

AN ACT relating to economic development.

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

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

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

- (1) "Agreement" means a revitalization agreement entered into, pursuant to KRS 154.26-090, on behalf of the authority and an approved company with respect to an economic revitalization project;
- (2) "Agribusiness" means any activity involving the processing of raw agricultural products, including timber, or the providing of value-added functions with regard to raw agricultural products;
- (3) "Appropriation agreement" means an agreement entered into, pursuant to KRS 154.26-090(1)(f)2., among the approved company, the authority, and local governmental entities with respect to appropriations by these local governmental entities for the benefit of the approved company;
- (4) "Approved company" means any eligible company approved by the authority pursuant to KRS 154.26-080 requiring an economic revitalization project;
- (5) "Approved costs" means:
 - (a) Obligations incurred for labor and to vendors, contractors, subcontractors, builders, suppliers, deliverymen, and materialmen in connection with the acquisition, construction, equipping, rehabilitation, and installation of an economic revitalization project;
 - (b) The cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of acquisition, construction, equipping, rehabilitation, and installation of an economic revitalization project which is not paid by the vendor, supplier, deliveryman, contractor, or otherwise provided;
 - (c) All costs of architectural and engineering services, including estimates, plans

and specifications, preliminary investigations, and supervision of construction, rehabilitation and installation, as well as for the performance of all the duties required by or consequent upon the acquisition, construction, equipping, rehabilitation, and installation of an economic revitalization project;

- (d) All costs required to be paid under the terms of any contract for the acquisition, construction, equipping, rehabilitation, and installation of an economic revitalization project;
 - (e) All costs required for the installation of utilities, including but not limited to water, sewer, sewer treatment, gas, electricity, communications, and railroads, and including off-site construction of the facilities paid for by the approved company; and
 - (f) All other costs comparable with those described above;
- (6) "Assessment" means the job revitalization assessment fee authorized by KRS 154.26-100;
 - (7) "Authority" means the Kentucky Economic Development Finance Authority created by KRS 154.20-010;
 - (8) "Commonwealth" means the Commonwealth of Kentucky;
 - (9) "Economic revitalization project" or "project":
 - (a) Means the acquisition, construction, equipping, and rehabilitation of machinery and equipment, constituting fixtures or otherwise, and with respect thereto, the construction, rehabilitation, and installation of improvements of facilities necessary or desirable for the acquisition, construction, installation, and rehabilitation of the machinery and equipment, including surveys; installation of utilities, including water, sewer, sewage treatment, gas, electricity, communications, and similar facilities; and off-site construction of utility extensions to the boundaries of the real estate on which the facilities are located, all of which are utilized to improve the economic situation of the

approved company to allow the approved company to remain in operation and retain or create jobs or to resume operations in the case of closed facilities as provided in subsection (10)(b) of this section; and

- (b) Includes any supplemental project;
- (10) "Eligible company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, or any other entity:
- (a) Employing or intending to employ full-time a minimum of twenty-five (25) persons engaged in manufacturing or agribusiness operations at the same facility, whether acquired, owned, or leased, located and operating within the Commonwealth on a permanent basis for a reasonable period of time preceding the request for approval by the authority of an economic revitalization project, including facilities where manufacturing or agribusiness operations has been temporarily suspended and which meets the standards promulgated by the authority pursuant to KRS 154.26-080; or
 - (b) Having or, in the case of closed facilities, intending, raw production of at least three (3) million tons of coal mined from the economic revitalization project facility and employing or, in the case of closed facilities, intending to employ, a minimum of five hundred (500) persons engaged in coal mining and processing operations at facilities, whether owned or leased, located and operating within the Commonwealth on a permanent basis for a reasonable period of time preceding the request for approval by the authority of an economic revitalization project, including facilities on or adjacent to where coal mining and processing operations have been closed, temporarily suspended, or severely reduced, and which meets the standards promulgated by the authority under KRS 154.26-080;
- (11) "Final approval" means the action taken by the authority authorizing the eligible company to receive inducements under this subchapter;

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

➔Section 2. KRS 154.26-080 is amended to read as follows:

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

010(10)(b) may request an emergency declaration based upon the urgency of the request and its impact on the local or regional economy.

