

1 FINANCE AND ADMINISTRATION CABINET

2 (Amended After Comments)

3 200 KAR 5:021. Manual of policies and procedures.

4 RELATES TO: KRS 45A.045(2)~~[Chapter 45A]~~

5 STATUTORY AUTHORITY: KRS 45A.045(2)

6 CERTIFICATION STATEMENT: This is to certify that this administrative regulation complies
7 with the requirements of 2025 RS HB 6, Section 8, as this amended administrative regulation will
8 not have a major economic impact, as defined by KRS 13A.010(13). The Governor's signature is
9 included after the body of the regulation to indicate his acknowledgement of this certification.

10 NECESSITY, FUNCTION, AND CONFORMITY: KRS 45A.045(2) requires the Finance and
11 Administration Cabinet to publish a manual of policies and procedures, which is to be incorporated
12 by reference as an administrative regulation pursuant to KRS Chapter 13A. This administrative
13 regulation incorporates the Finance and Administration Cabinet Manual of Policies and
14 Procedures.

15 ~~[Section 1.] [A state agency shall follow the procurement requirements in the Finance and
16 Administration Cabinet Manual of Policies and Procedures.]~~


17 Section 1.~~[Section 2.]~~ Incorporation by Reference.

18 (1) "Finance and Administration Cabinet Manual of Policies and Procedures", Revised

19 **October**~~[July]~~ 2025~~[August 2024]~~, is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Finance and Administration Cabinet, Office of General Counsel, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622, Monday through Friday, 8 a.m. to 4:00 p.m. This material may also be obtained at the Finance and Administration Cabinet's website~~[Web—site]~~, <https://finance.ky.gov/office-of-the-secretary/office-of-policy-and-audit/Pages/Finance-Policies.aspx>.

Approved:


Holly M. Johnson, Secretary
Finance and Administration Cabinet

11-12-2025
Date

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

200 KAR 5:021

Contact Person: Cary Bishop, