

CHAPTER 10
(HB 203)

AN ACT relating to reorganization.

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

→Section 1. KRS 12.020 is amended to read as follows:

Departments, program cabinets and their departments, and the respective major administrative bodies that they include are enumerated in this section. It is not intended that this enumeration of administrative bodies be all-inclusive. Every authority, board, bureau, interstate compact, commission, committee, conference, council, office, or any other form of organization shall be included in or attached to the department or program cabinet in which they are included or to which they are attached by statute or statutorily authorized executive order; except in the case of the Personnel Board and where the attached department or administrative body is headed by a constitutionally elected officer, the attachment shall be solely for the purpose of dissemination of information and coordination of activities and shall not include any authority over the functions, personnel, funds, equipment, facilities, or records of the department or administrative body.

I. Cabinet for General Government - Departments headed by elected officers:

1. The Governor.
2. Lieutenant Governor.
3. Department of State.
 - (a) Secretary of State.
 - (b) Board of Elections.
 - (c) Registry of Election Finance.
4. Department of Law.
 - (a) Attorney General.
5. Department of the Treasury.
 - (a) Treasurer.
6. Department of Agriculture.
 - (a) Commissioner of Agriculture.
 - (b) Kentucky Council on Agriculture.
7. Auditor of Public Accounts.

II. Program cabinets headed by appointed officers:

1. Justice and Public Safety Cabinet:
 - (a) Department of Kentucky State Police.
 - (b) Department of Criminal Justice Training.
 - (c) Department of Corrections.
 - (d) Department of Juvenile Justice.
 - (e) Office of the Secretary.
 - (f) Office of Drug Control Policy.
 - (g) Office of Legal Services.
 - (h) Office of the Kentucky State Medical Examiner.
 - (i) Parole Board.
 - (j) Kentucky State Corrections Commission.

- (k) Office of Legislative and Intergovernmental Services.
 - (l) Office of Management and Administrative Services.
 - (m) Office of Investigations.
 - (n) Department for Public Advocacy.
2. Education and Workforce Development Cabinet:
- (a) Office of the Secretary.
 - (b) Office of Legal and Legislative Services.
 - 1. Client Assistance Program.
 - (c) Office of Communication.
 - (d) Office of Budget and Administration.
 - 1. Division of Human Resources.
 - 2. Division of Administrative Services.
 - 3. Division of Technology Services.
 - (e) Office of Educational Programs.
 - (f) Board of Directors for the Center for School Safety.
 - (g) Council on Postsecondary Education.
 - 1. Foundation for Adult Education.
 - (h) Department of Education.
 - 1. Kentucky Board of Education.
 - (i) Department for Libraries and Archives.
 - (j) Department of Workforce Investment.
 - 1. Office for the Blind.
 - 2. Office of Vocational Rehabilitation.
 - 3. Office of Career and Technical Education.
 - 4. Office of Employment and Training.
 - (k) Foundation for Workforce Development.
 - (l) Kentucky Office for the Blind State Rehabilitation Council.
 - (m) Kentucky Technical Education Personnel Board.
 - (n) Kentucky Workforce Investment Board.
 - (o) Statewide Council for Vocational Rehabilitation.
 - (p) Statewide Independent Living Council.
 - (q) Unemployment Insurance Commission.
 - (r) Education Professional Standards Board.
 - 1. Division of Educator Preparation.
 - 2. Division of Certification.
 - 3. Division of Professional Learning and Assessment.
 - 4. Division of Legal Services.
 - (s) Kentucky Commission on the Deaf and Hard of Hearing.
 - (t) Kentucky Educational Television.

- (u) Kentucky Environmental Education Council.
- 3. Energy and Environment Cabinet:
 - (a) Office of the Secretary.
 - 1. Office of Legislative and Intergovernmental Affairs.
 - 2. Office of General Counsel.
 - a. Environmental Protection Legal Division.
 - 3. Office of Administrative Hearings.
 - 4. Mine Safety Review Commission.
 - 5. Kentucky State Nature Preserves Commission.
 - 6. Kentucky Environmental Quality Commission.
 - 7. Kentucky Public Service Commission.
 - (b) Department for Environmental Protection.
 - 1. Office of the Commissioner.
 - 2. Division for Air Quality.
 - 3. Division of Water.
 - 4. Division of Environmental Program Support.
 - 5. Division of Waste Management.
 - 6. Division of Enforcement.
 - 7. Division of Compliance Assistance.
 - (c) Department for Natural Resources.
 - 1. Office of the Commissioner.
 - 2. Division of Technical and Administrative Support.
 - 3. Division of Mine Permits.
 - 4. Division of Mine Reclamation and Enforcement.
 - 5. Division of Abandoned Mine Lands.
 - 6. Division of Oil and Gas.
 - 7. Office of Mine Safety and Licensing.
 - 8. Division of Forestry.
 - 9. Division of Conservation.
 - (d) Department for Energy Development and Independence.
 - 1. Division of Efficiency and Conservation.
 - 2. Division of Renewable Energy.
 - 3. Division of Biofuels.
 - 4. Division of Energy Generation Transmission and Distribution.
 - 5. Division of Carbon Management.
 - 6. Division of Fossil Energy Development.
- 4. Public Protection Cabinet.
 - (a) Office of the Secretary.
 - 1. Office of Communications and Public Outreach.