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

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

- (12) After the review of the consultant's report or if an emergency declaration has been issued in accordance with subsection (6) of this section, the authority shall hold a public hearing to solicit public comment from any person, group, or interested party regarding the proposed project.
- (13) After the public hearing, the authority, by resolution, may:
- (a) Declare the jobs then existing at the facility to be lost or the company unable to resume operations as permitted by KRS 154.26-010(9);
 - (b) Give its final approval to the eligible company's application for a project; and
 - (c) Grant to the eligible company the status of an approved company.

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

- (14) (a) During the initial term of an agreement, or within sixty (60)~~twenty-four (24)~~ months after the expiration of the term, an eligible company may apply for, and the authority may approve, a supplemental project when the applicant:
- 1. Has expended approved costs of at least fifty million dollars (\$50,000,000) on an approved economic revitalization project;
 - 2. Employs a minimum of one hundred (100)~~seven hundred fifty (750)~~ employees at the site of the economic revitalization project;
 - 3. Agrees to incur at least five million dollars (\$5,000,000)~~ten million dollars (\$10,000,000)~~ in additional eligible costs for improvements to a blast furnace that:
 - a. Is located at the economic revitalization project;

b. ~~[, and that]~~Has burned at least one million (1,000,000) tons of Kentucky coal during the initial term of the agreement; and

c. Was idled due to unfairly traded imports of carbon steel, with resulting layoffs of more than five hundred fifty (550) employees; and

4. Is at risk of closure and carries a significant net loss carry forward for the last three (3) tax years as certified by the approved company.

(b) The authority may approve a supplemental project by resolution, authorizing the execution of a supplemental project agreement.

(15) All meetings of the authority shall be held in accordance with KRS 61.805 to 61.850. The authority may, pursuant to KRS 61.815, hold closed sessions of its meetings to discuss matters exempt from the open meetings law and pertaining to an eligible company.

➔SECTION 3. A NEW SECTION OF SUBCHAPTER 26 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

Costs incurred by an applicant required for the start-up of a blast furnace and related carbon steel-making operations that were idled due to unfairly traded imports of carbon steel shall be considered eligible costs for the purposes of KRS 154.26-010 to 154.26-100.

➔Section 4. KRS 139.480 is amended to read as follows:

Any other provision of this chapter to the contrary notwithstanding, the terms "sale at retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not include the sale, use, storage, or other consumption of:

(1) Locomotives or rolling stock, including materials for the construction, repair, or modification thereof, or fuel or supplies for the direct operation of locomotives and trains, used or to be used in interstate commerce;

(2) Coal for the manufacture of electricity;

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

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

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

aids;

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

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

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

attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(30) Aquatic organisms sold directly to or raised by a person regularly engaged in the business of producing products of aquaculture, as defined in KRS 260.960, for sale, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Water;

(c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and

(d) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities and, any gasoline, special fuels, liquefied petroleum gas, or natural gas used to operate the facilities. The exemption shall apply, but not be limited to: waterer and feeding systems; ventilation, aeration, and heating systems; processing and storage systems; production systems such as ponds, tanks, and raceways; harvest and transport equipment and systems; and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(31) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the production of hides, breeding stock, meat, and cervid by-products, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and

(c) On-site facilities, including equipment, machinery, attachments, repair and

replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

- (32) (a) Repair or replacement parts for the direct operation or maintenance of a motor vehicle, including any towed unit, used exclusively in interstate commerce for the conveyance of property or passengers for hire, provided the motor vehicle is licensed for use on the highway and its declared gross vehicle weight with any towed unit is forty-four thousand and one (44,001) pounds or greater. Nominal intrastate use shall not subject the property to the taxes imposed by this chapter;
- (b) Repair or replacement parts for the direct operation and maintenance of a motor vehicle operating under a charter bus certificate issued by the Transportation Cabinet under KRS Chapter 281, or under similar authority granted by the United States Department of Transportation; and
- (c) For the purposes of this subsection, "repair or replacement parts" means tires, brakes, engines, transmissions, drive trains, chassis, body parts, and their components. "Repair or replacement parts" shall not include fuel, machine oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential to the operation of the motor vehicle itself, except when sold as part of the assembled unit, such as cigarette lighters, radios, lighting fixtures not otherwise required by the manufacturer for operation of the vehicle, or tool or utility boxes; and
- (33) Food donated by a retail food establishment or any other entity regulated under KRS 217.127 to a nonprofit organization for distribution to the needy.

