

**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 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 ~~their~~^{his or her} designee of the affected agency.

(d) The decision of the appointing authority or ~~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 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 which has been documented in writing as already under consideration by those administratively responsible;

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

5. A suggestion arising from a documented request from agency leadership requesting ideas or proposals relating to new programs, initiatives, or changes to existing program or 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 ~~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 dispense 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>.

COMPILER'S NOTE: 2025 RS HB 6, enacted by the General Assembly on March 27, 2025, altered the information to be provided at the time an administrative regulation is filed. Aside from formatting changes necessary to upload the regulation into the LRC's publication application, this regulation has been published as submitted by the agency.

In accordance with 18A.110(6), the Personnel Board reviewed the above proposed regulations presented by the Personnel Cabinet. The Board unanimously approved the changes as submitted during its July 11, 2025 Board Meeting.

MARY ELIZABETH BAILEY, Secretary

APPROVED BY AGENCY: August 13, 2025

FILED WITH LRC: August 13, 2025 at 10:05 a.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on October 21, 2025, at 10:00 a.m. at 501 High Street, Frankfort, Kentucky 40601. Individuals interested in being heard at this hearing shall notify this agency in writing five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through October

31, 2025. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Rosemary Holbrook, Assistant General Counsel, Office of Legal Services, 501 High Street, 3rd floor, Frankfort, Kentucky 40601, phone (502) 564-7430, fax (502) 564-0224, email RosemaryG.Holbrook@ky.gov.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Contact Person: Rosemary Holbrook

Subject Headings: Adoption and Foster Care, Personnel, State Employees

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation establishes the requirements for an employee suggestion system incentive program and a state employee adoption benefit program.

(b) The necessity of this administrative regulation:

This administrative regulation is necessary to establish provisions and requirements for the various types of incentive programs for state employees.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

Pursuant to 18A.030(2), the Personnel Cabinet Secretary is required to promulgate comprehensive regulations consistent with the provisions for KRS Chapter 18A. KRS 18A.110(1)(d) requires the secretary to promulgate administrative regulations for the classified service governing incentive programs. KRS 18A.202 authorizes the secretary to implement incentive programs for state employees by administrative regulation. Executive Order 2019-787 authorizes the secretary to promulgate administrative regulations for state employee adoption benefits.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This administrative regulation establishes provisions and requirements for an employee suggestion system incentive program and a state employee adoption benefit program.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:

The section for employee suggestions is amended to clarify that feedback in response to an agency request for input shall not be eligible for a cash award. Further, a provision is added to grant an extension for notification of the disposition of an employee suggestion. In addition, a deadline is imposed for payment for an approved and implemented employee suggestion. Otherwise, grammar and clarification edits are made throughout the regulation.

(b) The necessity of the amendment to this administrative regulation:

This amendment is necessary to streamline administration of the employee suggestion system.

(c) How the amendment conforms to the content of the authorizing statutes:

This amendment is consistent with authority provided in KRS 18A.030(2), 18A.110(1)(d), 18A.202(1), and EO 2019-787.

(d) How the amendment will assist in the effective administration of the statutes:

This amendment streamlines administration of the employee suggestion system.

(3) Does this administrative regulation or amendment implement legislation from the previous five years?: No.

(4) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

All executive branch employees and their agencies are affected by the adoption benefit program provisions of the regulation, while only KRS Chapter 18A employees and KRS Chapter 16 employees are affected by the employee suggestion system incentive program provisions.

(5) Provide an analysis of how the entities identified in question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (4) will have to take to comply with this administrative regulation or amendment:

No additional action is required.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (4):

No additional cost is anticipated.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (4):

No additional benefits will accrue.

(6) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

This regulation, as amended, is not anticipated to generate any new or additional costs.

(b) On a continuing basis:

This regulation, as amended, is not anticipated to generate any new or additional costs.

(7) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation or this amendment:

Existing agency funds will be used for implementation and enforcement.

(8) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

This regulation, as amended, is not anticipated to generate any new or additional fees or funding.

(9) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

This administrative regulation does not establish any new or additional fees.

(10) TIERING: Is tiering applied?

No. This administrative regulation treats all impacted entities the same.

FISCAL IMPACT STATEMENT

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation:

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

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act:

The most recent act that expressly authorizes the Personnel Cabinet Secretary in KRS 18A.110 to promulgate comprehensive administrative regulations for the KRS Chapter 18A Classified Service is 2023 KY. Acts ch. 35, sec 6; prior acts related to KRS 18A.110 date back to 1960.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions:

The Personnel Cabinet is the promulgating agency. State executive branch agencies are subject to provisions of this regulation.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year: Additional expenditures are not anticipated.

For subsequent years: Additional expenditures are not anticipated.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: Cost savings are not anticipated.

For subsequent years: Cost savings are not anticipated.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts):

None.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year: Not applicable

For subsequent years: Not applicable

2. Revenues:

For the first year: Not applicable

For subsequent years: Not applicable

3. Cost Savings:

For the first year: Not applicable

For subsequent years: Not applicable

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a):

None.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year:Not applicable

For subsequent years:Not applicable

2. Revenues:

For the first year:Not applicable

For subsequent years:Not applicable

3. Cost Savings:

For the first year:Not applicable

For subsequent years:Not applicable

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a)

(a) Fiscal impact of this administrative regulation:

This administrative regulation does not have a significant fiscal impact.

(b) Methodology and resources used to reach this conclusion:

The provisions of this administrative regulation were reviewed, and a significant fiscal impact was not identified.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(14):

An overall negative or adverse major economic impact is not anticipated.

(b) The methodology and resources used to reach this conclusion:

The provisions of the administrative regulation were reviewed, and a significant fiscal impact was not identified.