***[~~(7)~~] Individuals employed as a Trooper R Class ***or CVE***[~~and commercial vehicle~~
14 ~~enforcement officer~~] R Class shall be employed on a contractual basis and shall be
15 provided due process pursuant to KRS 16.140 or 16.192 for any disciplinary action
16 imposed by the commissioner. A decision by the commissioner to not renew a
17 contract shall not be considered a disciplinary action for purposes of this section.
18 ***(9)***[~~(8)~~] The provisions of this section shall not eliminate or reduce any requirements
19 under KRS 61.637 for the department to pay employer contributions to the
20 retirement systems or to reimburse the retirement systems for the cost of retiree
21 health, on any individual employed as a Trooper R Class or ***CVE***[~~commercial~~
22 ~~vehicle enforcement officer~~] R Class.
23 ➔Section 10. KRS 18A.110 is amended to read as follows:
24 (1) The secretary shall promulgate comprehensive administrative regulations for the
25 classified service governing:
26 (a) Applications and examinations;
27 (b) Certification and selection of eligibles;

1 (c) Classification and compensation plans;
2 (d) Incentive programs;
3 (e) Lay-offs;
4 (f) Registers;
5 (g) Types of appointments;
6 (h) Attendance; hours of work; compensatory time; annual, court, military, sick,
7 voting, and special leaves of absence, provided that the secretary shall not
8 promulgate administrative regulations that would reduce the rate at which
9 employees may accumulate leave time below the rate effective on December
10 10, 1985; and
11 (i) Employee evaluations.
12 (2) The secretary shall promulgate comprehensive administrative regulations for the
13 unclassified service.
14 (3) (a) Except as provided by KRS 18A.355, the secretary shall not promulgate
15 administrative regulations that would reduce an employee's salary; and
16 (b) As provided by KRS 18A.0751(4)(e), the secretary may submit a proposed
17 administrative regulation providing for an initial probationary period in excess
18 of six (6) months to the board for its approval.
19 (4) The secretary may promulgate administrative regulations to implement state
20 government's affirmative action plan under KRS 18A.138.
21 (5) (a) The administrative regulations shall comply with the provisions of this chapter
22 and KRS Chapter 13A, and shall have the force and effect of law after
23 compliance with the provisions of KRS Chapters 13A and 18A and the
24 procedures adopted thereunder;
25 (b) Administrative regulations promulgated by the secretary shall not expand or
26 restrict rights granted to, or duties imposed upon, employees and
27 administrative bodies by the provisions of this chapter; and

1 (c) No administrative body other than the Personnel Cabinet shall promulgate
2 administrative regulations governing the subject matters specified in this
3 section.
4 (6) Prior to filing an administrative regulation with the Legislative Research
5 Commission, the secretary shall submit the administrative regulation to the board
6 for review.
7 (a) The board shall review the administrative regulation proposed by the secretary
8 not less than twenty (20) days after its submission to it;
9 (b) Not less than five (5) days after its review, the board shall submit its
10 recommendations in writing to the secretary;
11 (c) The secretary shall review the recommendations of the board and may revise
12 the proposed administrative regulation if he deems it necessary; and
13 (d) After the secretary has completed the review provided for in this section, he
14 may file the proposed administrative regulation with the Legislative Research
15 Commission pursuant to the provisions of KRS Chapter 13A.
16 (7) The administrative regulations shall provide:
17 (a) For the preparation, maintenance, and revision of a position classification plan
18 for all positions in the classified service, based upon similarity of duties
19 performed and responsibilities assumed, so that the same qualifications may
20 reasonably be required for, and the same schedule of pay may be equitably
21 applied to, all positions in the same class. The secretary shall allocate the
22 position of every employee in the classified service to one (1) of the classes in
23 the plan. The secretary shall reallocate existing positions, after consultation
24 with appointing authorities, when it is determined that they are incorrectly
25 allocated, and there has been no substantial change in duties from those in
26 effect when such positions were last classified. The occupant of a position
27 being reallocated shall continue to serve in the reallocated position with no

