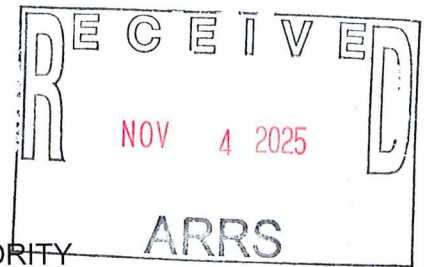




FINANCE AND ADMINISTRATION CABINET  
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY



Andy Beshear  
Governor

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Holly M. Johnson  
Secretary

Jo Carole Ellis  
Executive Director

November 4, 2025

Senator Stephen West, Co-Chair  
Representative Derek Lewis, Co-Chair  
c/o Emily Caudill, Regulation Compiler  
Administrative Regulation Review Subcommittee  
Legislative Research Commission  
029, Capitol Annex  
Frankfort KY 40601

Re: 11 KAR 12:010. Definitions for 11 KAR Chapter 12.  
11 KAR 12:020. General rules for investments and fund transfers.  
11 KAR 12:030. Eligibility of beneficiary and participant.  
11 KAR 12:050. Substitution of a beneficiary.  
11 KAR 12:060. Cancellation, partial withdrawal, and payment of refund.

Dear Co-Chair West and Lewis:

After discussions with Administrative Regulation Review Subcommittee staff of the issues raised by 11 KAR 12:010, 11 KAR 12:020, 11 KAR 12:030, 11 KAR 12:050, and 11 KAR 12:060, the Kentucky Higher Education Assistance Authority proposes the attached amendments to each of these five regulations.

Sincerely,

Miles F. Justice  
General Counsel  
KHEAA  
100 Airport Road  
Frankfort, Kentucky 40601

**KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY**  
**Division of Student Financial Aid**  
**(Amendment)**

**11 KAR 12:010. Definitions for 11 KAR Chapter 12.**

RELATES TO: KRS 164A.300-164A.380

STATUTORY AUTHORITY: KRS 164A.310(14), 164A.325(9)

CERTIFICATION STATEMENT: This is to certify that this administration regulation complies with the requirements of 2025 RS HB 6, Section 8.

NECESSITY, FUNCTION, AND CONFORMITY: **KRS 164A.310(14) authorizes the board to promulgate administrative regulations to implement the provisions of KRS 164A.300 to KRS 164A.380 consistent with federal Internal Revenue Code regulations.** KRS 164A.325(9) authorizes the board to promulgate administrative regulations to implement the Kentucky Educational Savings Plan Trust. This administrative regulation establishes the definitions for 11 KAR Chapter 12.

Section 1. Definitions.

- (1) "Academic period" means one (1) semester or one (1) quarter or an equivalent period for a vocational technical institution.
- (2) "Account" means the account in the program fund established and maintained under the trust for a beneficiary.
- (3) "Account balance" means the fair market value of an account as of the accounting date.
- (4) "Accounting date" means the date, not later than the last business day of each quarter as determined by the program administrator.
- (5) "Administrative fund" is defined **by/in** KRS 164A.305(2).
- (6) "Beneficiary" is defined **by/in** KRS 164A.305(3).
- (7) "Benefits" is defined **by/in** KRS 164A.305(4).
- (8) "Board" is defined by KRS 164A.305(5).
- (9) "Dependent person" means a person who is unable to meet the criteria for an independent person as defined in subsection **(13) [(14)]** of this section.
- (10) "Designated date" means the date on which each beneficiary is eligible to be designated in a participation agreement.
- (11) "Domicile" or "legal residence" means a person's true, fixed, and permanent home and is the place where the person intends to remain, and to which the person expects to return if absent without intending to establish a new domicile elsewhere.
- (12) "Effective date" means the date which a participant may enter into a participation agreement with the trust, which is on or after July 1, 1989.
- ~~[(13)] ["Higher education costs" is defined by KRS 164A.305(6).]~~
- (13) [(14)]** "Independent" means a person:
  - (a) Who has not been claimed by his parent as a dependent on a federal or state income tax return for the tax year preceding the date of application for reclassification of residency status;
  - (b) Who demonstrates no financial dependence upon a parent; and
  - (c) Whose parent's income is not taken into account by a private or governmental agency furnishing educational financial assistance to the person, including a scholarship, loan, or other assistance.

~~(14)~~~~(15)~~ "Institution of higher education" is defined **by/in** KRS 164A.305(7).

~~(15)~~~~(16)~~ "Notice to authorize payroll deduction" means the participant's written instruction to the participant's employer to deduct payments from the participant's earnings and forward that amount to the trust.

~~(16)~~~~(17)~~ "Notice to increase or decrease payments under participation agreement" means the participant's written instruction to the program administrator of the trust to increase or decrease payments under a participation agreement.

~~(17)~~~~(18)~~ "Notice to preauthorize debit" means the participant's mailed or electronic written instruction to the participant's financial institution to debit or charge the participant's checking or savings account for payments due under the participation agreement.

~~(18)~~~~(19)~~ "Notice to substitute beneficiary" means the participant's mailed or electronic written instruction to the program administrator of the trust to substitute a beneficiary.

~~(19)~~~~(20)~~ "Notice to terminate the participation agreement" means the participant's mailed or electronic written instruction to the program administrator of the trust to terminate a participation agreement under the trust.

~~(20)~~~~(21)~~ "Notice to use trust benefits" means the participant's mailed or electronic written instruction to the program administrator of the trust to notify the trust of the date benefits are to begin and level of benefits paid.