→ Section 5. KRS 16.010 is amended to read as follows:

As used in KRS 16.010 to 16.199, unless the context requires otherwise:

- (1) **"Board" means the Department of Kentucky State Police Personnel Board;**
- (2) "Cabinet" means the Justice and Public Safety Cabinet;
- ~~(3)~~⁽²⁾ **"Cadet Trooper" means an applicant for employment as an officer who is selected by the commissioner to attend the department training program, and who is employed as a trainee;**
- (4) **"Civilian" means experts, statisticians, clerks, and other assistants who are not peace officers**~~["Secretary" means the secretary of justice and public safety];~~
- ~~(5)~~⁽³⁾ "Commissioner" means the commissioner of the Department of Kentucky State Police;
- (6) **"Continuous service" for participation in and eligibility for the promotional process for each rank of officer commissioned under this chapter means:**
 - (a) **For sergeant, service as a commissioned Kentucky State Police officer that has not been interrupted by actual separation from the department, whether in the form of resignation, retirement, or termination;**
 - (b) **For lieutenant, service in grade as a sergeant that has not been interrupted by actual separation from the department, whether in the form of resignation, retirement, termination, or by demotion in accordance with KRS 16.140; and**
 - (c) **For captain, service in grade as lieutenant that has not been interrupted by actual separation from the department, whether in the form of resignation, retirement, termination, or by demotion in accordance with KRS 16.140;**
- (7) **"CVE R Class" means any retired Kentucky State Police commercial vehicle enforcement officer commissioned under KRS 16.187 who has become reemployed with the department on a contractual basis pursuant to KRS 16.196 to 16.199;**

(8) "Department" means the Department of Kentucky State Police;

~~(9)~~~~(4)~~ "Officer" means any member of the Department of Kentucky State Police, other than an individual employed as a Trooper R Class or CVE R Class, who possesses the powers of a peace officer;

~~(5)~~ "Civilian" means such experts, statisticians, clerks, and other assistants who do not possess the powers of a peace officer;

~~(6)~~ "Board" means the Department of Kentucky State Police Personnel Board;

~~(7)~~ "Department" means the Department of Kentucky State Police;

~~(8)~~ "Continuous service" for participation in and eligibility for the promotional process for each rank of officer commissioned under this chapter means:

~~(a)~~ For sergeant, service as a commissioned Kentucky State Police officer that has not been interrupted by actual separation from the department, whether in the form of resignation, retirement, or termination;

~~(b)~~ For lieutenant, service in grade as a sergeant that has not been interrupted by actual separation from the department, whether in the form of resignation, retirement, termination, or by demotion in accordance with KRS 16.140;

~~(c)~~ For captain, service in grade as lieutenant that has not been interrupted by actual separation from the department, whether in the form of resignation, retirement, termination, or by demotion in accordance with KRS 16.140;]

(10)~~(9)~~ **"Secretary" means the secretary of Justice and Public Safety Cabinet; and**

(11) "Trooper R Class" means any retired Kentucky State Police officer commissioned under this chapter who has become reemployed with the department on a contractual basis pursuant to KRS 16.196 to 16.199~~]; and~~

~~(10)~~ "CVE R Class" means any retired Kentucky State Police commercial vehicle enforcement officer commissioned under KRS 16.187 who has become reemployed with the department on a contractual basis pursuant to KRS 16.196 to 16.199].

➔ SECTION 6. A NEW SECTION OF KRS 16.010 TO 16.199 IS CREATED TO

READ AS FOLLOWS:

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

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

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

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

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

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

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

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

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

this section.

- (4) (a) The salary schedules established in this subsection are based on a combination of officer classification and years of service.
- (b) When "NA" appears in the schedule, it is not possible for an officer to be in that classification and years-of-service combination based upon statutory or regulatory conditions established for promotion or advancement.
- (c) Salary increases based on years of service shall be effective on the first day of the month during which the anniversary of the officer's appointment as a commissioned Kentucky State Police officer falls.
- (d) Salary increases based on promotion to a higher rank shall be effective on the first day of the month following completion of any probationary period established for that rank.
- (e) If an officer is reverted to a previous rank, the officer's salary shall be adjusted to the salary reflected in the base salary schedule for the officer's applicable number of years of service and rank. The adjustment shall take effect the first pay period following the pay period in which the reversion occurs.
- (f) The base salary for a Cadet Trooper shall be thirty-five thousand dollars (\$35,000).

