

1 AN ACT relating to state employee compensation.

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

3 ➔Section 1. KRS 18A.110 (Effective July 15, 2020) is amended to read as
4 follows:

- 5 (1) The secretary shall promulgate comprehensive administrative regulations for the
6 classified service governing:
- 7 (a) Applications and examinations;
 - 8 (b) Certification and selection of eligibles;
 - 9 (c) Classification and compensation plans;
 - 10 (d) Incentive programs;
 - 11 (e) Lay-offs;
 - 12 (f) Registers;
 - 13 (g) Types of appointments;
 - 14 (h) Attendance; hours of work; compensatory time; annual, court, military, sick,
15 voting, living organ donor, and special leaves of absence, provided that the
16 secretary shall not promulgate administrative regulations that would reduce
17 the rate at which employees may accumulate leave time below the rate
18 effective on December 10, 1985; and
 - 19 (i) Employee evaluations.
- 20 (2) The secretary shall promulgate comprehensive administrative regulations for the
21 unclassified service.
- 22 (3) (a) Except as provided by KRS 18A.355, the secretary shall not promulgate
23 administrative regulations that would reduce an employee's salary; and
- 24 (b) As provided by KRS 18A.0751(4)(e), the secretary may submit a proposed
25 administrative regulation providing for an initial probationary period in excess
26 of six (6) months to the board for its approval.
- 27 (4) The secretary may promulgate administrative regulations to implement state

- 1 government's affirmative action plan under KRS 18A.138.
- 2 (5) (a) The administrative regulations shall comply with the provisions of this chapter
3 and KRS Chapter 13A, and shall have the force and effect of law after
4 compliance with the provisions of KRS Chapters 13A and 18A and the
5 procedures adopted thereunder;
- 6 (b) Administrative regulations promulgated by the secretary shall not expand or
7 restrict rights granted to, or duties imposed upon, employees and
8 administrative bodies by the provisions of this chapter; and
- 9 (c) No administrative body other than the Personnel Cabinet shall promulgate
10 administrative regulations governing the subject matters specified in this
11 section.
- 12 (6) Prior to filing an administrative regulation with the Legislative Research
13 Commission, the secretary shall submit the administrative regulation to the board
14 for review.
- 15 (a) The board shall review the administrative regulation proposed by the secretary
16 not less than twenty (20) days after its submission to it;
- 17 (b) Not less than five (5) days after its review, the board shall submit its
18 recommendations in writing to the secretary;
- 19 (c) The secretary shall review the recommendations of the board and may revise
20 the proposed administrative regulation if he deems it necessary; and
- 21 (d) After the secretary has completed the review provided for in this section, he
22 may file the proposed administrative regulation with the Legislative Research
23 Commission pursuant to the provisions of KRS Chapter 13A.
- 24 (7) The administrative regulations shall provide:
- 25 (a) For the preparation, maintenance, and revision of a position classification plan
26 for all positions in the classified service, based upon similarity of duties
27 performed and responsibilities assumed, so that the same qualifications may

1 reasonably be required for, and the same schedule of pay may be equitably
2 applied to, all positions in the same class. The secretary shall allocate the
3 position of every employee in the classified service to one (1) of the classes in
4 the plan. The secretary shall reallocate existing positions, after consultation
5 with appointing authorities, when it is determined that they are incorrectly
6 allocated, and there has been no substantial change in duties from those in
7 effect when such positions were last classified. The occupant of a position
8 being reallocated shall continue to serve in the reallocated position with no
9 reduction in salary;

10 (b) For a pay plan for all employees in the classified service, after consultation
11 with appointing authorities and the state budget director. The plan shall take
12 into account such factors as:

- 13 1. The relative levels of duties and responsibilities of various classes of
14 positions;
- 15 2. Rates paid for comparable positions elsewhere taking into consideration
16 the effect of seniority on such rates; and
- 17 3. The state's financial resources.