2. Office of Legal Services.
 - a. Insurance Legal Division.
 - b. Charitable Gaming Legal Division.
 - c. Alcoholic Beverage Control Legal Division.
 - d. Housing, Buildings and Construction Legal Division.
 - e. Financial Institutions Legal Division.
- (b) Crime Victims Compensation Board.
- (c) Board of Claims.
- (d) Kentucky Board of Tax Appeals.
- (e) Kentucky Boxing and Wrestling Authority.
- (f) Kentucky Horse Racing Commission.
 1. Division of Licensing.
 2. Division of Incentives and Development.
 3. Division of Veterinary Services.
 4. Division of Security and Enforcement.
- (g) Department of Alcoholic Beverage Control.
 1. Division of Distilled Spirits.
 2. Division of Malt Beverages.
 3. Division of Enforcement.
- (h) Department of Charitable Gaming.
 1. Division of Licensing and Compliance.
 2. Division of Enforcement.
- (i) Department of Financial Institutions.
 1. Division of Depository Institutions.
 2. Division of Non-Depository Institutions.
 3. Division of Securities.
- (j) Department of Housing, Buildings and Construction.
 1. Division of Fire Prevention.
 2. Division of Plumbing.
 3. Division of Heating, Ventilation, and Air Conditioning.
 4. Division of Building Code Enforcement.
- (k) Department of Insurance.
 1. Property and Casualty Division.
 2. Health and Life Division.
 3. Division of Financial Standards and Examination.
 4. Division of Agent Licensing.
 5. Division of Insurance Fraud Investigation.
 6. Consumer Protection Division.
 7. Division of Kentucky Access.

- (l) Office of Occupations and Professions.
- 5. Labor Cabinet.
 - (a) Office of the Secretary.
 - 1. Division of Management Services.
 - 2. Office of General Counsel.
 - (b) Office of General Administration and Program Support for Shared Services.
 - 1. Division of Human Resource Management.
 - 2. Division of Fiscal Management.
 - 3. Division of Budgets.
 - 4. Division of Information Services.
 - (c) Office of Inspector General for Shared Services.
 - (d) Department of Workplace Standards.
 - 1. Division of Employment Standards, Apprenticeship, and Mediation.
 - 2. Division of Occupational Safety and Health Compliance.
 - 3. Division of Occupational Safety and Health Education and Training.
 - 4. Division of Workers' Compensation Funds.
 - (e) Department of Workers' Claims.
 - 1. Office of General Counsel for Workers' Claims.
 - 2. Office of Administrative Law Judges.
 - 3. Division of Claims Processing.
 - 4. Division of Security and Compliance.
 - 5. Division of Information and Research.
 - 6. Division of Ombudsman and Workers' Compensation Specialist Services.
 - 7. Workers' Compensation Board.
 - 8. Workers' Compensation Advisory Council.
 - 9. Workers' Compensation Nominating Commission.
 - (f) Workers' Compensation Funding Commission.
 - (g) Kentucky Labor-Management Advisory Council.
 - (h) Occupational Safety and Health Standards Board.
 - (i) Prevailing Wage Review Board.
 - (j) Apprenticeship and Training Council.
 - (k) State Labor Relations Board.
 - (l) Employers' Mutual Insurance Authority.
 - (m) Kentucky Occupational Safety and Health Review Commission.
- 6. Transportation Cabinet:
 - (a) Department of Highways.
 - 1. Office of Project Development.
 - 2. Office of Project Delivery and Preservation.
 - 3. Office of Highway Safety.

4. Highway District Offices One through Twelve.
 - (b) Department of Vehicle Regulation.
 - (c) Department of Aviation.
 - (d) Department of Rural and Municipal Aid.
 1. Office of Local Programs.
 2. Office of Rural and Secondary Roads.
 - (e) Office of the Secretary.
 1. Office of Public Affairs.
 2. Office for Civil Rights and Small Business Development.
 3. Office of Budget and Fiscal Management.
 4. Office of Inspector General.
 - (f) Office of Support Services.
 - (g) Office of Transportation Delivery.
 - (h) Office of Audits.
 - (i) Office of Human Resource Management.
 - (j) Office of Information Technology.
 - (k) Office of Legal Services.
7. Cabinet for Economic Development:
- (a) Office of Administration and Support.
 - (b) Department for New Business Development.
 - (c) Department of Financial Incentives.
 - (d) Department for Existing Business Development.
 - (e) Tobacco Research Board.
 - (f) Kentucky Economic Development Finance Authority.
 - (g) Office of Research and Information Technology.
 - (h) Department of Commercialization and Innovation.
 - (i) Office of Legal Services.
 - (j) Commission on Small Business Advocacy.
8. Cabinet for Health and Family Services:
- (a) Department for Public Health.
 - (b) Department for Medicaid Services.
 - (c) Department for Mental Health and Mental Retardation Services.
 - (d) Kentucky Commission for Children with Special Health Care Needs.
 - (e) Office of Health Policy.
 - (f) Office of the Secretary.
 - (g) Office of Legal Services.
 - (h) Office of Inspector General.
 - (i) Office of Legislative and Public Affairs.
 - (j) Department for Community Based Services.

