

1 AN ACT relating to government contracts and declaring an emergency.

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

3 ➔Section 1. KRS 45A.030 is amended to read as follows:

4 As used in this code, unless the context requires otherwise:

- 5 (1) "Business" means any corporation, partnership, individual, sole proprietorship, joint  
6 stock company, joint venture, or any other legal entity through which business is  
7 conducted;
- 8 (2) "Change order" means a written order signed by the purchasing officer, directing  
9 the contractor to make changes that the changes clause of the contract authorizes  
10 the purchasing officer to order without the consent of the contractor;
- 11 (3) "Chief purchasing officer" means the secretary of the Finance and Administration  
12 Cabinet, who shall be responsible for all procurement of the Commonwealth except  
13 as provided by KRS Chapters 150, 175, 175B, 176, 177, and 180;
- 14 (4) "Construction" means the process of building, altering, repairing, improving, or  
15 demolishing any public structures or buildings, or other public improvements of any  
16 kind to any public real property. It does not include the routine maintenance of  
17 existing structures, buildings, or real property;
- 18 (5) "Construction manager-agency" means services to assist the purchasing agency  
19 manage construction that are procured through a contract that is qualifications-  
20 based;
- 21 (6) "Construction management-at-risk" means a project delivery method in which the  
22 purchasing officer enters into a single contract with an offeror that assumes the risk  
23 for construction at a contracted guaranteed maximum price as a general contractor,  
24 and provides consultation and collaboration regarding the construction during and  
25 after design of a capital project. The contract shall be subject to the bonding  
26 requirements of KRS 45A.190;
- 27 (7) "Construction manager-general contractor" means a project delivery method in

1 which the purchasing officer enters into a single contract with an offeror to provide  
2 preconstruction and construction services. During the preconstruction phase, the  
3 successful offeror provides design consulting services. During the construction  
4 phase, the successful offeror acts as general contractor by:

5 (a) Contracting with subcontractors; and

6 (b) Providing for management and construction at a fixed price with a completion  
7 deadline;

8 (8) "Contract" means all types of state agreements, including memoranda of  
9 agreement, grants, and orders, for the acquisition, purchase, or disposal of supplies,  
10 services, construction, or any other item. It includes: awards; contracts of a fixed-  
11 price, cost, cost-plus-a-fixed-fee, contingency fee, or incentive type; contracts  
12 providing for the issuance of job or task orders; leases; letter contracts; purchase  
13 orders; public-private partnership agreements; program administration contracts;  
14 personal service contracts; and insurance contracts except as provided in KRS  
15 45A.022. It includes supplemental agreements with respect to any of the foregoing;

16 (9) "Contract modification" means any written alteration in the specifications, delivery  
17 point, rate of delivery, contract period, price, quantity, or other contract provisions  
18 of any existing contract, whether accomplished by unilateral action in accordance  
19 with a contract provision or by mutual action of the parties to the contract. It  
20 includes bilateral actions, such as supplemental agreements, and unilateral actions,  
21 such as change orders, administrative changes, notices of termination, and notices  
22 of the exercise of a contract option;

23 (10) "Contractor" means any person having a contract with a governmental body;

24 (11) "Data" means recorded information, regardless of form or characteristic;

25 (12) "Design-bid-build" means a project delivery method in which the purchasing officer  
26 sequentially awards separate contracts, the first for architectural, engineering, or  
27 engineering-related services to design the project and the second for construction of

- 1 the capital project according to the design. The contract shall be subject to the  
2 bonding requirements of KRS 45A.185;
- 3 (13) "Design-build" means a project delivery method in which the purchasing officer  
4 enters into a single contract for design and construction of a capital project. The  
5 contract shall be subject to the bonding requirements of KRS 45A.190;
- 6 (14) "Designee" means a duly authorized representative of a person holding a superior  
7 position;
- 8 (15) "Document" means any physical embodiment of information or ideas, regardless of  
9 form or characteristic, including electronic versions thereof;
- 10 (16) "Employee" means an individual drawing a salary from a governmental body,  
11 whether elected or not, and any nonsalaried individual performing personal services  
12 for any governmental body;
- 13 (17) "Governmental body" means any department, commission, council, board, bureau,  
14 committee, institution, legislative body, agency, government corporation, or other  
15 establishment of the executive or legislative branch of the state government;
- 16 (18) "Meeting" means all gatherings of every kind, including video teleconferences;
- 17 (19) "Negotiation" means contracting by either the method set forth in KRS 45A.085,  
18 45A.090, or 45A.095;
- 19 (20) "Person" means any business, individual, organization, or group of individuals;
- 20 (21) "Private partner" means any entity that is a partner in a public-private partnership  
21 other than:
- 22 (a) The Commonwealth of Kentucky, or any agency or department thereof;
- 23 (b) The federal government;
- 24 (c) Any other state government; or
- 25 (d) Any agency of a state, federal, or local government;
- 26 (22) "Procurement" means the purchasing, buying, renting, leasing, or otherwise  
27 obtaining of any supplies, services, or construction. It includes all functions that

- 1       pertain to the procurement of any supply, service, or construction item, including  
2       description of requirements, selection and solicitation of sources, preparation and  
3       award of contract, and all phases of contract administration;
- 4       (23) "Public-private partnership" means a project delivery method for construction or  
5       financing of capital projects, as defined in KRS 45.750, or procurement of services,  
6       pursuant to a written public-private partnership agreement entered into pursuant to  
7       KRS 45A.077 and administrative regulations promulgated thereunder, between:
- 8       (a)   At least one (1) private partner; and  
9       (b)   The Commonwealth of Kentucky, or any agency or department thereof;
- 10      (24) "Purchase request" or "purchase requisition" means that document whereby a using  
11      agency requests that a contract be obtained for a specified need, and may include,  
12      but is not limited to, the technical description of the requested item, delivery  
13      schedule, transportation, criteria for evaluation of solicitees, suggested sources of  
14      supply, and information supplied for the making of any written determination and  
15      finding required by KRS 45A.025;
- 16      (25) "Purchasing agency" means any governmental body that is authorized by this code  
17      or its implementing administrative regulations or by way of delegation from the  
18      chief purchasing officer to contract on its own behalf rather than through the central  
19      contracting authority of the chief purchasing officer;
- 20      (26) "Purchasing officer" means any person authorized by a governmental body in  
21      accordance with procedures prescribed by administrative regulations to enter into  
22      and administer contracts and make written determinations and findings with respect  
23      thereto. The term includes an authorized representative acting within the limits of  
24      authority;
- 25      (27) "Services" means the rendering by a contractor of its time and effort rather than the  
26      furnishing of a specific end product, other than reports that are merely incidental to  
27      the required performance of services;

- 1 (28) "Supplemental agreement" means any contract modification that is accomplished  
2 by the mutual action of the parties;
- 3 (29) "Supplies" means all property, including but not limited to leases of real property,  
4 printing, and insurance, except land or a permanent interest in land;
- 5 (30) "Using agency" means any governmental body of the state that utilizes any  
6 supplies, services, or construction purchased under this code;
- 7 (31) "Video teleconference" means one (1) meeting, occurring in two (2) or more  
8 locations, where individuals can see and hear each other by means of video and  
9 audio equipment; and
- 10 (32) "Writing" or "written" means letters, words, or numbers, or their equivalent, set  
11 down by handwriting, typewriting, printing, photostating, photographing, magnetic  
12 impulse, mechanical or electronic recording, or other form of data compilation.

13 ➔Section 2. KRS 45A.035 is amended to read as follows:

- 14 (1) The secretary of the Finance and Administration Cabinet shall have power and  
15 authority over, and may, except as otherwise expressly provided in this code, adopt  
16 regulations pursuant to KRS Chapter 13A and consistent with this code governing  
17 the purchasing, management, and control of any and all supplies, services, and  
18 construction, and other items required to be purchased by the Commonwealth. The  
19 secretary shall consider and decide matters of policy with regard to state  
20 procurement. The secretary shall have the power of review with respect to the  
21 implementation of administrative regulations and policy determinations.
- 22 (2) Administrative regulations shall be promulgated~~[adopted]~~ governing the following:
- 23 (a) Conditions and procedures for delegations of purchasing authority;
- 24 (b) Prequalification, suspension, debarment, and reinstatement of prospective  
25 bidders;
- 26 (c) Small purchase procedures;
- 27 (d) Conditions and procedures for the purchase of items for resale;