~~(21)~~~~(22)~~ "Parent" means one (1) of the following:

(a) A person's father or mother; or

(b) A court-appointed legal guardian if the guardianship was not established primarily to confer Kentucky residency on the person.

~~(22)~~~~(23)~~ "Participant" is defined **by/in** KRS 164A.305(9).

~~(23)~~~~(24)~~ "Participation agreement" is defined **by/in** KRS 164.305(10).

~~(24)~~~~(25)~~ "Payments" means the money paid by the participant to the trust under the participation agreement.

~~(25)~~~~(26)~~ "Program administrator" is defined **by/in** KRS 164A.305(11).

~~(26)~~~~(27)~~ "Program fund" is defined **by/in** KRS 164A.305(12).

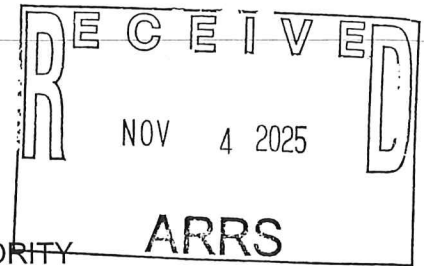
~~(27)~~~~(28)~~ "Property settlement agreement" or "decree of dissolution by the court" means the agreement or judgment approved or entered by a court of competent jurisdiction **that establishes/which sets forth** the participant's right, if any, to the participant's interest in the participation agreement.

~~(28)~~ "Qualified Educational Expenses" is defined **by/in** KRS 164A.305(13).

~~(29)~~ "Trust year" means the fiscal year beginning July 1 and ending the following June 30 of each year ~~for purposes of the calculation of benefits~~.

~~(30)~~ "Vested participation agreement" is defined **by/in** KRS 164A.305(14).





FINANCE AND ADMINISTRATION CABINET  
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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November 4, 2025

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Representative Derek Lewis, Co-Chair  
c/o Emily Caudill, Regulation Compiler  
Administrative Regulation Review Subcommittee  
Legislative Research Commission  
029, Capitol Annex  
Frankfort KY 40601

Re: 11 KAR 12:010. Definitions for 11 KAR Chapter 12.  
11 KAR 12:020. General rules for investments and fund transfers.  
11 KAR 12:030. Eligibility of beneficiary and participant.  
11 KAR 12:050. Substitution of a beneficiary.  
11 KAR 12:060. Cancellation, partial withdrawal, and payment of refund.

Dear Co-Chair West and Lewis:

After discussions with Administrative Regulation Review Subcommittee staff of the issues raised by 11 KAR 12:010, 11 KAR 12:020, 11 KAR 12:030, 11 KAR 12:050, and 11 KAR 12:060, the Kentucky Higher Education Assistance Authority proposes the attached amendments to each of these five regulations.

Sincerely,

Miles F. Justice  
General Counsel  
KHEAA  
100 Airport Road  
Frankfort, Kentucky 40601



**KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY**  
**Division of Student Financial Aid**  
**(Amendment)**

**11 KAR 12:020. General rules for investments and fund transfers.**

RELATES TO: KRS ~~41.070(2)~~, 164A.310(4), 164A.325(7), 164A.335, 164A.375

STATUTORY AUTHORITY: KRS 164A.310(14), 164A.325(9)

CERTIFICATION STATEMENT: This is to certify that this administration regulation complies with the requirements of 2025 RS HB 6, Section 8.

NECESSITY, FUNCTION, AND CONFORMITY: KRS 164A.325(9)~~[164A.325(7)]~~ authorizes the board to promulgate administrative regulations necessary for the administration of the savings plan trust. KRS 164A.310(4) requires the board to invest moneys within the program fund in investments determined by the board to be appropriate. **KRS 164A.310(14) authorizes the board to promulgate administrative regulations to implement the provisions of KRS 164A.300 to KRS 164A.380 consistent with federal Internal Revenue Code regulations.** This administrative regulation establishes the requirements for investments and fund transfers.

Section 1. Investments.

(1) The program administrator, an investment manager, a trustee or depository institution holding funds received pursuant to KRS 164A.335 shall adhere to the following standards:

- (a) Safety of principal at the time of a projected cash need shall be paramount for all investment situations;
- (b) Liquidity of investments shall be assured for funds ~~that~~**[which]** may be needed to satisfy short term cash flow needs; and
- (c) Except as provided in paragraphs (a) and (b) of this subsection, maximizing investment yield shall be the prime objective of an investment.

(2) In accordance with the standards established in subsection (1) of this section, the board, through the program administrator or an investment manager, shall invest funds received pursuant to KRS 164A.335 in any of the following solely in the interest of the participants and beneficiaries and for the exclusive purposes of providing benefits to beneficiaries and defraying reasonable expenses of administering the plan:

- (a) Deposits or banker's acceptances with commercial banks whose outstanding indebtedness is rated ~~[A or better]~~ by a nationally recognized rating service at an appropriate level, and deposits with a financial institution to the extent fully insured by the Federal Deposit Insurance Corporation or other U.S. government insurance entity;
- (b) U.S. Treasury securities, obligations backed by the full faith and credit of the United States government, and U. S. government agency securities;
- (c) Repurchase agreements, both overnight and term, which shall be:
  - 1. Governed by a Public Securities Association or equivalent master repurchase agreement including the appropriate annexes; and
  - 2. Collateralized at 100 percent with U.S. Treasury securities, U.S. government agency securities, and other obligations backed by the full faith and credit of the United States government. Collateral shall be held by a third-party custodian;

~~[(d)] [Bank certificates of deposit rated A/A-1 or better by a nationally recognized rating service;]~~

(d)~~[(e)]~~ State or municipal obligations rated in one (1) of the two (2) top classifications by a nationally recognized rating service (at least AA or Aa, SP-2 or MIG-2/VMIG-2);

(e)~~[(f)]~~ Obligations of a U.S. corporation, if the obligations are rated at least AA or As by a nationally recognized rating service;

(f)~~[(g)]~~ Collateralized mortgage or credit card obligations, mortgage backed securities, or similar securities that are collateralized at 100 percent, if the obligations are either:

1. Fully insured by a U.S. government insurance entity; or

2. Issued by a corporation whose obligations would be an authorized investment;

(g)~~[(h)]~~ Commercial paper rated in the highest classification as established by a nationally recognized rating service (A-1 or Prime-1);

(h)~~[(i)]~~ Mutual funds, including money market funds, equity funds, international funds, growth funds, income funds, and funds combining one (1) or more of the foregoing investment options which, at the time of making the investment, are, by law, permitted for the investment of funds by fiduciaries in this state; and

(i)~~[(j)]~~ Other investments approved by the board of directors with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in a like capacity and familiar with the matters would use in the conduct of an enterprise of a like character and with like aims.

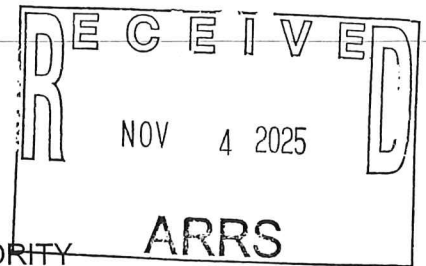
## Section 2. Administrative Fund.

(1) The costs of administering the Kentucky educational savings plan trust shall be paid out of the administrative fund.

(2) Funds shall be transferred to the administrative fund from the program fund, as the program administrator determines is necessary to cover the administrative costs of the trust.

(3) The total amount transferred to the administrative fund during a trust year shall not exceed four (4) percent of the total investment earnings accruing and credited to the program fund during that trust year.

(4) Monies transferred to the administrative fund pursuant to KRS 164A.335 and this administrative regulation shall be deposited in accordance with KRS 41.070(2).



FINANCE AND ADMINISTRATION CABINET  
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Governor

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Executive Director

November 4, 2025

Senator Stephen West, Co-Chair  
Representative Derek Lewis, Co-Chair  
c/o Emily Caudill, Regulation Compiler  
Administrative Regulation Review Subcommittee  
Legislative Research Commission  
029, Capitol Annex  
Frankfort KY 40601

Re: 11 KAR 12:010. Definitions for 11 KAR Chapter 12.  
11 KAR 12:020. General rules for investments and fund transfers.  
11 KAR 12:030. Eligibility of beneficiary and participant.  
11 KAR 12:050. Substitution of a beneficiary.  
11 KAR 12:060. Cancellation, partial withdrawal, and payment of refund.

Dear Co-Chair West and Lewis:

After discussions with Administrative Regulation Review Subcommittee staff of the issues raised by 11 KAR 12:010, 11 KAR 12:020, 11 KAR 12:030, 11 KAR 12:050, and 11 KAR 12:060, the Kentucky Higher Education Assistance Authority proposes the attached amendments to each of these five regulations.

Sincerely,

Miles F. Justice  
General Counsel  
KHEAA  
100 Airport Road  
Frankfort, Kentucky 40601



**KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY**  
**Division of Student Financial Aid**  
**(Amendment)**

**11 KAR 12:030. Eligibility of beneficiary and participant.**

RELATES TO: KRS 164A.330, **164A.380**

STATUTORY AUTHORITY: KRS 164A.310(14), 164A.325(9)

CERTIFICATION STATEMENT: This is to certify that this administration regulation complies with the requirements of 2025 RS HB 6, Section 8.

NECESSITY, FUNCTION, AND CONFORMITY: KRS 164A.325(9) authorizes the board to promulgate administrative regulations necessary for the administration of the savings plan trust. KRS 164A.330 authorizes the Kentucky Educational Savings Plan Trust to enter into a participation agreement with a participant on behalf of a beneficiary. KRS 164A.380 provides that KRS 164A.300 to 164A.380 shall be construed liberally in order to effectuate its legislative intent and the powers granted shall be broadly interpreted to effectuate the intent and purposes. **KRS 164A.310(14) authorizes the board to promulgate administrative regulations to implement the provisions of KRS 164A.300 to KRS 164A.380 consistent with federal Internal Revenue Code regulations.** This administrative regulation establishes the eligibility criteria for a beneficiary and a participant to participate in the participation agreement.

Section 1. Beneficiary Eligibility. A beneficiary shall be a resident of any state.

Section 2. Participant Eligibility. A participant shall be a resident of any state.

Section 3.

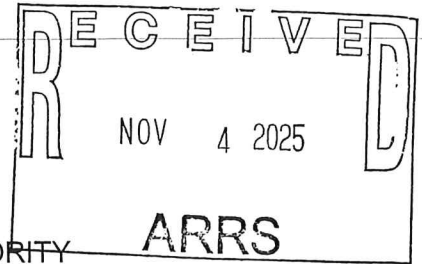
(1) In order to participate in the Kentucky educational savings plan trust, a participant shall submit to the program administrator, **by mail or electronic method**, a ~~**mailed or electronically**~~ signed participation agreement, including the valid Social Security number or federal identification number of the beneficiary and the valid Social Security number or federal identification number of the participant.