BASE SALARY SCHEDULE FOR RANKS BELOW SERGEANT

<u>Years of Service</u>	<u>Trooper Salary Steps Based on Rank</u>			
	<u>Trooper</u>	<u>Senior</u>	<u>First Class</u>	<u>Master</u>
<u>Base Pay</u>	<u>\$37,000</u>	<u>\$43,014</u>	<u>NA</u>	<u>NA</u>
<u>3 years</u>	<u>\$41,310</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
<u>5 years</u>	<u>\$43,014</u>	<u>\$44,216</u>	<u>NA</u>	<u>NA</u>
<u>7 years</u>	<u>NA</u>	<u>\$45,452</u>	<u>NA</u>	<u>NA</u>
<u>9 years</u>	<u>NA</u>	<u>\$46,726</u>	<u>NA</u>	<u>NA</u>

<u>10 years</u>	<u>NA</u>	<u>NA</u>	<u>\$47,000</u>	<u>NA</u>
<u>13 years</u>	<u>NA</u>	<u>NA</u>	<u>\$49,450</u>	<u>NA</u>
<u>15 years</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$55,356</u>
<u>17 years</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$58,224</u>
<u>19 years</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$61,263</u>
<u>21 years</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$64,397</u>
<u>23 years</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$67,716</u>
<u>25 years</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$68,414</u>
<u>27 years</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$69,118</u>
<u>29 years</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$69,829</u>

BASE SALARY SCHEDULE SERGEANT AND ABOVE

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

(5) The salary schedules shall be applied to officers employed by the department on the effective date of this Act as follows:

(a) Except as provided in paragraph (b) of this subsection:

1. Any officer whose base salary exceeds the amount established for his or her years of service and rank in subsection (4) of this section shall retain his or her base salary and shall not receive an increase under the salary schedule until the officer's years of service and rank require a higher base salary than the base salary he or she was receiving on the effective date of this Act; and

2. Any officer whose base salary is below the amount established for his or her years of service and rank in subsection (4) of this section shall receive the base salary he or she qualifies for under the salary schedule for the pay period beginning August 1, 2016; and

(b) Any officer who is receiving compensation under Section 8 of this Act shall not receive any years of service or rank increases during any period that he or she is receiving compensation under Section 8 of this Act.

➔Section 7. KRS 16.050 is amended to read as follows:

- (1) The commissioner shall appoint or promote to the ranks and grades and positions of the department such officers as are considered by him or her to be necessary for the efficient administration of the department.~~Notwithstanding the provisions of KRS 64.640, the commissioner of the Department of Kentucky State Police and the secretary of the Personnel Cabinet shall biennially conduct a salary survey, by rank, of State Police/highway patrol officers in those states adjoining Kentucky. The salaries of such officers of equal rank in those states surveyed shall be averaged, and such averages where the average for that rank exceeds the salary paid to Kentucky officers of that rank in the preceding biennium shall be included in the department's budget request submitted to the Kentucky General Assembly.~~

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

- (9) (a) Prior to appointment as a Cadet Trooper, all applicants shall agree in writing that if, within three (3) years of completing the basic training course offered by the department, he or she accepts employment as a peace officer with another law enforcement agency, or accepts employment with another type of agency or entity in a position that requires law enforcement training to meet the qualifications for the position, he or she will repay to the department the cost incurred by the department in providing training to the officer to the extent repayment has not been made by the agency with which the officer accepts employment under paragraph (b) or (c) of this subsection.
- (b) If the officer accepts employment as a peace officer with another state agency or a state university or educational institution within Kentucky within three (3) years of completing the basic training course offered by the department, the agency, university, or educational institution shall reimburse the department for costs incurred in providing training to the officer.
- (c) If the officer accepts employment with a city, county, or other local law enforcement agency within Kentucky within three (3) years of completing the basic training course offered by the department, KRS 70.290 shall apply as well, except that the amount of the reimbursement shall not be prorated as provided in KRS 70.290.