- 1 (e) Conditions and procedures for the purchase of agricultural products in  
2 accordance with KRS 45A.645;
- 3 (f) Conditions and procedures for the use of source selection methods authorized  
4 by this code, including emergency purchases;
- 5 (g) Opening and rejection of bids or offers, consideration of alternate bids, and  
6 waiver of informalities in offers;
- 7 (h) Confidentiality of technical data and trade secrets information submitted by  
8 actual or prospective bidders or offerors;
- 9 (i) Partial, progressive, and multiple awards;
- 10 (j) Supervision of storerooms and inventories, including determination of  
11 appropriate stock levels and the management, transfer, sale, or other disposal  
12 of state-owned property;
- 13 (k) Definitions and classes of contractual services and procedures for acquiring  
14 them;
- 15 (l) An appeals process to resolve disputes arising from specifications requiring  
16 items deemed to be equivalent or a sole brand as specified in KRS 45A.170;{  
17 ~~and~~
- 18 (m) Use of reverse auctions as defined in KRS 45A.070; and
- 19 (n) Policies and procedures governing timely payments, partial payments,  
20 reimbursement, and dispute resolution for contract payments in violation of  
21 KRS 45.453 and Section 3 of this Act.

22 The secretary may promulgate{~~adopt such~~} other administrative regulations as  
23 deemed advisable to carry out the purposes of this code.

24 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 45A IS CREATED TO  
25 READ AS FOLLOWS:

26 (1) As used in this section:

27 (a) "Purchasing agency" means a unit or body of state government that

- 1           actually receives goods or services from a contractor or vendor; and
- 2           **(b) "Undisputed amount" means a good-faith, valid, accurate, and timely**
- 3           **request for payment that has been submitted to an entity owing money, and**
- 4           **for which the entity has reviewed and confirmed that the money is due and**
- 5           **owing.**
- 6           **(2) In accordance with KRS 45.451, all contracts shall include a section that**
- 7           **addresses timely payments, including but not limited to the following specific**
- 8           **provisions:**
- 9           **(a) Any undisputed amount shall be paid:**
- 10           **1. Within thirty (30) business days of receipt of the goods, services, or**
- 11           **contractor's invoice; or**
- 12           **2. In accordance with the negotiated payment terms of the contract;**
- 13           **(b) Penalties for payment of undisputed amounts not timely received shall be:**
- 14           **1. In accordance with KRS 45.454, and except as provided in KRS**
- 15           **371.405, an interest penalty of one percent (1%) shall be applied and**
- 16           **added to any undisputed amount for each month or fraction thereof**
- 17           **after the thirty (30) business days following the receipt of the goods or**
- 18           **services or receipt of the invoice by the purchasing agency; or**
- 19           **2. In accordance with the payment terms of the contract;**
- 20           **(c) Partial payment terms shall be included to:**
- 21           **1. Allow disbursement of partial payment for undisputed amounts in the**
- 22           **invoice or an agreed-upon payment process for goods received or**
- 23           **services performed that are not rejected or deficient; or**
- 24           **2. Not allow disbursement of partial payment for goods received or**
- 25           **services performed that are not rejected or deficient; and**
- 26           **(d) When invoices are utilized for payment, terms shall be included for the**
- 27           **invoice requirements, including form, format, delivery, necessary**

1 information, supporting documentation, and communication and  
2 notification procedures for complete invoices.

3 (3) (a) The purchasing agency shall make a good-faith effort of notifying the  
4 contractor or vendor that an invoice has been rejected, of any errors in an  
5 invoice, or any requirement of additional or missing information in an  
6 invoice within fifteen (15) business days from receipt of the goods, services,  
7 or invoice, or in accordance with the terms of the contract.

8 (b) 1. If the purchasing agency transmits a rejection notice to the contractor  
9 or vendor, there shall be a ten (10) calendar day correction period for  
10 the contractor or vendor to remedy any problems in the delivery of a  
11 good or service or submit a corrected invoice to fulfill the approval  
12 requirements. Utilization of the ten (10) calendar day correction  
13 period shall not create a new date of submission or receipt for all items  
14 included in the invoice or terms of the contract and shall not be  
15 considered a new invoice for calculation of the late payment fee  
16 pursuant to KRS 45.454.