- (k) Department for Disability Determination Services.
 - (l) Office of the Ombudsman.
 - (m) Department for Human Support Services.
 - (n) Kentucky Commission on Community Volunteerism and Service.
 - (o) Office of Fiscal Services.
 - (p) Office of Human Resource Management.
 - (q) Office of Technology.
 - (r) Office of Contract Oversight.
 - (s) Governor's Office of Wellness and Physical Activity.
 - (t) Department for Aging and Independent Living.
9. Finance and Administration Cabinet:
- (a) Office of General Counsel.
 - (b) Office of the Controller.
 - (c) Office of Administrative Services.
 - (d) Office of Public Information.
 - (e) Office of Policy and Audit.
 - (f) Department for Facilities and Support Services.
 - (g) Department of Revenue.
 - (h) Commonwealth Office of Technology.
 - (i) State Property and Buildings Commission.
 - (j) Office of Equal Employment Opportunity and Contract Compliance.
 - (k) Kentucky Employees Retirement Systems.
 - (l) Commonwealth Credit Union.
 - (m) State Investment Commission.
 - (n) Kentucky Housing Corporation.
 - (o) Kentucky Local Correctional Facilities Construction Authority.
 - (p) Kentucky Turnpike Authority.
 - (q) Historic Properties Advisory Commission.
 - (r) Kentucky Tobacco Settlement Trust Corporation.
 - (s) Kentucky Higher Education Assistance Authority.
 - (t) Kentucky River Authority.
 - (u) Kentucky Teachers' Retirement System Board of Trustees.
 - (v) Executive Branch Ethics Commission.
10. Tourism, Arts and Heritage Cabinet:
- (a) Kentucky Department of Travel and Tourism.
 - (1) Division of Tourism Services.
 - (2) Division of Marketing and Administration.
 - (3) Division of Communications and Promotions.
 - (b) Kentucky Department of Parks.

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- (1) Division of Information Technology.
 - (2) Division of Human Resources.
 - (3) Division of Financial Operations.
 - (4) Division of Facilities Management.
 - (5) Division of Facilities Maintenance.
 - (6) Division of Customer Services.
 - (7) Division of Recreation.
 - (8) Division of Golf Courses.
 - (9) Division of Food Services.
 - (10) Division of Rangers.
 - (11) Division of Resort Parks.
 - (12) Division of Recreational Parks and Historic Sites.
- (c) Department of Fish and Wildlife Resources.
- (1) Division of Law Enforcement.
 - (2) Division of Administrative Services.
 - (3) Division of Engineering.
 - (4) Division of Fisheries.
 - (5) Division of Information and Education.
 - (6) Division of Wildlife.
 - (7) Division of Public Affairs.
- (d) Kentucky Horse Park.
- (1) Division of Support Services.
 - (2) Division of Buildings and Grounds.
 - (3) Division of Operational Services.
- (e) Kentucky State Fair Board.
- (1) Office of Administrative and Information Technology Services.
 - (2) Office of Human Resources and Access Control.
 - (3) Division of Expositions.
 - (4) Division of Kentucky Exposition Center Operations.
 - (5) Division of Kentucky International Convention Center.
 - (6) Division of Public Relations and Media.
 - (7) Division of Venue Services.
 - (8) Division of Personnel Management and Staff Development.
 - (9) Division of Sales.
 - (10) Division of Security and Traffic Control.
 - (11) Division of Information Technology.
 - (12) Division of the Louisville Arena.
 - (13) Division of Fiscal and Contract Management.
 - (14) Division of Access Control.

- (f) Office of the Secretary.
 - (1) Office of Finance.
 - (2) Office of Research and Administration.
 - (3) Office of Governmental Relations and Tourism Development.
 - (4) Office of the Sports Authority.
 - (5) Kentucky Sports Authority.
 - (g) Office of Legal Affairs.
 - (h) Office of Human Resources.
 - (i) Office of Public Affairs and Constituent Services.
 - (j) Office of Creative Services.
 - (k) Office of Capital Plaza Operations.
 - (l) Office of Arts and Cultural Heritage.
 - (m) Kentucky African-American Heritage Commission.
 - (n) Kentucky Foundation for the Arts.
 - (o) Kentucky Humanities Council.
 - (p) Kentucky Heritage Council.
 - (q) Kentucky Arts Council.
 - (r) Kentucky Historical Society.
 - (1) Division of Museums.
 - (2) Division of Oral History and Educational Outreach.
 - (3) Division of Research and Publications.
 - (4) Division of Administration.
 - (s) Kentucky Center for the Arts.
 - (1) Division of Governor's School for the Arts.
 - (t) Kentucky Artisans Center at Berea.
 - (u) Northern Kentucky Convention Center.
 - (v) Eastern Kentucky Exposition Center.
11. Personnel Cabinet:
- (a) Office of the Secretary.
 - (b) Department of *Human Resources*~~{for Personnel}~~ Administration.
 - (c) Office ~~of~~~~for~~ Employee Relations.
 - (d) Kentucky Public Employees Deferred Compensation Authority.
 - (e) Office of Administrative Services.
 - (f) Office of Legal Services.
 - (g) *Governmental Services Center*~~{Office of Government Training}~~.
 - (h) Department ~~of~~~~for~~ Employee Insurance.
 - (i) *Office of Diversity and Equality*.
 - (j) *Center of Strategic Innovation*.

III. Other departments headed by appointed officers:

1. Department of Military Affairs.
2. Department for Local Government.
3. Kentucky Commission on Human Rights.
4. Kentucky Commission on Women.
5. Department of Veterans' Affairs.
6. Kentucky Commission on Military Affairs.
7. Office of Minority Empowerment.
8. Governor's Council on Wellness and Physical Activity.

➔Section 2. KRS 18A.025 is amended to read as follows:

- (1) The Governor shall appoint the secretary of personnel as provided in KRS 18A.015, who shall be considered an employee of the state. *The secretary*~~[He]~~ shall be a graduate of an accredited college or university and have at least five (5) years' experience in personnel administration or in related fields, have known sympathies with the merit principle in government and shall be dedicated to the preservation of this principle. Additional education may be substituted for the required experience and additional experience may be substituted for the required education.
- (2) The secretary of the Personnel Cabinet or *the secretary's*~~[his]~~ designee, shall be responsible for the coordination of the state's affirmative action plan, established by KRS 18A.138.
- (3) There is established within the Personnel Cabinet the following offices, departments, and divisions, each of which shall be headed by either a commissioner, executive director, or division director appointed by the secretary, subject to the prior approval of the Governor pursuant to KRS 12.040 or 12.050, depending on the level of the appointment, *except that*~~[t]~~ the Kentucky Employees Deferred Compensation Authority shall be headed by an executive director who shall be appointed by the authority's board of directors:
 - (a) Office of the Secretary, which shall be responsible for *communication with state employees about personnel and other relevant issues and for* the administration and coordination of the following~~[programs]~~:
 - ~~1. The state Equal Employment Opportunity Program;~~
 - ~~2. The state Minority Management Program; and~~
 - ~~3. The state's affirmative action plan established in KRS 18A.138.~~

~~— Kentucky Public Employees Deferred Compensation Authority shall be attached to the Office of the Secretary for administrative purposes only. The authority shall be governed by a board of trustees composed of seven (7) members including the secretary of finance and administration, ex officio; the secretary of personnel, ex officio; the state controller, ex officio; and four (4) at large members appointed by the Governor, one (1) of whom shall have at least five (5) years of investment or banking experience and one (1) of whom shall represent a nonstate employer. The authority shall be headed by an executive director who shall be appointed by the board of directors of the authority without the limitations imposed by KRS 12.040 and KRS Chapter 18A;~~
 - (b) ~~Department for Personnel Administration, composed of the:~~
 - ~~1. Division of Employee Management, which shall be responsible for payroll, records, classification, compensation, and performance management functions. The division shall also be responsible for implementing lay-off plans mandated by KRS 18A.113 to 18A.1132 and shall monitor and assist state agencies in complying with the provisions of the Federal Fair Labor Standards Act (FLSA). The division shall:~~
 - ~~a. Maintain the central personnel files mandated by KRS 18A.020 and process personnel documents and position actions;~~
 - ~~b. Operate and maintain a uniform payroll system and certify payrolls as required by KRS 18A.125;~~
 - ~~c. Maintain plans of classification and compensation for state service and review and evaluate the plans; and~~

- d. ~~Coordinate and implement the employee performance evaluation systems throughout state government;~~
 - 2. ~~Division of Staffing Services, which shall be responsible for employment counseling, applicant processing, employment register, and staffing analysis functions. The division shall:~~
 - a. ~~Operate a centralized applicant and employee counseling program;~~
 - b. ~~Operate, coordinate, and construct the examination program for State employment;~~
 - e. ~~Prepare registers of candidate employment; and~~
 - d. ~~Coordinate outreach programs, such as recruitment and the Administrative Intern Program;~~
- 1. ~~(e)~~ Office of ~~for~~ Employee Relations, composed of the following *programs* ~~[divisions]:~~**
- 1. ~~Division of Employee Benefits, which shall consist of the following:~~
 - a. Workers' Compensation Program pursuant to KRS 18A.375;
 - b. Life Insurance Program pursuant to KRS 18A.205 to KRS 18A.220;
 - c. Sick leave Sharing Program, pursuant to KRS 18A.197;
 - d. Annual Leave Sharing Program, pursuant to KRS 18A.203;
 - e. Health and Safety **Program** ~~[Programs (OSHA)]; ~~and~~~~
 - f. Employee Assistance Program;
 - g. Employee Incentive Programs, pursuant to KRS 18A.202; and**
 - h. Employee Mediation Program;**
 - 2. Office of Administrative Services, which shall be responsible for the Personnel Cabinet's administrative functions;
 - 3. *Office of Legal Services, which shall provide legal services to the Personnel Cabinet and to executive branch agencies and their representatives upon request;*
 - 4. *Office of Diversity and Equality, which shall coordinate and implement diversity initiatives for state agencies, the affirmative action plan established by KRS 18A.138, the state Equal Employment Opportunity Program, and the Minority Management Trainee Program;*
 - 5. *Governmental Services Center, which shall be responsible for employee and managerial training and organizational development;*
 - 6. *Kentucky Public Employees Deferred Compensation Authority, which shall maintain a deferred compensation plan for state employees; and*
 - 7. *Center for Strategic Innovation, which shall assist in all aspects of developing and executing the strategic direction of the cabinet* ~~[Division of Communications and Recognition, which shall:~~
 - a. ~~Communicate with state employees about personnel issues and other relevant issues through publications;~~
 - b. ~~Administer the employee incentive programs established by KRS 18A.202; and~~
 - e. ~~Provide dispute resolution assistance to state employees and agencies];~~
- (b) ~~(d)~~ Department of Human Resources Administration, which shall be composed of the:**
- 1. *Division of Employee Management, which shall be responsible for payroll, records, classification, and compensation. The division shall also be responsible for implementing lay-off plans mandated by KRS 18A.113 to 118A.1132 and shall monitor and assist state agencies in complying with the provisions of the federal Fair Labor Standards Act. The division shall:*
 - a. *Maintain the central personnel files mandated by KRS 18A.020 and process personnel documents and position actions;*
 - b. *Operate and maintain a uniform payroll system and certify payrolls as required by KRS 18A.125;*

- c. *Maintain plans of classification and compensation for state service and review and evaluate the plans; and*
- d. *Coordinate and implement the employee performance evaluation systems throughout state government;*
- 2. *Division of Career Opportunities, which shall be responsible for employment counseling, applicant processing, employment register, and staffing analysis functions. The division shall:*
 - a. *Operate a centralized applicant and employee counseling program;*
 - b. *Operate, coordinate, and construct the examination program for state employment;*
 - c. *Prepare registers of candidate employment;*
 - d. *Coordinate outreach programs, such as recruitment and the Administrative Intern Program; and*
- 3. *Division of Technology Services, which shall be responsible for the development and maintenance of all technology and technology infrastructure; and*
- (c) Department ~~of~~ ~~for~~ Employee Insurance, which shall be responsible for the:
 - 1. Health Insurance Program, pursuant to KRS 18A.225;~~and~~
 - 2. Flexible Benefit Plan, pursuant to KRS 18A.227;
 - 3. *Division of Insurance Administration, which shall be responsible for enrollment and service functions; and*
 - 4. *Division of Financial and Data Services, which shall be responsible for fiscal and data analysis functions*
- ~~(e) Office of Administrative Services, which shall be responsible for the Personnel Cabinet's Administrative Services;~~
- ~~(f) Office of Legal Services, which shall provide legal services to the Personnel Cabinet and to executive branch agencies and their representatives, upon request; and~~
- ~~(g) Office of Government Training, which shall improve individual and organizational performance throughout state government through employee and managerial training, consultation, and survey research services].~~
- (4) The cabinet shall include principal assistants appointed by the secretary, pursuant to KRS 12.050 or 18A.115(1)(g) and (h), as necessary for the development and implementation of policy. The secretary may employ, pursuant to the provisions of this chapter, personnel necessary to execute the functions and duties of the department.

➔Section 3. KRS 18A.2254 is amended to read as follows:

- (1) Based on the recommendation of the secretary of the Personnel Cabinet, the secretary of the Finance and Administration Cabinet, in lieu of contracting with one (1) or more insurers licensed to do business in this state, shall procure, in compliance with KRS 45A.080, 45A.085, and 45A.090, and reviewed by the Government Contract Review Committee pursuant to KRS 45A.705, a contract with one (1) or more third-party administrators licensed to do business in the Commonwealth pursuant to KRS 304.9-052 to administer a self-insured plan offered to the Public Employee Health Insurance Program for public employees. The requirements for the self-insured plan shall be as follows:
 - (a) 1. The secretary of the Personnel Cabinet shall incorporate by reference in an administrative regulation, pursuant to KRS 13A.2251, the plan year handbook distributed by the Department ~~of~~ ~~for~~ Employee Insurance in the Personnel Cabinet to public employees covered under the self-insured plan. The plan year handbook shall contain, at a minimum, the premiums, employee contributions, employer contributions, and a summary of benefits, copays, coinsurance, and deductibles for each plan provided to public employees covered under the self-insured plan;
 - 2. Prior to filing an administrative regulation for the self-insured plan with the Legislative Research Commission, the secretary of the Personnel Cabinet shall submit the administrative regulation to the secretary of the Cabinet for Health and Family Services for review. Notwithstanding any other provision of KRS Chapter 18A to the contrary, the administrative regulation shall not be

subject to review by the Personnel Board prior to filing the administrative regulation with the Legislative Research Commission; and

3. The secretary of the Personnel Cabinet shall file the administrative regulation for the self-insured plan with the Legislative Research Commission on or before September 15 of the year before each new plan year begins;
 - (b) The self-insured plan offered by the program shall cover hospice care at least equal to the Medicare benefit;
 - (c) The Personnel Cabinet shall provide written notice of any formulary change to employees covered under the self-insured plan who are directly impacted by the formulary change and to the Kentucky Group Health Insurance Board fifteen (15) days before implementation of any formulary change. If, after consulting with his or her physician, the employee still disagrees with the formulary change, the employee shall have the right to appeal the change. The employee shall have sixty (60) days from the date of the notice of the formulary change to file an appeal with the Personnel Cabinet. The cabinet shall render a decision within thirty (30) days from the receipt of the request for an appeal. After a final decision is rendered by the Personnel Cabinet, the employee shall have a right to file an appeal pursuant to the utilization review statutes in KRS 304.17A-600 to 304.17A-633. During the appeal process, the employee shall have the right to continue to take any drug prescribed by his or her physician that is the subject of the formulary changes;
 - (d) The Personnel Cabinet shall develop the necessary capabilities to ensure that an independent review of each formulary change is conducted and includes but is not limited to an evaluation of the fiscal impact and therapeutic benefit of the formulary change. The independent review shall be conducted by knowledgeable medical professionals and the results of the independent review shall be posted on the Web sites of the Personnel Cabinet and the Cabinet for Health and Family Services and made available to the public upon request within thirty (30) days of the notice from the Personnel Cabinet required in paragraph (c) of this subsection;
 - (e) If the self-insured plan restricts pharmacy benefits to a drug formulary, the plan shall comply with and have an exceptions policy in accordance with KRS 304.17A-535;
 - (f) Premiums for all plans offered by the Public Employee Health Insurance Program to employees shall be based on the experience of the entire group;
 - (g) The plan year for the Public Employee Health Insurance Program, whether for fully insured or self-insured benefits, shall be on a calendar year basis.
- (2) In addition to any fully insured health benefit plans or self-insured plans, beginning January 1, 2007, the Personnel Cabinet shall offer a health reimbursement account for public employees insured under the Public Employee Health Insurance Program.
 - (a) If a public employee waives coverage provided by his or her employer under the Public Employee Health Insurance Program, the employer shall forward a monthly amount to be determined by the secretary of the Personnel Cabinet, but not less than one hundred seventy-five dollars (\$175), for that employee as an employer contribution to the health reimbursement account.
 - (b) The administrative fees associated with the health reimbursement account shall be an authorized expense to be charged to the public employee health insurance trust fund.
- (3)
 - (a) The public employee health insurance trust fund is established in the Personnel Cabinet. The purpose of the public employee health insurance trust fund is to provide funds to pay medical claims and other costs associated with the administration of the Public Employee Health Insurance Program self-insured plan under a competitively bid contract as provided by KRS Chapter 45A and reviewed by the Government Contract Review Committee pursuant to KRS 45A.705. Unless authorized by the General Assembly, the trust fund shall not utilize funds for any other purpose and the trust fund receipts from prior plan years shall not be used to pay claims and expenses for current or subsequent plan years, except as provided by paragraph (b) of this subsection.
 - (b) In the event of a projected deficit in the trust fund balance of a prior plan year, the secretary of the Finance and Administration Cabinet may declare an emergency and transfer up to twenty-five percent (25%) of another prior plan year's balance to that plan year, provided the Governor, all members of the General Assembly, and Legislative Research Commission are notified at least thirty (30) days prior to

the transfer. The Legislative Research Commission shall refer the notice to appropriate committees of jurisdiction for their review.

- (c) The following moneys shall be directly deposited into the trust fund:
 - 1. Employer and employee premiums collected under the self-insured plan;
 - 2. Interest and investment returns earned by the self-insured plan;
 - 3. Rebates and refunds attributed to the self-insured plan; and
 - 4. All other receipts attributed to the self-insured plan.
- (d) Any balance remaining in the public employee health insurance trust fund at the end of a fiscal year shall not lapse. Any balance remaining at the end of a fiscal year shall be carried forward to the next fiscal year and be used solely for the purpose established in paragraphs (a) and (b) of this subsection. The balance of funds in the public employee health insurance trust fund shall be invested by the Office of Financial Management consistent with the provisions of KRS Chapter 42, and interest income shall be credited to the trust fund. Any balance for a specific plan year and any subsequent interest income for that specific plan year shall be accounted for separately.
- (e) The Auditor of Public Accounts shall be responsible for a financial audit of the books and records of the trust fund. The audit shall be conducted in accordance with generally accepted accounting principles and shall be completed within ninety (90) days of the close of the fiscal year. All audit reports shall be filed with the Governor, the President of the Senate, the Speaker of the House of Representatives, and the secretary of the Personnel Cabinet.
- (f) The secretary of the Personnel Cabinet shall file a quarterly report on the status of the trust fund with the Governor, the Interim Joint Committee on Appropriations and Revenue, the Kentucky Group Health Insurance Board, and the Advisory Committee of State Health Insurance Subscribers. The first status report shall be submitted no later than July 30, 2006, and subsequent reports shall be submitted no later than sixty (60) days following the end of each calendar quarter. The report shall include the following:
 - 1. The current balance of the trust fund and the amount of the balance associated with each plan year;
 - 2. A detailed description of all income to the trust fund since the last report;
 - 3. A detailed description of any receipts due to the trust fund;
 - 4. A total amount of payments made for medical and pharmacy claims from the trust fund by plan year;
 - 5. A detailed description of all payments made to the third-party administrator of the self-insured plan by the trust fund;
 - 6. Current enrollment data, including monthly enrollment since the last report, of the Public Employee Health Insurance Program self-insured plan;
 - 7. Any other information the secretary may include;
 - 8. Any other information requested by the Interim Joint Committee on Appropriations and Revenue concerning the operation of the Public Employee Health Insurance Program self-funded plan or the trust fund; and
 - 9. In addition to the information required under subparagraphs 1. to 8. of this paragraph, the quarterly report filed in July and January shall also include the following:
 - a. A projection of the medical claims incurred but not yet reported that are considered liabilities to the trust fund;
 - b. A statement of any other trust fund liabilities;
 - c. A detailed calculation outlining proposed premium rates for the next plan year, including base claims, trend assumptions, administrative fees, and any proposed plan or benefit changes;

- d. A detailed description of the current in-state and out-of-state networks provided under the plan, any changes to the networks since the last report, and any proposed changes to the in-state or out-of-state networks during the next six (6) months; and
- e. Specific data regarding the third-party administrator's performance under the contract. The data shall include the following:
 - i. Any results or outcomes of disease management and wellness programs;
 - ii. Results of case management audits and educational and communication efforts; and
 - iii. Comparison of actual measurable results to contract performance guarantees.

➔Section 4. KRS 18A.2256 is amended to read as follows:

- (1) The provisions of this section shall take effect to the extent that they are not preempted by 10 U.S.C. sec. 1097c, other federal law, or federal regulation.
- (2) As used in this section:
 - (a) "TRICARE" means the Department of Defense health care program for active duty and retired uniformed service members and their families; and
 - (b) "Employee" has the same meaning as in KRS 18A.225.
- (3) Beginning with plan year 2009, the Personnel Cabinet, Department ~~offer~~ Employee Insurance, shall select and contract with one (1) or more providers to offer a group TRICARE supplement product to eligible employees who are eligible TRICARE beneficiaries.
- (4) The Commonwealth of Kentucky shall pay the cost of individual TRICARE supplement insurance to cover the employee, not to exceed the cost of the lowest-priced individual plan offered to public employees. The employee shall pay the cost of coverage for his or her spouse and dependent children.
- (5) Those employees eligible for TRICARE insurance who elect the Commonwealth of Kentucky-sponsored TRICARE supplement insurance shall not be eligible for other coverage offered through the Public Employee Health Insurance Program. Those employees eligible for TRICARE insurance who choose not to elect the Commonwealth of Kentucky-sponsored TRICARE supplement insurance shall continue to be eligible for the coverage offered through the Public Employee Health Insurance Program.
- (6) The secretary of the Personnel Cabinet may promulgate administrative regulations to carry out the provisions of this section.

➔Section 5. KRS 18A.245 is amended to read as follows:

- (1) The authority shall be administered by a board of trustees composed of seven (7) members, who shall be as follows:
 - (a) Secretary, Finance and Administration Cabinet, ex officio;
 - (b) Secretary of personnel, ex officio;
 - (c) The state controller, ex officio; and
 - (d) Four (4) at-large members appointed by the Governor, one (1) of whom shall have at least five (5) years of investment or banking experience and one (1) of whom shall be a representative of a nonstate government employer.
- (2) The members of the board appointed by the Governor shall serve for a period of four (4) years and the ex officio members of the board shall serve only for the period of their term of office. Each ex officio member may designate a proxy by written notice to the authority prior to call of order of each meeting, and the proxy shall be entitled to participate as a full voting member.
- (3) Any vacancy which may occur shall be filled in the same manner provided for the selection of the particular member for a full term. Vacancies shall be filled for the unexpired term only.
- (4) Membership on the board of trustees shall not be incompatible with any other office unless a constitutional incompatibility exists, and no member shall be subject to removal from office, except upon conviction of a felony, or of a misdemeanor involving moral turpitude.

- (5) Board members who do not otherwise receive a salary or compensation from the State Treasury shall receive a per diem of one hundred dollars (\$100) for each day they are in session or on official duty, and they shall be reimbursed for their actual and necessary expenses in accordance with state administrative regulations and standards applicable to state employees.
- (6) The board shall meet at least once in each quarter of the year, and may meet in special session upon the call of the chairman. It shall elect a chairman and a vice chairman. A majority of the members shall constitute a quorum, and all actions taken by the board shall be by affirmative vote of a majority of the members present.
- (7) The authority shall be attached to the Personnel Cabinet for administrative purposes only. The board may take but is not limited to the following actions:
 - (a) Appoint such employees as it deems necessary and fix the compensation for all employees of the board, subject to the approval of the secretary. ***The authority shall be headed by an executive director who shall be appointed by the board of directors of the authority without the limitations imposed by KRS 12.040 and Chapter 18A.*** The executive director of the authority and employees appointed by the board shall serve at its will and pleasure. All other staff of the authority shall be employed under KRS 18A.005 to 18A.200;
 - (b) Require such employees as it thinks proper to execute bonds for the faithful performance of their duties;
 - (c) Establish a system of accounting;
 - (d) Contract for such services as may be necessary for the operation or administration of deferred compensation plans authorized in KRS 18A.230 to 18A.275, including annual audits;
 - (e) Do all things, take all actions, and adopt plans for participation consistent with federal law and with the provisions of KRS 18A.230 to 18A.275, including but not limited to:
 1. Amending the board's plan for the Kentucky Public Employees 401(k) Deferred Compensation Plan or the Kentucky Employees 457 Deferred Compensation Plan, or both such plans, to adopt, maintain, and terminate a deemed IRA program under Internal Revenue Code Section 408;
 2. Amending the board's plan for the Kentucky Public Employees 401(k) Deferred Compensation Plan to adopt, maintain, and terminate a qualified Roth contribution program under Internal Revenue Code Section 402A; and
 3. Adopting, maintaining, and terminating an Internal Revenue Code Section 403(b) plan for qualified employees; and
 - (f) Contract with persons or companies duly licensed by the state of Kentucky and applicable federal regulatory agencies, at the cost of the trust fund, to provide investment advice to participants in the plans, with respect to their selection of permitted investments in the plans.
- (8) The Attorney General, or an assistant designated by him, may act as legal adviser and attorney for the board. The board may also appoint legal counsel in accordance with KRS Chapter 12.
- (9) The board shall prepare an annual financial report showing all receipts, disbursements, assets, and liabilities and shall submit a copy to the Governor and the Legislative Research Commission. All board meetings and records shall be open for inspection by the public.

➔Section 6. KRS 18A.375 is amended to read as follows:

- (1) There is hereby established a state employee workers' compensation fund which shall be administered by the Personnel Cabinet's ***Office of Employee Relations*** ~~[Division of Employee Benefits]~~. The purpose of this fund shall be to self-insure workers' compensation benefits for state employees.
- (2) All moneys contributed by participants of the fund, or derived from federal funds, shall be credited to and constitute a part of the state employee workers' compensation fund.
- (3) The State Treasurer, with the approval of the Finance and Administration Cabinet, may invest the state employee benefit workers' compensation fund. Any income derived from these investments, or dividends, shall be credited to and become a part of the general fund. Any moneys remaining in the fund after all claims, premiums or subscription charges, and other expenses have been paid, shall be retained in the fund. All moneys remaining in the state employee workers' compensation fund on July 1, or deposited thereafter, shall be deemed a trust and agency account and shall not lapse, but shall be continuously appropriated only for the purposes specified in KRS 18A.375 to 18A.385.

➔Section 7. KRS 42.0651 is amended to read as follows:

- (1) The Office of Policy and Audit shall:
 - (a) Oversee and assist the management of the state fire and tornado insurance fund established in KRS Chapter 56;
 - (b) Develop and manage programs of risk assessment and insurance for the protection of state property not covered by the state fire and tornado insurance fund;
 - (c) Advise the secretary of the Finance and Administration Cabinet on the fiscal management of programs relating to life insurance, workers' compensation, and health care benefits for state employees;
 - (d) Serve as the central clearinghouse for coordinating and evaluating existing and new risk management programs within all state agencies;
 - (e) Develop financing techniques for risk protection; and
 - (f) Develop and implement other risk management, insurance, and self-insurance programs or other functions and duties as the secretary of the Finance and Administration Cabinet may direct the office to undertake and implement within the general statutory authority and control of the Finance and Administration Cabinet over state property and fiscal affairs of the executive branch of state government, including, but not limited to, those areas pertaining to tort and contractual liability, fidelity, and property risks.
- (2) Nothing in this section shall be construed or interpreted as affecting the operation of the employee benefit programs generally administered by the *Office of Employee Relations and Department of Employee Insurance*~~{Division of Employee Benefits}~~ within the Personnel Cabinet and of the State Risk and Insurance Services programs administered by the Finance and Administration Cabinet. However, *these agencies*~~{both of those departments}~~ shall coordinate the operation of life insurance, workers' compensation, health care benefit programs, and other self-insured programs with the Office of Policy and Audit.
- (3) All cabinets, departments, boards, commissions, and other state agencies shall provide to the Office of Policy and Audit the technical advice and other assistance the Office of Policy and Audit or the secretary of the Finance and Administration Cabinet shall request in the performance of the functions of the office as described in this section.
- (4) The secretary of the Finance and Administration Cabinet shall have the power and authority to promulgate administrative regulations pursuant to KRS Chapter 13A for purposes of implementing a risk management program for the executive branch of state government. Any administrative regulations promulgated by the secretary shall be administered by the Office of Policy and Audit.

➔Section 8. In order to reflect the reorganization effectuated by this Act, the reviser of statutes shall replace references in the Kentucky Revised Statutes to the agencies, subagencies, and officers affected by this Act with references to the appropriate successor agencies, subagencies, and officers established by this Act. The reviser of statutes shall base these actions on the functions assigned to the new entities in this Act and may consult with officers of the affected agencies, or their designees, to receive suggestions.

➔Section 9. Notwithstanding KRS 446.250, it is the intent of the General Assembly that the amendment of statutes in this Act affecting the reorganization set forth in Executive Order 2011-352 shall not serve to void amendments made to these sections by other bills enacted during the 2012 Regular Session of the Kentucky General Assembly, regardless of whether this Act is enacted before or after those other Acts.

➔Section 10. The General Assembly confirms the Governor's Executive Order 2011-352, dated May 19, 2011, to the extent it is not otherwise confirmed or superseded by this Act.

Signed by Governor March 28, 2012.