➔Section 8. KRS 16.165 is amended to read as follows:

Any Department of Kentucky State Police officer, as defined in KRS 16.010, who becomes disabled after July 1, 1977, as a direct result of an injury or disease arising out of the performance of a hazardous duty in the course of employment with the department may elect to be retained on the regular payroll of the department subject to the following:

- (1) (a) For officers who become disabled after July 1, 1977, but prior to the

effective date of this Act, compensation paid to the officer by the department shall be ~~adjusted and~~ maintained at the officer's ~~regular~~ rate of pay that he or she was receiving on the effective date of this Act. ~~based upon the officer's rank and tenure with the department and shall include annual increments, salary adjustments, and other benefits of employment~~

(b) For officers becoming disabled on or after the effective date of this Act, compensation paid to the officer by the department shall be maintained at the officer's regular rate of pay based upon the officer's rank and tenure with the department on the date he or she elects to be retained on the regular payroll of the department under this section.

(c) On and after the effective date of this Act:

1. Any officer receiving compensation under this section shall not receive any annual increments or increases based on years of service or rank established by the schedules set forth in Section 6 of this Act during the period in which the officer receives compensation under this section; and

2. If the officer returns to full active duty, and the base salary he or she qualifies for at that time exceeds the base salary he or she was receiving under this section, the officer shall receive the base salary he or she qualifies for under the schedules established by Section 6 of this Act beginning on the first day of the month following the month that he or she returns to full active duty.

(d) Any ~~provided, however, such~~ compensation paid to an ~~the~~ officer by the department under paragraph (a) or (b) of this subsection shall be reduced by the amount of payments received by the officer from workers' compensation insurance, Social Security benefits, and other federal or state-financed disability programs designed to supplement the officer's income for which the

officer is qualified and elects participation. Final compensation shall not be reduced by payments for medical care. The disabled officer's regular rate of pay, without the reductions required by this subsection, shall be his or her creditable compensation for purposes of KRS 16.510 to 16.652;[~~]~~

- (2) ~~The~~^{Such} officer shall be assigned by the commissioner of the Department of Kentucky State Police to a position in the department for which the officer is qualified, if the commissioner determines, based upon medical reports and recommendations submitted for that purpose, that the officer is able to perform limited duties. If it is determined that the officer is able to perform limited duties and refuses to accept an assignment from the commissioner, the officer shall not be eligible for the payment of compensation authorized by this section. If the commissioner determines that the officer is unable to perform limited duties, the officer shall be eligible for the payment of compensation authorized by this section without the performance of limited duties. Any officer adversely affected or aggrieved by a final determination of the commissioner pursuant to this section may appeal within thirty (30) days to the local Circuit Court;[~~]~~
- (3) (a) For an officer whose participation date in the State Police Retirement System is prior to January 1, 2014, payments made pursuant to this section shall continue until the officer is eligible for normal retirement allowances pursuant to KRS 16.576 or until the officer elects early retirement allowances pursuant to KRS 16.577 or disability retirement allowances pursuant to KRS 16.582.
- (b) For an officer whose participation date in the State Police Retirement System is on or after January 1, 2014, payments made pursuant to this section shall continue until the officer is eligible to retire under KRS 16.583(6)(a) or until the officer elects to retire under KRS 16.583(6)(b) or to receive disability retirement allowances pursuant to KRS 16.582.
- (c) If the officer receives preretirement payments under this section or KRS

16.167 and subsequently elects disability retirement, the effective date of his disability retirement shall be the first month following the month in which the officer last receives preretirement payments under this section or KRS 16.167, KRS 16.505(16) to the contrary notwithstanding; ~~and~~[-]

- (4) Any Department of Kentucky State Police officer, disabled prior to July 1, 1977, as a result of severe physical injuries arising out of the performance of duty, who is unable to maintain gainful employment as a result of such injuries, but who was ineligible for retention on the regular payroll because of the date of his injury, shall, if his or her time in active service plus his or her time on disability retirement allowance equal the time necessary for normal retirement pursuant to KRS 16.505(15), have his or her retirement allowance increased to the amount he or she would receive, had he or she been retained on the regular payroll of the department pursuant to this section and had he or she subsequently elected normal retirement pursuant to KRS 16.576 when first eligible, but any survivor option which he or she chose at the time of disability retirement shall not be changed.