17 2. If a contractor or vendor fails to remedy the problem with the good or  
18 service, or fails to submit a corrected invoice within the ten (10)  
19 calendar day correction period, the submitted invoice shall be  
20 considered a new invoice for calculation of the late payment fee  
21 pursuant to KRS 45.454.

22 (c) In accordance with KRS 45.458, the payment of interest penalty shall be  
23 paid by the purchasing agency and the amount of the payments shall not be  
24 deducted from the contract budget, and modifications shall not be made to  
25 the budget of the contract, the total award of the contract, funds  
26 encumbered or obligated for the contract, or total amount available to fulfill  
27 the contract agreement as awarded by the contracting agency.

- 1 (4) If a contractor or vendor has not received payment within thirty (30) business  
2 days for an undisputed amount and has executed a loan, line of credit, revolving  
3 credit, or other financial instrument in order to fulfill the obligations and  
4 continue performance of the contract, the contractor or vendor may recover from  
5 the purchasing agency the interest and costs of credit borne until the date  
6 payment has been issued.
- 7 (5) The secretary shall promulgate administrative regulations in accordance with  
8 KRS Chapter 13A no later than December 31, 2025, to implement this section.  
9 The administrative regulations shall include:
- 10 (a) Procedures for correcting an invoice submission error when the purchasing  
11 agency does not reject the goods or services received;
- 12 (b) Procedures for partial payment of invoices by a purchasing agency for  
13 portions of an invoice; and
- 14 (c) A contract dispute process, consistent with KRS 45A.235, to resolve late  
15 payment claims by contractors or vendors that includes:
- 16 1. The method and manner disputes shall be submitted to the purchasing  
17 agency for resolution by the secretary;
- 18 2. Information required to be included when a contractor or vendor  
19 submits a dispute; and
- 20 3. The time period by which the purchasing agency shall submit a  
21 response.
- 22 (6) The Finance and Administration Cabinet shall make the contract dispute process  
23 to resolve a late payment claim and instructions for vendors and contractors  
24 available on its website no later than December 31, 2025.
- 25 (7) (a) Beginning on July 1, 2027, the Finance and Administration Cabinet shall  
26 submit a written report every six (6) months to the Legislative Research  
27 Commission for referral to:

1           **1. The Interim Joint Committee on Appropriations and Revenue, or**  
 2           **House and Senate Standing Committees on Appropriations and**  
 3           **Revenue, as appropriate; and**

4           **2. The Interim Joint Committee on State Government, or Senate**  
 5           **Standing Committee on State and Local Government and House**  
 6           **Standing Committee on State Government, as appropriate.**

7           **(b) The report shall include the quantity of late payment contract disputes**  
 8           **submitted to the secretary of the Finance and Administration Cabinet,**  
 9           **including but not limited to:**

10           **1. Purchasing agency at issue;**

11           **2. Unpaid amount alleged or disputed;**

12           **3. Duration of late payment claimed; and**

13           **4. Determination issued.**

14           ➔Section 4. 2024 Ky. Acts ch. 173, sec. 1, subsec. (173), at page 1764, as  
 15 amended by 2024 Kentucky Acts Chapter 223, Section 25, at page 2345, is amended to  
 16 read as follows:

17           (173) \$50,000,000 in fiscal year 2024-2025 to the Economic Development budget  
 18 unit to support the Kentucky Economic Development Finance Authority Loan Pool. **Of**  
 19 **this amount \$30,000,000**~~[The appropriation contained in this subsection]~~ shall be used to  
 20 provide funding to **the City of Elizabethtown for the Valley Creek Treatment Expansion**  
 21 **Project.**~~[Hardin and Warren Counties, communities experiencing significant economic~~  
 22 ~~development growth due to announced projects with investments exceeding~~  
 23 ~~\$2,000,000,000 for supporting critical infrastructure improvements, such as water and~~  
 24 ~~sewer requirements, for continued economic development. Assistance may be in the form~~  
 25 ~~of a loan with the ability for forgiveness due to meeting negotiated requirements related~~  
 26 ~~to increased economic development for the community.] **The remaining**~~[Of this amount,]~~  
 27 \$20,000,000 shall be allocated to the Intermodal Transportation Authority, **Inc. for the**~~