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

25 (c) For open competitive examinations to test the relative fitness of applicants for
26 the respective positions. The examinations shall be announced publicly and
27 applications accepted at least ten (10) days prior to certification of a register,

- 1 and may be advertised through the press, radio, and other media. The secretary
2 shall continue to receive applications and examine candidates on a continuous
3 basis long enough to assure a sufficient number of eligibles to meet the needs
4 of the service. Except as provided by this chapter, he shall add the names of
5 successful candidates to existing eligible lists in accordance with their
6 respective ratings. The secretary shall be free to use any investigation of
7 education and experience and any test of capacity, knowledge, manual skill,
8 character, personal traits, or physical fitness, which in his judgment, serves the
9 need to discover the relative fitness of applicants;
- 10 (d) As provided by this chapter, for the establishment of eligible lists for
11 appointment, upon which lists shall be placed the names of successful
12 candidates in the order of their relative excellence in the respective
13 examinations. Except as provided by this chapter, an eligible's score shall
14 expire automatically one (1) year from the date of testing, unless the life of the
15 score is extended by action of the secretary for a period not to exceed one (1)
16 additional year. Except for those individuals exercising reemployment rights,
17 all eligibles may be removed from the register when a new examination is
18 established;
- 19 (e) For the rejection of candidates or eligibles who fail to comply with reasonable
20 requirements of the secretary in regard to such factors as age, physical
21 condition, training, and experience, or who have attempted any deception or
22 fraud in connection with an examination;
- 23 (f) Except as provided by this chapter, for the appointment of a person whose
24 score is included in the five (5) highest scores earned on the examination;
- 25 (g) For annual, sick, and special leaves of absence, with or without pay, or
26 reduced pay, after approval by the Governor as provided by KRS
27 18A.155(1)(d);

- 1 (h) For lay-offs, in accordance with the provisions of KRS 18A.113, 18A.1131,
2 and 18A.1132, by reasons of lack of work, abolishment of a position, a
3 material change in duties or organization, or a lack of funds;
- 4 (i) For the development and operation of programs to improve the work
5 effectiveness of employees in the state service, including training, whether in-
6 service or compensated educational leave, safety, health, welfare, counseling,
7 recreation, employee relations, and employee mobility without written
8 examination;
- 9 (j) For a uniform system of annual employee evaluation for classified employees,
10 with status, that shall be considered in determining eligibility for discretionary
11 salary advancements, promotions, and disciplinary actions. The administrative
12 regulations shall:
- 13 1. Require the secretary to determine the appropriate number of job
14 categories to be evaluated and a method for rating each category;
 - 15 2. Provide for periodic informal reviews during the evaluation period
16 which shall be documented on the evaluation form and pertinent
17 comments by either the employee or supervisor may be included;
 - 18 3. Establish a procedure for internal dispute resolution with respect to the
19 final evaluation rating;
 - 20 4. Permit a classified employee, with status, who receives either of the two
21 (2) lowest possible evaluation ratings to appeal to the Personnel Board
22 for review after exhausting the internal dispute resolution procedure.
23 The final evaluation shall not include supervisor comments on ratings
24 other than the lowest two (2) ratings;
 - 25 5. Require that an employee who receives the highest possible rating shall
26 receive the equivalent of two (2) workdays, not to exceed sixteen (16)
27 hours, credited to his or her annual leave balance. An employee who

1 receives the second highest possible rating shall receive the equivalent
 2 of one (1) workday, not to exceed eight (8) hours, credited to his or her
 3 annual leave balance; and

4 6. Require that an employee who receives the lowest possible evaluation
 5 rating shall either be demoted to a position commensurate with the
 6 employee's skills and abilities or be terminated; and

7 (k) For other administrative regulations not inconsistent with this chapter and
 8 KRS Chapter 13A, as may be proper and necessary for its enforcement.