(2) A state or local government agency or instrumentality or an organization described in 26 U.S.C. 501(c)(3) that establishes an account as part of a scholarship program shall submit to the program administrator the Social Security number of the recipient upon designation of the scholarship recipient.

Section 4. Incorporation by Reference.

(1) Kentucky Educational Savings Plan Trust Participation Agreement, July 2000, is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Higher Education Assistance Authority, 1050 U.S. 127 South, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m.



FINANCE AND ADMINISTRATION CABINET  
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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November 4, 2025

Senator Stephen West, Co-Chair  
Representative Derek Lewis, Co-Chair  
c/o Emily Caudill, Regulation Compiler  
Administrative Regulation Review Subcommittee  
Legislative Research Commission  
029, Capitol Annex  
Frankfort KY 40601

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11 KAR 12:050. Substitution of a beneficiary.  
11 KAR 12:060. Cancellation, partial withdrawal, and payment of refund.

Dear Co-Chair West and Lewis:

After discussions with Administrative Regulation Review Subcommittee staff of the issues raised by 11 KAR 12:010, 11 KAR 12:020, 11 KAR 12:030, 11 KAR 12:050, and 11 KAR 12:060, the Kentucky Higher Education Assistance Authority proposes the attached amendments to each of these five regulations.

Sincerely,

Miles F. Justice  
General Counsel  
KHEAA  
100 Airport Road  
Frankfort, Kentucky 40601

**KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY**  
**Division of Student Financial Aid**  
**(Amendment)**

**11 KAR 12:050. Substitution of a beneficiary.**

RELATES TO: KRS ~~[164A.325(5),]~~ 164A.330(4), (5), **26 U.S.C. 529(e)(1)**

STATUTORY AUTHORITY: KRS 164A.310(14), 164A.325(**5**), (9)

CERTIFICATION STATEMENT: This is to certify that this administration regulation complies with the requirements of 2025 RS HB 6, Section 8.

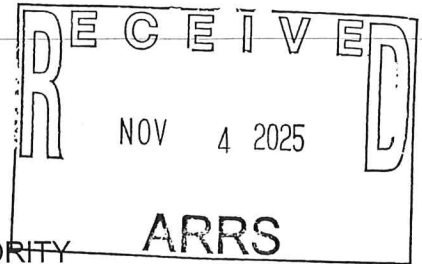
NECESSITY, FUNCTION, AND CONFORMITY: KRS 164A.325(9) authorizes the board to promulgate administrative regulations for the administration of the Kentucky Educational Savings Plan Trust. KRS 164A.330(4) and (5) establishes the statutory framework for the substitution of a beneficiary. KRS 164A.325(5) authorizes the board to promulgate, impose, and collect administrative fees and charges for trust transactions. **KRS 164A.310(14) authorizes the board to promulgate administrative regulations to implement the provisions of KRS 164A.300 to KRS 164A.380 consistent with federal Internal Revenue Code regulations.** This administrative regulation establishes the requirements for the substitution of a beneficiary.

Section 1. Substitution.

(1) A participant may substitute a beneficiary at any time subject to KRS 164A.330(4). If a participant desires to substitute the beneficiary, the participant shall **submit a[give]** written **notice to substitute beneficiary[or electronic notice]** to the program administrator by **mail or electronically[submitting a request]**. ["notice to substitute beneficiary."]

(2) In order for a substitution of beneficiary to be effective, the substituted beneficiary shall be already designated as a beneficiary on another account or eligible, pursuant to 11 KAR 12:030 and 26 U.S.C. 529(e)(1), on the date that the **notice[request]** [notice] to substitute beneficiary is submitted.





FINANCE AND ADMINISTRATION CABINET  
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November 4, 2025

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Representative Derek Lewis, Co-Chair  
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Administrative Regulation Review Subcommittee  
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11 KAR 12:030. Eligibility of beneficiary and participant.  
11 KAR 12:050. Substitution of a beneficiary.  
11 KAR 12:060. Cancellation, partial withdrawal, and payment of refund.

Dear Co-Chair West and Lewis:

After discussions with Administrative Regulation Review Subcommittee staff of the issues raised by 11 KAR 12:010, 11 KAR 12:020, 11 KAR 12:030, 11 KAR 12:050, and 11 KAR 12:060, the Kentucky Higher Education Assistance Authority proposes the attached amendments to each of these five regulations.

Sincerely,

Miles F. Justice  
General Counsel  
KHEAA  
100 Airport Road  
Frankfort, Kentucky 40601

**KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY**  
**Division of Student Financial Aid**  
**(Amendment)**

**11 KAR 12:060. Cancellation, partial withdrawal, and payment of refund.**

RELATES TO: KRS ~~[164A.325(5),]~~ 164A.350

STATUTORY AUTHORITY: KRS 164A.310(14), 164A.325(5), (9), 164A.350 ~~(2)~~ ~~(8)~~

CERTIFICATION STATEMENT: This is to certify that this administration regulation complies with the requirements of 2025 RS HB 6, Section 8.

NECESSITY, FUNCTION, AND CONFORMITY: KRS 164A.325(9) authorizes the board to promulgate administrative regulations to implement the Kentucky Educational Savings Plan Trust. **KRS 164A.325(5) authorizes the board to promulgate, impose, and collect administrative fees and charges for trust transactions. KRS 164A.310(14) authorizes the board to promulgate administrative regulations to implement the provisions of KRS 164A.300 to KRS 164A.380 consistent with federal Internal Revenue Code regulations.** KRS 164A.350(2) provides that a participant may cancel a participation agreement~~[and allows a penalty to be charged by the trust]~~. This administrative regulation establishes the procedures for cancellation of the participation agreement and refund of the account balance~~[and specifies the penalty]~~.

Section 1. Cancellation. To cancel a participation agreement pursuant to KRS 164A.350(2), a participant shall submit to the program administrator a notice to terminate the participation agreement **by mail or electronically.**

Section 2. Partial Withdrawal. A participant may request a partial withdrawal of an account balance without cancellation of the participating agreement. To request a partial withdrawal from a Kentucky Educational Savings Plan Trust account, a participant shall submit a written ~~[or online]~~ request to the program administrator **by mail or electronically.**

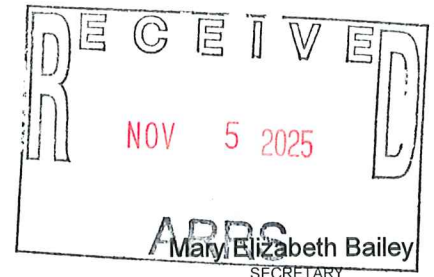
Section 3. Refund. The amount to be refunded pursuant to KRS 164A.350, shall be mailed or otherwise sent to the participant within sixty (60) days after receipt by the program administrator of notice to terminate the participation agreement or written ~~[or online]~~ request for partial withdrawal **submitted by mail or electronically.**



Andy Beshear  
GOVERNOR

## PERSONNEL CABINET

501 High Street, 3<sup>rd</sup> Floor  
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November 5, 2025

Senator Stephen West, Co-Chair  
Representative Derek Lewis, Co-Chair  
c/o Emily Caudill, Regulations Compiler  
Administrative Regulation Review Subcommittee  
Legislative Research Commission  
Room 83, State Capitol Annex  
Frankfort, KY 40601

Re: 101 KAR 2:120. Incentive programs.

Dear Co-Chairs West and Lewis:

After discussions with Administrative Regulation Review Subcommittee staff of the issues raised by 101 KAR 2:120, the Personnel Cabinet proposes the attached amendment to 101 KAR 2:120.

Sincerely,

Rosemary G. Holbrook  
Assistant General Counsel  
Office of Legal Services



**PERSONNEL CABINET  
(Amendment)**

**101 KAR 2:120. Incentive programs.**

RELATES TO: KRS 18A.202, 199.555(1)

STATUTORY AUTHORITY: KRS 18A.030(2), 18A.110(1)(d), 18A.202(1), EO 2019-787

CERTIFICATION STATEMENT:

NECESSITY, FUNCTION, AND CONFORMITY: KRS 18A.110(1)(d) requires the Secretary of Personnel to promulgate administrative regulations to implement work-related incentive programs for state employees. KRS 18A.202(1) authorizes the secretary to establish work-related incentive programs for state employees. Executive Order 2019-787 authorizes the secretary to promulgate administrative regulations for state employee adoption benefits. This administrative regulation establishes the requirements for an employee suggestion system incentive program and a state employee adoption benefit program.

**Section 1. Employee Suggestion System.**

**(1) Eligibility.**

(a) An employee with status in the classified service or an employee governed by KRS Chapter 16 may be recognized and rewarded for submitting a suggestion that results in the improvement of state service or in the realization of financial savings by the state.

(b) A suggestion shall be a positive idea ***that[which]:***

1. Explains how to improve methods, equipment, or procedures;
2. Reduces time or cost of a work operation;
3. Creates a safer work environment;
4. Increases revenue; or
5. Improves relationships with or services for the public.

**(2) Administration.**

(a) Before January 1 of each calendar year, each cabinet or independent agency head shall appoint, in writing, an employee suggestion coordinator.

(b)

1. An employee shall use the Employee Suggestion Form to submit a suggestion.
2. Once an employee submits a suggestion to his or her cabinet or agency, the coordinator shall review the request to ensure it meets the eligibility requirements in subsection (1) of this section.

(c) If the suggestion meets eligibility requirements, the request shall be forwarded for review and approval as follows:

1. To the coordinator of the affected agency, which is the agency implementing the suggestion, if applicable;
2. To a designated evaluator in the affected agency, who shall be a person with expertise in the area under consideration. The evaluator shall review the suggestion to determine whether the suggestion shall be implemented;
3. To a budget representative in the affected agency, who shall determine if sufficient funds are available to fund the award; and
4. To the appointing authority or ***the appointing authority's***~~[their]~~~~[his or her]~~ designee of the affected agency.

(d) The decision of the appointing authority or **the appointing authority's**~~(their)~~~~[his or her]~~ designee shall be final, except as provided by subsection (4) of this section.

(e) Upon approval and implementation of the employee's suggestion, the agency that implemented the suggestion shall provide notice of the approval and implementation to the suggester's agency coordinator, to include total cash savings. If cash savings ~~are~~~~[is]~~ unknown at the time of implementation, the affected agency shall provide documentation of cash savings within one (1) year and one (1) month of the implementation date to the suggester's agency coordinator.

(3) General provisions.

(a) A suggestion shall be eligible for an award only after legislative action or administrative regulation changes, if required, have been completed, which shall be the responsibility of the agency that desires to implement the suggestion.

(b) The following suggestions shall not be eligible for a cash award:

1. A suggestion that falls within the scope of the duties of the suggester, which shall include a specific set of tasks assigned to the suggester or **established**~~[set forth]~~ in the position description or job specification of the suggester upon submission of the suggestion;

2. A suggestion which includes a proposal to perform routine maintenance operations or follow manufacturer's recommendations;

3. A suggestion to make a change **that**~~[which]~~ has been documented in writing as already under consideration by those administratively responsible;

4. A suggestion **that**~~[which]~~ corrects an error or condition that exists because established procedures were not followed;~~[or]~~

5. A suggestion arising from a documented request from agency leadership requesting ideas or proposals relating to new programs, initiatives, or changes to **an** existing program or **initiative**~~[initiatives]; or~~

6. A suggestion made by a coordinator.

(c) If more than one (1) suggester makes significant contributions to the idea, the suggestion may be submitted jointly, and an award granted shall be divided equally between or among the suggesters.

(d)

1. The first suggestion received shall take precedence over all future suggestions having the same purpose.

2. If two (2) or more similar suggestions are received on the same day, an award granted shall be divided equally between or among the suggesters.

(e)

1. The suggester shall be notified in writing of the disposition~~[status]~~ of the suggestion within ninety (90) calendar days of receipt by the suggester's agency coordinator~~[and every sixty (60) days thereafter]~~.

2. If extenuating circumstances exist, the agency shall be granted an extension if a written explanation is provided to the suggester outlining the need for the extension and the estimated period of time needed to respond. If additional time is needed beyond the estimated time, the agency shall submit another written explanation again outlining the need for the extension and the estimated time to respond.

(f) A suggestion shall be considered to be active and eligible for an award until the suggester is notified in writing that the suggestion has been approved, denied, or closed.

(g) If the suggestion is denied or closed, the suggester's agency coordinator shall notify the suggester in writing stating the reason it was denied or closed.

(4) Reconsideration.



(a) A suggester may request reconsideration of a suggestion that was denied or closed by the cabinet or agency.

(b)

1. The suggester shall request reconsideration in writing and shall set forth the basis for the request.

2.

a. The request shall be filed with the suggester's agency coordinator within thirty (30) calendar days of the date that written notice of denial or closing is provided to the suggester.

b. If the thirtieth day falls on a day that the cabinet or agency office is closed during regular work hours, the request may be filed on the next work day.

(c) Within thirty (30) calendar days, the cabinet or agency shall act on the request for reconsideration and notify the suggester in writing of the reason for the decision.

(d) If an eligible suggestion is denied or closed and conditions under which it was originally considered have changed, the suggester may resubmit the suggestion.

(5) Payment.

(a) An award of cash payment shall be in accordance with KRS 18A.202.

1. The cash payment shall be calculated based upon the amount saved over the period of one (1) year minus implementation costs.

2.

a. The payment for the award shall be issued by the Personnel Cabinet within thirty (30) calendar days after receiving the affected agency's notice of implementation and final approval of the suggestion.

b. Funds for payment shall come from the agency or agencies implementing the suggestion, if sufficient funds are available to fund the award.

c. If applicable, the funding agency may interaccount other agencies implementing the suggestion for a proportionate share of the total award amount.

(b)

1. If a suggestion has been approved by the appointing authority or the appointing authority's~~[their]~~~~[his or her]~~ designee and has resulted in a financial savings to the state, the suggester shall be compensated in an amount of ten (10) percent of the amount saved over the twelve (12) month period following implementation of the suggestion, with a minimum of \$100 and a maximum of \$2,500.

2. If a suggestion approved by the appointing authority or his or her designee results in an intangible improvement in state service, the suggester shall be compensated in the amount of \$100.

3. Upon the suggester's receipt of compensation, the suggestion shall become the property of the state.

## Section 2. Adoption Benefit Program.

(1)

(a) A state employee who finalizes a legal adoption procedure for the adoption of a child, other than the child of a spouse, between November 1, 1998, and October 21, 2019, shall be eligible to receive reimbursement for direct costs associated with the adoption of a special needs child, as defined by KRS 199.555(1), or any other child.

(b) The eligible employee shall receive:

1. Up to \$5,000 in unreimbursed direct costs related to the adoption of a special needs child; or

2. Up to \$3,000 in unreimbursed direct costs related to the adoption of any other child.

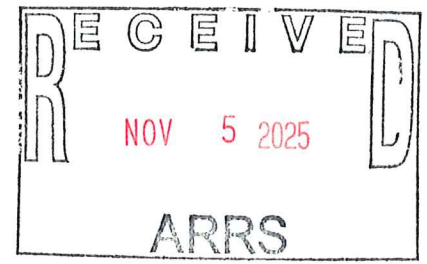
(2)



- (a) A state employee who finalized a legal adoption procedure for the adoption of a child, other than the child of a spouse, on or after October 22, 2019, shall be eligible to receive reimbursement of direct costs associated with the adoption of a child.
- (b) In addition to or instead of reimbursement of direct costs, a state employee may request and receive a stipend.
- (c) The combined total of stipend and reimbursement of direct costs per adoption of a special needs child shall not exceed \$7,000.
- (d) The combined total of stipend and reimbursement of direct costs per adoption of every other child shall not exceed \$5,000.
- (3) Unreimbursed direct costs related to the adoption of a special needs child or other child shall include:
  - (a) Licensed adoption agency fees;
  - (b) Legal fees;
  - (c) Medical costs not paid by insurance, Medicaid, or other available resources;
  - (d) Court costs; and
  - (e) Other fees or costs associated with child adoption in accordance with state and federal law.
- (4) Application for financial assistance shall be made to the Secretary of Personnel along with documentary evidence of:
  - (a) Finalization of the adoption;
  - (b) Certification by the Secretary of the Cabinet for Health and Family Services that the adopted child is a special needs child, if assistance for special needs adoption is sought; and
  - (c) A copy of an affidavit of expenses with supporting documentation related to the adoption.
- (5) If both adoptive parents are state employees, the application for financial assistance shall be made jointly and the amount of reimbursement of costs and stipend shall be limited to that specified in subsections (1) and (2) of this section.
- (6) Upon approval of the application for financial assistance, if sufficient funds are available, the employee's agency shall disburse funds in the amount authorized by the Secretary of Personnel.

### Section 3. Incorporation by Reference.

- (1) "Employee Suggestion Form", February 2020, is incorporated by reference.
- (2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Personnel Cabinet, 501 High Street, 3rd Floor, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. The material incorporated by reference is also available on the Personnel Cabinet's website at: <https://personnel.ky.gov/Pages/mir.aspx>.



Andy Beshear  
GOVERNOR

## PERSONNEL CABINET

501 High Street, 3<sup>rd</sup> Floor  
Frankfort, Kentucky 406 01  
Phone: (502) 564 -7430  
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Mary Elizabeth Bailey  
SECRETARY

November 5, 2025

Senator Stephen West, Co-Chair  
Representative Derek Lewis, Co-Chair  
c/o Emily Caudill, Regulations Compiler  
Administrative Regulation Review Subcommittee  
Legislative Research Commission  
Room 83, State Capitol Annex  
Frankfort, KY 40601

Re: 101 KAR 2:140. Workers' Compensation Fund and Program.

Dear Co-Chairs West and Lewis:

After discussions with Administrative Regulation Review Subcommittee staff of the issues raised by 101 KAR 2:140, the Personnel Cabinet proposes the attached amendment to 101 KAR 2:140.

Sincerely,

Rosemary G. Holbrook  
Assistant General Counsel  
Office of Legal Services

**PERSONNEL CABINET  
(Amendment)**

**101 KAR 2:140. Workers' Compensation Fund and Program.**

RELATES TO: KRS 18A.110~~[18A.110(7)(i)]~~, 18A.370, 18A.375, ~~[18A.380, ]~~Chapter 342~~[342.640]~~

STATUTORY AUTHORITY: KRS 18A.110(7)(h)~~[18A.030(2)(i), 18A.110(7)(i)]~~, 18A.380

CERTIFICATION STATEMENT:

NECESSITY, FUNCTION, AND CONFORMITY: KRS 18A.110(7)(h)~~[18A.110(7)(i)]~~ requires the Secretary of Personnel to promulgate administrative regulations to implement programs to provide for the safety, health and welfare of state employees. KRS 18A.380 requires the cabinet to promulgate administrative regulations for the administration of the state employee workers' compensation fund established by KRS 18A.375. This administrative regulation establishes requirements for the workers' compensation fund and program for state employees.

Section 1. Workers' Compensation Fund. The self-insured workers' compensation fund and program established by KRS 18A.375(1) shall cover all eligible employees.

Section 2. Eligibles.

- (1) A state employee, as defined by KRS 18A.370, shall be eligible to participate in the program.
- (2) Other state related groups shall be included upon written agreement with the Personnel Cabinet.

Section 3. Assessments. The assessment for an individual agency shall be based on the claims history for the past three (3) years and on the number of employees in the agency. Premiums shall be calculated each budgetary biennium. Premiums shall be assessed at the beginning of each fiscal year.

- (1) A biennial actuarial study shall be carried out to insure the fund's fiscal soundness.
- (2) A fund deficit shall be recouped through an interim billing or additional assessment if deemed necessary by an actuarial study.

Section 4. Benefits.

- (1) Benefits shall be provided in accordance with Kentucky Workers' Compensation law, including KRS Chapter 342.

~~[(a)] [The required medical expense for a service rendered by a hospital or doctor, or for a prescribed medication, shall be paid subject to approval of the claim.]~~

~~[(b)] [A percentage of the employee's average weekly wage shall be paid if the employee is unable to work for an extended period due to a job-related injury or illness.]~~

~~[(c)]~~

~~[1.] [Except as provided in subparagraph 2 of this paragraph, compensation shall not be payable for the first seven (7) days of disability.]~~

~~[2.] [If the disability continues over two (2) weeks, compensation shall be allowed from the first day of disability.]~~

(2)



- (a) For an absence due to illness or injury for which workers' compensation benefits are received, if the employee elects to accept the workers' compensation benefits, accumulated leave may be used in order to maintain regular full salary.
- (b) An employee electing to utilize accumulated leave shall complete and submit a Workers' Compensation Request to Use Accumulated Leave, Form WCF-2, to the employee's personnel unit.
- (c) If paid accumulated leave is used, workers' compensation income benefits shall be remitted to the employee's agency for whatever period of time an employee received paid leave.
- (d) An employee shall not receive and retain the benefit of paid leave and workers' compensation income benefits for the same period of time.
- (e) The employee's accumulated leave shall be reinstated to the employee's leave balance to the extent that workers' compensation benefits are remitted to the employee's agency.
- (f) An agency shall not restore accumulated leave until the workers' compensation check or payment, endorsed or approved by the employee, is received by the agency.
- (g) If an employee does not return the endorsed or approved workers' compensation check or payment, but retains the full benefit of paid leave, the agency may deduct a sum equal to unremitted workers' compensation income benefits from the employee's regular payroll check.
- (h)
  - 1. The employee may revoke this authority at any time by providing written notification to the agency.
  - 2. Revocation shall not apply to any workers' compensation income benefits for those periods of time for which the employee received paid leave.