1 reduction in salary;
2 (b) For a pay plan for all employees in the classified service, after consultation
3 with appointing authorities and the state budget director. The plan shall take
4 into account such factors as:
5 1. The relative levels of duties and responsibilities of various classes of
6 positions;
7 2. Rates paid for comparable positions elsewhere taking into consideration
8 the effect of seniority on such rates; and
9 3. The state's financial resources.
10 Amendments to the pay plan shall be made in the same manner. Each
11 employee shall be paid at one (1) of the rates set forth in the pay plan for the
12 class of position in which he is employed, provided that the full amount of the
13 annual increment provided for by the provisions of KRS 18A.355, and the full
14 amount of an increment due to a promotion, salary adjustment,
15 reclassification, or reallocation, shall be added to an employee's base salary or
16 wages;
17 (c) For open competitive examinations to test the relative fitness of applicants for
18 the respective positions. The examinations shall be announced publicly and
19 applications accepted at least ten (10) days prior to certification of a register,
20 and may be advertised through the press, radio, and other media. The secretary
21 shall continue to receive applications and examine candidates on a continuous
22 basis long enough to assure a sufficient number of eligibles to meet the needs
23 of the service. Except as provided by this chapter, he shall add the names of
24 successful candidates to existing eligible lists in accordance with their
25 respective ratings. The secretary shall be free to use any investigation of
26 education and experience and any test of capacity, knowledge, manual skill,
27 character, personal traits, or physical fitness, which in his judgment, serves the

1 need to discover the relative fitness of applicants;
2 (d) As provided by this chapter, for the establishment of eligible lists for
3 appointment, upon which lists shall be placed the names of successful
4 candidates in the order of their relative excellence in the respective
5 examinations. Except as provided by this chapter, an eligible's score shall
6 expire automatically one (1) year from the date of testing, unless the life of the
7 score is extended by action of the secretary for a period not to exceed one (1)
8 additional year. Except for those individuals exercising reemployment rights,
9 all eligibles may be removed from the register when a new examination is
10 established;
11 (e) For the rejection of candidates or eligibles who fail to comply with reasonable
12 requirements of the secretary in regard to such factors as age, physical
13 condition, training, and experience, or who have attempted any deception or
14 fraud in connection with an examination;
15 (f) Except as provided by this chapter, for the appointment of a person whose
16 score is included in the five (5) highest scores earned on the examination;
17 (g) For annual, sick, and special leaves of absence, with or without pay, or
18 reduced pay, after approval by the Governor as provided by KRS
19 18A.155(1)(d);
20 (h) For lay-offs, in accordance with the provisions of KRS 18A.113, 18A.1131,
21 and 18A.1132, by reasons of lack of work, abolishment of a position, a
22 material change in duties or organization, or a lack of funds;
23 (i) For the development and operation of programs to improve the work
24 effectiveness of employees in the state service, including training, whether in-
25 service or compensated educational leave, safety, health, welfare, counseling,
26 recreation, employee relations, and employee mobility without written
27 examination;

1 (j) For a uniform system of annual employee evaluation for classified employees,
2 with status, that shall be considered in determining eligibility for discretionary
3 salary advancements, promotions, and disciplinary actions. The administrative
4 regulations shall:
5 1. Require the secretary to determine the appropriate number of job
6 categories to be evaluated and a method for rating each category;
7 2. Provide for periodic informal reviews during the evaluation period
8 which shall be documented on the evaluation form and pertinent
9 comments by either the employee or supervisor may be included;
10 3. Establish a procedure for internal dispute resolution with respect to the
11 final evaluation rating;
12 4. Permit a classified employee, with status, who receives either of the two
13 (2) lowest possible evaluation ratings to appeal to the Personnel Board
14 for review after exhausting the internal dispute resolution procedure.
15 The final evaluation shall not include supervisor comments on ratings
16 other than the lowest two (2) ratings;
17 5. Require that an employee who receives the highest possible rating shall
18 receive the equivalent of two (2) workdays, not to exceed sixteen (16)
19 hours, credited to his or her annual leave balance. An employee who
20 receives the second highest possible rating shall receive the equivalent
21 of one (1) workday, not to exceed eight (8) hours, credited to his or her
22 annual leave balance; and
23 6. Require that an employee who receives the lowest possible evaluation
24 rating shall either be demoted to a position commensurate with the
25 employee's skills and abilities or be terminated; and
26 (k) For other administrative regulations not inconsistent with this chapter and
27 KRS Chapter 13A, as may be proper and necessary for its enforcement.