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

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

18 ➔Section 2. KRS 18A.355 is amended to read as follows:

19 (1) An annual **cost of living adjustment**~~[increment of not less than five percent (5%) of~~
 20 ~~the base salary or wages of each state employee]~~ shall be granted to each employee
 21 on **the employee's**~~[his]~~ anniversary date. **The cost of living adjustment for each**
 22 **year of a biennium shall be the average of the consumer price index for all urban**
 23 **consumers as published by the federal Bureau of Labor Statistics for the two (2)**
 24 **calendar years prior to the biennium and shall not be less than zero (0).** The
 25 employee's base salary or wages shall be increased by the amount of the **cost of**
 26 **living adjustment**~~[annual increment]~~. When any increment due to a promotion,
 27 reallocation, reclassification or salary adjustment is granted an employee, the

1 employee's base salary or wages shall be increased by the amount of such
2 increment. An employee's base salary or wages shall not be increased by the amount
3 of lump-sum payment awarded under KRS 18A.110(7)(j).

4 (2) The branch budget recommendation submitted to the General Assembly under KRS
5 Chapter 48 shall include a request for the amount of the cost of living
6 adjustment~~[annual increment]~~ expressed as a percentage of each employee's base
7 salary or wages and a request for the total appropriation needed to fund the cost of
8 living adjustment~~[annual increment]~~. The cost of living adjustment~~[annual~~
9 ~~increment]~~ shall be uniform for all employees. The financial plan enacted under the
10 provisions of KRS 48.300 shall contain the cost of living adjustment~~[annual~~
11 ~~increment]~~ expressed as a percentage of each employee's base salary or wages, and
12 the total appropriation needed to fund the cost of living adjustment~~[annual~~
13 ~~increment]~~.

14 (3) The budget reduction plan submitted and enacted under the provisions of KRS
15 Chapter 48 shall provide that a reduction of the cost of living adjustment~~[annual~~
16 ~~increment]~~ granted under this section shall be made only after other cost savings
17 measures, as provided by KRS 18A.1132, are taken. Any such reduction shall be
18 uniform for all state employees and shall comply with the provisions of this chapter
19 and KRS Chapter 48.

20 ➔Section 3. KRS 48.130 is amended to read as follows:

21 (1) The General Assembly shall include in each enacted branch budget bill a budget
22 reduction plan for a revenue shortfall in the general fund or road fund of five
23 percent (5%) or less. The budget reduction plan shall direct how budget reductions
24 shall be implemented if there is a revenue shortfall of five percent (5%) or less.

25 (2) A lay-off of state employees in the executive branch under the budget reduction
26 plan enacted by the General Assembly shall comply with the provisions of KRS
27 18A.1132.

- 1 (3) Any revenue shortfall in the general fund or road fund of greater than five percent
2 (5%) shall require action by the General Assembly.
- 3 (4) Upon the issuance of an official revenue estimate by the consensus forecasting
4 group reflecting a revenue shortfall in the general fund or road fund, or upon the
5 existence of an actual revenue shortfall in the general fund or road fund at the close
6 of a fiscal year as determined by the Office of State Budget Director, the Office of
7 State Budget Director shall notify all branches of government. If the revenue
8 shortfall is five percent (5%) or less, the following actions shall be taken:
- 9 (a) The unappropriated balance of funds in the surplus accounts of the general
10 fund or road fund shall first be used to meet the shortfalls in those respective
11 funds; and
- 12 (b) If the amounts described in paragraph (a) of this subsection are insufficient to
13 address the revenue shortfall, the enacted budget reduction plan included in
14 each branch budget bill shall be implemented.
- 15 (5) The budget reduction plan for each branch of government may provide that the cost
16 of living adjustment~~[annual increment]~~ granted state employees under KRS
17 18A.355 shall be reduced as provided by KRS 18A.355. Any reduction of the cost
18 of living adjustment~~[annual increment]~~ shall be uniform for all employees.
- 19 (6) No budget reduction action shall be taken by any branch head in excess of the actual
20 or projected deficit.
- 21 (7) If general fund or road fund tax receipts increase over the revenues estimated in the
22 official revenue estimate that resulted in reductions, then services may be restored
23 in the reverse order of the reduced services.
- 24 ➔Section 4. This Act takes effect July 1, 2022.