➔Section 9. KRS 16.198 is amended to read as follows:

The appointment, salary, benefits, and number of individuals employed as a Trooper R Class and ~~CVE~~[commercial vehicle enforcement officer] R class shall be as follows:

- (1) The commissioner may appoint ~~CVE~~[Trooper R Class employees and commercial vehicle enforcement officer] R Class employees. ~~CVE~~[Trooper] R Class employees[and Commercial vehicle enforcement officer R class] shall serve on a contractual basis for a term of one (1) year, and the contract may be renewed annually, by agreement of the parties, for no more than four (4) additional one (1) year terms.

- (2) The commissioner may appoint Trooper R Class employees who shall serve on a contractual basis for a term of one (1) year. The contract may be renewed on an annual basis so long as the Trooper R Class employee passes a physical fitness test prior to each renewal.**

~~(3)~~~~(2)~~ The compensation for Trooper R Class employees and ~~CVE~~~~commercial vehicle enforcement officer~~ R Class employees shall be established by administrative regulation promulgated pursuant to KRS Chapter 13A.

~~(4)~~~~(3)~~ (a) All appointments of individuals employed as a Trooper R Class and ~~CVE~~~~commercial vehicle enforcement officer~~ R Class shall be based upon agency need as determined by the commissioner.

(b) Work stations for individuals employed as a Trooper R Class and ~~CVE~~~~commercial vehicle enforcement officer~~ R Class shall be determined by agency need with consideration given to the applicant's stated preference.

(c) Merit of individuals employed as a Trooper R Class and ~~CVE~~~~commercial vehicle enforcement officer~~ R Class shall be determined by the applicant's work performance history.

(d) Fitness of individuals employed as a Trooper R Class and ~~CVE~~~~commercial vehicle enforcement officer~~ R Class shall be determined by the applicant's ability to adhere to the agency standards set by the commissioner under this chapter.

~~(5)~~~~(4)~~ The number of individuals employed as a Trooper R Class and ~~CVE~~~~commercial vehicle enforcement officer~~ R Class by the department shall not:

(a) Exceed one hundred (100); or

(b) Be counted in the total employee cap for the department.

~~(6)~~~~(5)~~ All individuals employed as a Trooper R Class and ~~CVE~~~~commercial vehicle enforcement officer~~ R Class shall be assigned the job duties of trooper or commercial vehicle enforcement officer and shall not be placed in any supervisory positions or special work assignments.

~~(7)~~~~(6)~~ Notwithstanding any provision of KRS 16.505 to 16.652, KRS 18A.005 to 18A.228, and KRS 61.510 to 61.705 to the contrary:

(a) Individuals employed as a Trooper R Class and ~~CVE~~~~commercial vehicle~~

~~enforcement officer~~ R Class shall continue to receive all retirement and health insurance benefits provided by the systems administered by Kentucky Retirement Systems to which they were entitled upon retiring from the department as a commissioned officer under this chapter;

- (b) Individuals employed as a Trooper R Class and CVE~~[commercial vehicle enforcement officer]~~ R Class shall not be eligible to receive health insurance coverage or benefits through the department and shall not be eligible to participate in the State Police Retirement System or the Kentucky Employees Retirement System; and
- (c) The department shall not pay health insurance contributions to the state health insurance plan for individuals employed as a Trooper R Class or CVE~~[and commercial vehicle enforcement officer]~~ R Class.

~~(8)~~~~(7)~~ Individuals employed as a Trooper R Class or CVE~~[and commercial vehicle enforcement officer]~~ R Class shall be employed on a contractual basis and shall be provided due process pursuant to KRS 16.140 or 16.192 for any disciplinary action imposed by the commissioner. A decision by the commissioner to not renew a contract shall not be considered a disciplinary action for purposes of this section.

~~(9)~~~~(8)~~ The provisions of this section shall not eliminate or reduce any requirements under KRS 61.637 for the department to pay employer contributions to the retirement systems or to reimburse the retirement systems for the cost of retiree health, on any individual employed as a Trooper R Class or CVE~~[commercial vehicle enforcement officer]~~ R Class.

➔Section 10. KRS 18A.110 is amended to read as follows:

- (1) The secretary shall promulgate comprehensive administrative regulations for the classified service governing:
 - (a) Applications and examinations;
 - (b) Certification and selection of eligibles;

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

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

reduction in salary;

- (b) For a pay plan for all employees in the classified service, after consultation with appointing authorities and the state budget director. The plan shall take into account such factors as:
1. The relative levels of duties and responsibilities of various classes of positions;
 2. Rates paid for comparable positions elsewhere taking into consideration the effect of seniority on such rates; and
 3. The state's financial resources.

