

1 AN ACT relating to sheltered employment.

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

3 ➔Section 1. KRS 337.010 is amended to read as follows:

- 4 (1) As used in this chapter, unless the context requires otherwise:
- 5 (a) "Commissioner" means the commissioner of the Department of Workplace
6 Standards under the direction and supervision of the secretary of the Labor
7 Cabinet;
- 8 (b) "Department" means the Department of Workplace Standards in the Labor
9 Cabinet;
- 10 (c) 1. "Wages" includes any compensation due to an employee by reason of his
11 or her employment, including salaries, commissions, vested vacation
12 pay, overtime pay, severance or dismissal pay, earned bonuses, and any
13 other similar advantages agreed upon by the employer and the employee
14 or provided to employees as an established policy. The wages shall be
15 payable in legal tender of the United States, checks on banks, direct
16 deposits, or payroll card accounts convertible into cash on demand at
17 full face value, subject to the allowances made in this chapter. However,
18 an employee may not be charged an activation fee and the payroll card
19 account shall provide the employee with the ability, without charge, to
20 make at least one (1) withdrawal per pay period for any amount up to
21 and including the full account balance.
- 22 2. For the purposes of calculating hourly wage rates for scheduled overtime
23 for professional firefighters, as defined in KRS 95A.210(8), "wages"
24 shall not include the distribution to qualified professional firefighters by
25 local governments of supplements received from the Firefighters
26 Foundation Program Fund. For the purposes of calculating hourly wage
27 rates for unscheduled overtime for professional firefighters, as defined in

1 KRS 95A.210(9), "wages" shall include the distribution to qualified
2 professional firefighters by local governments of supplements received
3 from the Firefighters Foundation Program Fund;

4 (d) "Employer" is any person, either individual, corporation, partnership, agency,
5 or firm who employs an employee and includes any person, either individual,
6 corporation, partnership, agency, or firm acting directly or indirectly in the
7 interest of an employer in relation to an employee; and

8 (e) "Employee" is any person employed by or suffered or permitted to work for an
9 employer, except that:

10 1. Notwithstanding any voluntary agreement entered into between the
11 United States Department of Labor and a franchisee, neither a franchisee
12 nor a franchisee's employee shall be deemed to be an employee of the
13 franchisor for any purpose under this chapter; and

14 2. Notwithstanding any voluntary agreement entered into between the
15 United States Department of Labor and a franchisor, neither a franchisor
16 nor a franchisor's employee shall be deemed to be an employee of the
17 franchisee for any purpose under this chapter.

18 For purposes of this paragraph, "franchisee" and "franchisor" have the same
19 meanings as in 16 C.F.R. sec. 436.1.

20 (2) As used in KRS 337.275 to 337.325, 337.345, and 337.385 to 337.405, unless the
21 context requires otherwise:

22 (a) "Employee" is any person employed by or suffered or permitted to work for an
23 employer, but shall not include:

24 1. Any individual employed in agriculture;

25 2. Any individual employed in a bona fide executive, administrative,
26 supervisory, or professional capacity, or in the capacity of outside
27 salesperson~~[salesman]~~, or as an outside collector as the terms are

- 1 defined by administrative regulations of the commissioner;
- 2 3. Any individual employed by the United States;
- 3 4. Any individual employed in domestic service in or about a private home.
- 4 The provisions of this section shall include individuals employed in
- 5 domestic service in or about the home of an employer where there is
- 6 more than one (1) domestic servant regularly employed;
- 7 5. Any individual classified and given a certificate by the commissioner
- 8 showing a status of learner, apprentice, worker with a disability,
- 9 sheltered workshop employee whose employment began with a
- 10 sheltered workshop prior to January 1, 2026, or~~and~~ student under
- 11 administrative procedures and administrative regulations prescribed and
- 12 promulgated by the commissioner. This certificate shall authorize
- 13 employment at the wages, less than the established fixed minimum fair
- 14 wage rates, and for the period of time fixed by the commissioner and
- 15 stated in the certificate issued to the person;
- 16 6. Employees of retail stores, service industries, hotels, motels, and
- 17 restaurant operations whose average annual gross volume of sales made
- 18 for business done is less than ninety-five thousand dollars (\$95,000) for
- 19 the five (5) preceding years exclusive of excise taxes at the retail level or
- 20 if the employee is the parent, spouse, child, or other member of his or
- 21 her employer's immediate family;
- 22 7. Any individual employed as a baby-sitter in an employer's home, or an
- 23 individual employed as a companion by a sick, convalescing, or elderly
- 24 person or by the person's immediate family, to care for that sick,
- 25 convalescing, or elderly person and whose principal duties do not
- 26 include housekeeping;
- 27 8. Any individual engaged in the delivery of newspapers to the consumer;

- 1 9. Any individual subject to the provisions of KRS Chapters 7, 16, 27A,
2 30A, and 18A provided that the secretary of the Personnel Cabinet shall
3 have the authority to prescribe by administrative regulation those
4 emergency employees, or others, who shall receive overtime pay rates
5 necessary for the efficient operation of government and the protection of
6 affected employees;
- 7 10. Any employee employed by an establishment which is an organized
8 nonprofit camp, religious, or nonprofit educational conference center, if
9 it does not operate for more than two hundred ten (210) days in any
10 calendar year;
- 11 11. Any employee whose function is to provide twenty-four (24) hour
12 residential care on the employer's premises in a parental role to children
13 who are primarily dependent, neglected, and abused and who are in the
14 care of private, nonprofit childcaring facilities licensed by the Cabinet
15 for Health and Family Services under KRS 199.640 to 199.670;
- 16 12. Any individual whose function is to provide twenty-four (24) hour
17 residential care in his or her own home as a family caregiver, family
18 home provider, or adult foster care provider and who is approved to
19 provide family caregiver services to an adult with a disability through a
20 contractual relationship with a community board for mental health or
21 individuals with an intellectual disability established under KRS
22 210.370 to 210.460 or through a contractual relationship with a certified
23 waiver provider as defined in 907 KAR 7:005 sec. 1(5), or is certified or
24 licensed by the Cabinet for Health and Family Services to provide adult
25 foster care;
- 26 13. A direct seller as defined in Section 3508(b)(2) of the Internal Revenue
27 Code of 1986; or