1 (8) For any individual hired or elected to office before January 1, 2015, and paid
2 through the Kentucky Human Resources Information System, the Personnel Cabinet
3 shall not require payroll payments to be made by direct deposit or require the
4 individual to use a Web-based program to access his or her salary statement.
5 ***(9) To the extent that KRS 16.010 to 16.199 and administrative regulations***
6 ***promulgated by the commissioner of the Department of Kentucky State Police***
7 ***under authority granted in KRS Chapter 16 conflict with this section or any***
8 ***administrative regulation promulgated by the secretary pursuant to authority***
9 ***granted in this section, the provisions of KRS Chapter 16 shall prevail.***
10 ➔Section 11. KRS 64.640 is amended to read as follows:
11 (1) Except as otherwise provided in subsection (2) of this section, and excepting
12 officers elected by popular vote, employees of the General Assembly, including
13 employees of the Legislative Research Commission, members of boards and
14 commissions, those officers and employees of Kentucky Educational Television
15 exempt from classified service as provided in KRS 18A.115, presidents and
16 employees of the state universities and the state colleges, ***officers employed by the***
17 ***Department of Kentucky State Police under KRS Chapter 16,*** and persons
18 employed by the commissioner of parks on a temporary basis under KRS 148.026,
19 the Personnel Cabinet shall prepare schedules of compensation, payable out of the
20 State Treasury, with a minimum salary rate, and other salary rates as are deemed
21 necessary or advisable, for the office or position of employment of every state
22 officer and employee, including specifically the offices and positions of
23 employment in every constitutional administrative department, statutory
24 administrative department, independent agency, board, commission, or other unit of
25 state government. The language of any statute empowering a board, commission,
26 authority, or other administrative body for which the Personnel Cabinet provides
27 personnel and payroll services, except for any board governing any of the Kentucky

1 Retirement Systems, the Kentucky Higher Education Assistance Authority, the
2 Kentucky Authority for Educational Television, or the Council on Postsecondary
3 Education, to establish, set, or approve the salaries of its administrative head and
4 other employees to the contrary notwithstanding, the establishment or setting of
5 salaries for administrative heads or other employees shall be subject to the approval
6 of the secretary of the Personnel Cabinet. The schedules and rates shall be based
7 upon studies of the duties and responsibilities of the offices and positions and upon
8 a comparison with rates being paid for similar or comparable services elsewhere,
9 and in the preparation of such schedules, the Personnel Cabinet shall ascertain and
10 record the duties, responsibilities, and authority pertaining to the various offices and
11 positions in the state service, and classify such positions in the manner provided in
12 KRS 18A.030, 18A.035, 18A.110, 18A.130, 18A.135, and 18A.150 to 18A.160. No
13 such schedule shall become effective until it has been approved by the Governor by
14 executive order.
15 (2) The Governor shall set the compensation payable out of the State Treasury to each
16 officer or position in the state service, which officer or position heads a statutory
17 administrative department, independent agency, or other unit of state government,
18 except for those excluded under subsection (1) of this section. Such compensation
19 shall be based upon studies of the duties and responsibilities and classification of
20 the positions by the Governor and upon a comparison with compensation being paid
21 for similar or comparable services elsewhere, provided, however, such
22 compensation shall not exceed the total taxable compensation of the Governor
23 derived from state sources, the provisions of KRS 64.660 to the contrary
24 notwithstanding. For the purposes of this section, the total taxable compensation of
25 the Governor from state sources shall include the amount provided for
26 compensation to the Governor under KRS 64.480 and any benefits or discretionary
27 spending accounts that are imputed as taxable income for federal tax purposes.

1 (3) The compensation payable out of the State Treasury to officers and employees
2 subordinate to any office or position covered by subsection (2) of this section shall
3 not exceed the maximum rate established pursuant to subsection (2) of this section
4 for such office or position, except with respect to physicians as provided in KRS
5 64.655 and employees of the Public Service Commission of Kentucky whose
6 compensation shall be fixed, within constitutional limits, by the Personnel Cabinet
7 with the approval of the Governor as provided in subsection (1) of this section.
8 (4) Nothing in this section shall preclude the allowance of maintenance to officers and
9 employees of the state.
10 ➔Section 12. Section 4 of this Act takes effect August 1, 2016.

Speaker-House of Representatives

President of Senate

Attest: Sean T. Burgin
Chief Clerk of House of Representatives

Approved
Governor

Date 13 APRIL 2016