Amendments to the pay plan shall be made in the same manner. Each employee shall be paid at one (1) of the rates set forth in the pay plan for the class of position in which he is employed, provided that the full amount of the annual increment provided for by the provisions of KRS 18A.355, and the full amount of an increment due to a promotion, salary adjustment, reclassification, or reallocation, shall be added to an employee's base salary or wages;

- (c) For open competitive examinations to test the relative fitness of applicants for the respective positions. The examinations shall be announced publicly and applications accepted at least ten (10) days prior to certification of a register, and may be advertised through the press, radio, and other media. The secretary shall continue to receive applications and examine candidates on a continuous basis long enough to assure a sufficient number of eligibles to meet the needs of the service. Except as provided by this chapter, he shall add the names of successful candidates to existing eligible lists in accordance with their respective ratings. The secretary shall be free to use any investigation of education and experience and any test of capacity, knowledge, manual skill, character, personal traits, or physical fitness, which in his judgment, serves the

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

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

(8) For any individual hired or elected to office before January 1, 2015, and paid through the Kentucky Human Resources Information System, the Personnel Cabinet shall not require payroll payments to be made by direct deposit or require the individual to use a Web-based program to access his or her salary statement.

(9) To the extent that KRS 16.010 to 16.199 and administrative regulations promulgated by the commissioner of the Department of Kentucky State Police under authority granted in KRS Chapter 16 conflict with this section or any administrative regulation promulgated by the secretary pursuant to authority granted in this section, the provisions of KRS Chapter 16 shall prevail.

➔Section 11. KRS 64.640 is amended to read as follows:

(1) Except as otherwise provided in subsection (2) of this section, and excepting officers elected by popular vote, employees of the General Assembly, including employees of the Legislative Research Commission, members of boards and commissions, those officers and employees of Kentucky Educational Television exempt from classified service as provided in KRS 18A.115, presidents and employees of the state universities and the state colleges, **officers employed by the Department of Kentucky State Police under KRS Chapter 16,** and persons employed by the commissioner of parks on a temporary basis under KRS 148.026, the Personnel Cabinet shall prepare schedules of compensation, payable out of the State Treasury, with a minimum salary rate, and other salary rates as are deemed necessary or advisable, for the office or position of employment of every state officer and employee, including specifically the offices and positions of employment in every constitutional administrative department, statutory administrative department, independent agency, board, commission, or other unit of state government. The language of any statute empowering a board, commission, authority, or other administrative body for which the Personnel Cabinet provides personnel and payroll services, except for any board governing any of the Kentucky

Retirement Systems, the Kentucky Higher Education Assistance Authority, the Kentucky Authority for Educational Television, or the Council on Postsecondary Education, to establish, set, or approve the salaries of its administrative head and other employees to the contrary notwithstanding, the establishment or setting of salaries for administrative heads or other employees shall be subject to the approval of the secretary of the Personnel Cabinet. The schedules and rates shall be based upon studies of the duties and responsibilities of the offices and positions and upon a comparison with rates being paid for similar or comparable services elsewhere, and in the preparation of such schedules, the Personnel Cabinet shall ascertain and record the duties, responsibilities, and authority pertaining to the various offices and positions in the state service, and classify such positions in the manner provided in KRS 18A.030, 18A.035, 18A.110, 18A.130, 18A.135, and 18A.150 to 18A.160. No such schedule shall become effective until it has been approved by the Governor by executive order.

- (2) The Governor shall set the compensation payable out of the State Treasury to each officer or position in the state service, which officer or position heads a statutory administrative department, independent agency, or other unit of state government, except for those excluded under subsection (1) of this section. Such compensation shall be based upon studies of the duties and responsibilities and classification of the positions by the Governor and upon a comparison with compensation being paid for similar or comparable services elsewhere, provided, however, such compensation shall not exceed the total taxable compensation of the Governor derived from state sources, the provisions of KRS 64.660 to the contrary notwithstanding. For the purposes of this section, the total taxable compensation of the Governor from state sources shall include the amount provided for compensation to the Governor under KRS 64.480 and any benefits or discretionary spending accounts that are imputed as taxable income for federal tax purposes.

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

➔Section 12. Section 4 of this Act takes effect August 1, 2016.