

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, reimbursement, and
20 dispute resolution for contract payments in violation of KRS 45.453 and
21 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) For any contract awarded under this chapter, all payments shall be timely made
27 pursuant to KRS 45.451 and 45.453, the terms of the contract, and as required in

1 this section.

2 (2) All contracts shall include provisions for:

3 (a) Negotiated terms for timely payments;

4 (b) Penalties for payments not received:

5 1. Within thirty (30) business days after the person or contractor has
6 submitted a timely and properly completed request for payment; or

7 2. In accordance with the payment terms of the contract;

8 (c) A payment dispute and resolution process;

9 (d) Partial payment terms shall be included to:

10 1. Allow disbursement of partial payment with agreed-upon payment
11 process for goods received or services performed that are not rejected
12 or deficient; or

13 2. Not allow disbursement of partial payment for goods received or
14 services performed that are not rejected or deficient; and

15 (e) When invoices are utilized for payment, terms for the invoice requirements,
16 including form, format, delivery, necessary information, supporting
17 documentation, and communication and notification procedures for
18 complete invoices.

19 (3) The contracting agency shall notify the vendor of any errors in an invoice or a
20 requirement of any additional or missing information within ten (10) calendar
21 days from receipt of goods, service, or invoice.

22 (4) (a) If a person or contractor has:

23 1. Properly delivered a good or service;

24 2. Timely and properly completed request for payment pursuant to this
25 section or in accordance with the payment terms of the contract; and

26 3. Not received payment within twenty-five (25) business days, the person
27 or contractor may notify the purchasing agency. The notice for

1 requirement of timely payment shall include the date on which interest
2 is anticipated to begin accruing.

3 **(b) In accordance with KRS 45.454, and except as provided in KRS 371.405, if**
4 **the contracting agency fails to remit payment to the person or contractor**
5 **within thirty (30) business days, beginning on the thirty-first business day**
6 **after receipt of the request for payment or failure of the contracting agency**
7 **to remit payment in accordance with the terms of the contract, the**
8 **contracting agency shall accrue a penalty of one percent (1%) per month or**
9 **twelve percent (12%) per annum of the unpaid amount for each thirty (30)**
10 **days or fraction thereof that the payment is outstanding payable to the**
11 **person or contractor.**

12 **(c) If a person or contractor has not received payment within thirty (30)**
13 **business days for an approved invoice, and the person or contractor**
14 **executed a loan, line of credit, revolving credit, or other financial**
15 **instrument in order to fulfill the obligations and continue performance of**
16 **the contract, they may seek to recover from the purchasing agency the**
17 **interest and costs of credit borne until the date payment has been issued.**

18 **(d) If the purchasing agency has transmitted a rejection notice to the person or**
19 **contractor, there shall be a ten (10) calendar day correction period for the**
20 **person or contractor to remedy any problems in the delivery of a good or**
21 **service or submit a corrected invoice to fulfill the approval requirements.**
22 **Utilization of the ten (10) calendar day correction period shall not create a**
23 **new date of submission or receipt for all items included in the invoice or**
24 **terms of the contract and shall not be considered a new invoice for**
25 **calculation of the late payment fee pursuant to KRS 45.454.**

26 **(e) In accordance with KRS 45.458, the interest penalty and reimbursement**
27 **payments will be paid by the contracting agency and the amount of the**

1 payments shall not be deducted from the contract budget, and modifications
2 shall not be made to the budget of the contract, the total award of the
3 contract, funds encumbered or obligated for the contract, or total amount
4 available to fulfill the contract agreement as awarded by the contracting
5 agency.

6 (4) The secretary shall promulgate administrative regulations in accordance with
7 KRS Chapter 13A no later than December 31, 2025, to implement this section.

8 (5) (a) Beginning on July 1, 2025, the Finance and Administration Cabinet shall
9 submit a written report every six (6) months to the Legislative Research
10 Commission for referral to:

11 1. The Interim Joint Committee on Appropriations and Revenue, or
12 House and Senate Standing Committees on Appropriations and
13 Revenue, as appropriate; and

14 2. The Interim Joint Committee on State Government, or Senate
15 Standing Committee on State and Local Government and House
16 Standing Committee on State Government, as appropriate;

17 regarding any penalties and reimbursements paid by the Commonwealth of
18 Kentucky due to payments that are not timely made subject to the terms of a
19 contract in accordance with this section and Sections 1 and 2 of this Act or
20 pursuant to KRS 45.454.

21 (b) The report shall include the amount of penalties and amount of
22 reimbursements paid, by category, including but not limited to:

23 1. Cabinet;

24 2. Agency;

25 3. Procurement category or class;

26 4. Contract procurement type;

27 5. Contractor organization type and classification;

- 1 6. Commodity class code and service code;
- 2 7. Fund source;
- 3 8. Amount of penalty paid for interest under subsection (4)(b) of this
- 4 section; and
- 5 9. Amount paid in compliance with subsection (4)(c) of this section.
- 6 (6) (a) Beginning on July 1, 2025, the Finance and Administration Cabinet shall
- 7 submit a written report every six (6) months to the Legislative Research
- 8 Commission for referral to:
- 9 1. The Interim Joint Committee on Appropriations and Revenue, or
- 10 House and Senate Standing Committees on Appropriations and
- 11 Revenue, as appropriate; and
- 12 2. The Interim Joint Committee on State Government, or Senate
- 13 Standing Committee on State and Local Government and House
- 14 Standing Committee on State Government, as appropriate;
- 15 regarding any outstanding obligations of the Commonwealth of Kentucky
- 16 due to payments that are not timely made subject to the negotiated terms of
- 17 a contract in accordance with this section and Sections 1 and 2 of this Act
- 18 or pursuant to KRS 45.454.
- 19 (b) The report shall include the amount of the invoices that have been due and
- 20 owing for more than thirty (30) business days, by category, including but
- 21 not limited to:
- 22 1. Cabinet;
- 23 2. Department;
- 24 3. Agency;
- 25 4. Procurement category or class;
- 26 5. Contract procurement type;
- 27 6. Fund source;

1 7. Contractor organization type and classification;

2 8. Commodity class code and service code; and

3 9. Quantity of invoices and amount due and owing by thirty (30) day time
4 intervals, including but not limited to amount due and obligated for
5 more than:

6 a. Thirty (30) business days;

7 b. Sixty (60) business days;

8 c. Ninety (90) business days; and

9 d. One hundred twenty (120) business days.

10 ➔Section 4. Whereas the timely payment to organizations and businesses that are
11 contracting with the Commonwealth to provide essential goods and services to its citizens
12 is important for economic growth, an emergency is declared to exist, and this Act takes
13 effect upon its passage and approval by the Governor or upon its otherwise becoming a
14 law.