1 14. Any individual whose function is to provide behavior support services,
2 behavior programming services, case management services, community
3 living support services, positive behavior support services, or respite
4 services through a contractual relationship with a certified waiver
5 provider, as defined in 907 KAR 7:005 sec. 1(5), pursuant to a 1915(c)
6 home and community based services waiver program, as defined in 907
7 KAR 7:005 sec. 1(2);

8 (b) "Agriculture" means farming in all its branches, including cultivation and
9 tillage of the soil; dairying; production, cultivation, growing, and harvesting of
10 any agricultural or horticultural commodity; raising of livestock, bees,
11 furbearing animals, or poultry; and any practice, including any forestry or
12 lumbering operations, performed on a farm in conjunction with farming
13 operations, including preparation and delivery of produce to storage, to
14 market, or to carriers for transportation to market;

15 (c) "Gratuity" means voluntary monetary contribution received by an employee
16 from a guest, patron, or customer for services rendered;

17 (d) "Tipped employee" means any employee engaged in an occupation in which
18 he or she customarily and regularly receives more than thirty dollars (\$30) per
19 month in tips; and

20 (e) "U.S.C." means the United States Code.

21 ➔Section 2. KRS 337.295 is amended to read as follows:

22 (1) Regulations issued by the commissioner under KRS 337.275 to 337.325, 337.345,
23 and 337.385 to 337.405 may include, but are not limited to, regulations defining and
24 governing bona fide executive, administrative, or professional employees;
25 regulations governing learners, apprentices, workers with disabilities, sheltered
26 workshop employees, and students, regulations governing outside salesmen;
27 bonuses; part-time rates; special pay for special or extra work; allowances as part of

1 the wage rates applicable under KRS 337.275 for board, lodging, and gratuities;
2 other facilities or services furnished by employers and used by employees; and other
3 special items usual in a particular employer-employee relationship.

4 **(2) The commissioner shall promulgate administrative regulations to:**

5 **(a) Allow persons employed in a sheltered workshop prior to January 1, 2026,**
6 **to remain in that employment situation if approved by the worker or his or**
7 **her guardian. The administrative regulations shall require review of a**
8 **worker's sheltered workshop employment situation every twelve (12) months**
9 **and approval of the employment by the worker or his or her guardian;**

10 **(b) Prohibit new employment in sheltered workshops on or after January 1,**
11 **2026, unless the person can show employment opportunities are not**
12 **available by providing evidence that the Kentucky Office of Vocational**
13 **Rehabilitation has closed the person's case after the person was unable to**
14 **obtain supported or competitive integrated employment within his or her**
15 **county of residence or a ten (10) mile radius of his or her residence; and**

16 **(c) Encourage supported employment opportunities in lieu of sheltered**
17 **workshop employment.**

18 **(3) The commissioner shall not authorize any new employer or new applicant to use**
19 **certificates under Section 14(c) of the Fair Labor Standards Act to pay a**
20 **subminimum wage to a worker with a disability. Only employers who have a**
21 **14(c) certificate issued and authorized prior to the effective date of this Act may**
22 **continue to maintain a 14(c) certificate eligible for authorization by the**
23 **commissioner.**

24 ➔Section 3. KRS 205.5605 is amended to read as follows:

25 As used in KRS 205.5605 to 205.5607, unless the context otherwise requires:

26 (1) "Budget allowance" means the amount of money made available each month to a
27 consumer to purchase covered services and supports. The amount of money shall

1 not exceed the amount that would have been allocated in the traditional Medicaid
2 program for nonresidential and nonmedical services for the consumer;

3 (2) "Consumer" means a person who has chosen to participate in the program, has met
4 the enrollment requirements, has a person-centered plan, and has received an
5 approved budget allowance;

6 (3) "Covered services and supports" means:

7 (a) Those services and supports that are eligible for reimbursement under the
8 program and that are approved for the consumer following a functional needs
9 assessment and pursuant to a person-centered plan; and

10 (b) Beginning on January 1, 2026, does not include services and supports
11 utilized to refer a consumer to, or secure new employment for a consumer
12 in, a sheltered workshop where consumers are paid less than minimum
13 wage;

14 (4) "Fiscal intermediary" means an entity that is approved by the cabinet to provide
15 service that helps the consumer manage his or her budget allowance, retains the
16 funds, processes any employment and tax information, reviews records to ensure
17 correctness, writes paychecks to providers, and delivers paychecks or electronically
18 transfers funds to the consumer for distribution to providers or caregivers;

19 (5) "Provider" means:

20 (a) A person or agency licensed or otherwise permitted to render services eligible
21 for reimbursement under this program for whom the consumer is not the
22 employer of record; or

23 (b) A consumer-employed caregiver that renders services eligible for
24 reimbursement under this program for whom the consumer is the employer of
25 record;

26 (6) "Representative" means an uncompensated individual designated by the consumer
27 to assist in managing the consumer's budget allowance and needed services; and

1 (7) "Service advisor" means the person who provides technical assistance to a
2 consumer in meeting responsibilities under KRS 205.5605 to 205.5607.