#### Section 5. Notification Procedures.

- (1) Employee requirements. An employee shall inform the supervisor of an injury or illness as soon as physically able to do so.
- (2) Supervisor requirements.
  - (a) The supervisor shall:
    - 1. Complete the employer's First Report of Injury or Illness, Form IA-1, which is incorporated by reference in 803 KAR 25:170. The supervisor shall give specific information about the injury or illness on the form; and
    - 2. Submit the form to the designated office in the agency within three (3) working days after the supervisor is notified of an injury or illness to insure timely payments to the employee.
  - (b) A Lost Time and Return to Work Form, Form WCF-1, shall be submitted by the employee's supervisor or personnel representative if an employee is losing time from work due to a work-related injury or illness. The supervisor or personnel representative shall notify the employee's personnel unit when the employee returns. The personnel unit shall submit Form WCF-1 to the Personnel Cabinet.
  - (c) All documentation received by an agency relating to the workers' compensation claim ~~[including, but not limited to, medical bills, medical records, and injury reports]~~ shall be submitted to the Personnel Cabinet as soon as possible.~~[Each medical bill, or medical information regarding treatment of a job-related injury or illness of the employee, shall be submitted in the same manner as an injury report. An injury report shall be submitted as soon as possible.]~~
  - (d) A safety representative in each agency shall be notified of each accident so that the representative may review accident causes and provide safety training. A supervisor shall promote safety with employees.

Section 6. Recordkeeping. All records maintained by the Personnel Cabinet and by an agency with respect to an employee claim under this administrative regulation shall be confidentially maintained.

## Section 7. Agency Withdrawal and Readmission to Program.

(1) If an agency included in the fund as a result of the employment of persons defined in KRS 18A.370 desires to withdraw from the program, the agency shall provide the Personnel Cabinet with written notice of its intent to withdraw no later than thirty (30) calendar days prior to the end of the current fiscal year. If the notice is timely submitted, the agency may elect to withdraw at the end of the current fiscal year.

(2) An agency ***that[which]*** withdraws from the program may be readmitted to the program at the discretion of the Personnel Cabinet, based on compliance with the provisions in subsections (3), (4), and (5) of this section.

(3) As a condition of withdrawal, the agency shall reimburse the Commonwealth for all claims incurred by its employees, but not reported to the fund prior to the effective date of withdrawal, without regard to the length of time after the withdrawal date that the claims are actually received by the Personnel Cabinet.

(a) The Commonwealth shall bill the agency on a quarterly basis for the cost of claims that were incurred but not reported as of the date of withdrawal until all claims have been submitted and processed.

(b) The agency shall reimburse the Commonwealth within thirty (30) calendar days of receipt of the itemized statement of payments made on the agency's behalf.

(4) If an agency that has withdrawn from the program desires to seek readmission to the fund, the Personnel Cabinet may restore the agency to the fund upon review and evaluation of the agency's claims and payment history.

(5) If the Personnel Cabinet approves the agency's restoration to the fund, the Personnel Cabinet shall assess a premium based on:

- (a) Claims experience over the preceding three (3) years; and
- (b) The current number of employees in the agency.

## Section 8. Incorporation by Reference.

(1) The following material is incorporated by reference:

(a) "Lost Time and Return to Work Form", Form WCF-1, January 2025~~[May 2012]~~; and

(b) "Workers' Compensation Request to Use Accumulated Leave", Form WCF-2, ***November***~~[January]~~ 2025~~[May 2012]~~.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Personnel Cabinet, 501 High Street, 3rd Floor, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. The material incorporated by reference is also available on the Personnel Cabinet's website at: <https://personnel.ky.gov/Pages/mir.aspx>.

\*General Reviewer's Note: The WCF-2 form should be updated to provide clarifying information consistent with recent amendments to other Personnel Cabinet administrative regulations.



**WORKERS' COMPENSATION  
REQUEST TO USE ACCUMULATED LEAVE  
WCF-2**

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Name: \_\_\_\_\_ PERNR: \_\_\_\_\_

Date of Injury or Illness: \_\_\_\_\_

**Pursuant to 101 KAR 2:140, Section 4(2), I hereby request payment from my accumulated leave balances while I am off work due to an illness or injury for which workers' compensation income benefits are claimed.**

**I acknowledge that I am not entitled to use accumulated leave for time off from work due to an illness or an injury for which workers' compensation income benefits are claimed except to supplement my workers' compensation income benefits and maintain my regular full salary.**

**I hereby remit my workers' compensation income benefits to the following State Agency:**

\_\_\_\_\_

**I authorize the agency to utilize workers' compensation income benefits to restore a portion of the accumulated leave time to maintain my full salary. I understand that no accumulated leave will be restored until I endorse and return the workers' compensation income benefit check to the agency. I further acknowledge that Employer Paid Leave, if eligible, must be exhausted prior to use of other leave.**

**At the time the agency receives the endorsed check, the appropriate amount of leave will be restored. If I do not endorse and return the income benefit check to my agency, I authorize my employing agency to deduct from my pay a sum equal to any amount of workers' compensation income benefits I fail to remit to my agency pursuant to this agreement.**

**I may revoke this authority at any time in writing by delivering a copy of the writing to the agency; however, the revocation shall not apply to any workers' compensation income benefits check for periods of time in which I have already received paid leave.**

Signed this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Witness