1 project at the Kentucky Transpark and surrounding areas. The funds shall be used to  
 2 support communities experiencing economic development growth due to announced  
 3 projects with investments exceeding \$2,000,000,000. Assistance may be in the form of a  
 4 loan with the ability for forgiveness due to meeting negotiated requirements related to  
 5 increased economic development for the community;

6 →Section 5. 2024 Ky. Acts ch. 173, sec. 1, subsec. (179), at page 1765, is  
 7 amended to read as follows:

8 (179) \$10,000,000 in fiscal year 2024-2025 to the Economic Development budget  
 9 unit to be allocated to the Grayson County Fiscal Court~~Leitchfield Grayson County~~  
 10 ~~Airport~~ to purchase acreage and provide needed infrastructure to promote economic  
 11 growth, provided that both the State Senator and State Representative representing  
 12 Grayson County sign a letter of support~~for the expansion of runways to promote~~  
 13 ~~economic growth~~;

14 →Section 6. 2024 Ky. Acts ch. 175, Part I, Operating Budget, C. Department of  
 15 Education, 3. Learning and Results Services, (16) School Resource Officers, at page  
 16 1836, is amended to read as follows:

17 (16) **School Resource Officers:** (a) Included in the above General Fund  
 18 appropriation is \$16,500,000 in fiscal year 2024-2025 and \$18,000,000 in fiscal year  
 19 2025-2026 to the Kentucky Department of Education to assist local districts in funding  
 20 salaries for school resource officers, as defined in KRS 158.441, on a reimbursement  
 21 basis. The Kentucky Department of Education shall reimburse local school districts up to  
 22 \$20,000 for each ~~campus employing at least one on-site~~ full-time certified school  
 23 resource officer. Notwithstanding KRS 45.229, any portion of General Fund not  
 24 expended for this purpose shall lapse to the Budget Reserve Trust Fund Account (KRS  
 25 48.705). Mandated reports shall be submitted pursuant to Part III, 24. of this Act.

26 (b) The Kentucky Department of Education shall assist nonpublic schools in  
 27 funding salaries for school officers. The Kentucky Department of Education shall pay

1 *a law enforcement agency or the Department of Kentucky State Police up to \$20,000*  
2 *for each full-time certified school resource officer for which the nonpublic school has*  
3 *entered into a memorandum of understanding for school resource officer services as a*  
4 *partial payment of the total rate charged. These payments shall be deemed necessary*  
5 *government expenses and up to \$5,000,000 in each fiscal year shall be paid from the*  
6 *General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund*  
7 *Account (KRS 48.705).*

8 *(c) Notwithstanding any statute to the contrary, a law enforcement agency or*  
9 *the Department of Kentucky State Police shall charge the same total rate for school*  
10 *resource officer services to a local school district and nonpublic schools, which shall*  
11 *be the rate charged to a local school district as of January 1, 2025.*

12 ➔Section 7. The secretary of the Finance and Administration Cabinet may request  
13 up to \$20,000,000 in fiscal biennium 2024-2026 as additional funding for 2022 Kentucky  
14 Acts Chapter 199, Part II, Capital Projects Budget, F., 2., 004. Capitol Campus  
15 Renovation-Phase 2. The additional funding shall be deemed a necessary government  
16 expense and shall be paid from the General Fund Surplus Account (KRS 48.700) or the  
17 Budget Reserve Trust Fund (KRS 48.705). Notwithstanding KRS 141.020(2)(a)2., any  
18 appropriation under this section from the Budget Reserve Trust Fund Account established  
19 by KRS 48.705 shall not be identified as GF appropriations when certifying the reduction  
20 conditions pursuant to KRS 141.020(2)(a)5. and (d)2. to 5.

21 ➔Section 8. Whereas the provisions of this Act provide ongoing support for state  
22 government agencies and their functions, an emergency is declared to exist, and this Act  
23 takes effect upon its passage and approval by the Governor or upon its otherwise  
24 becoming a law.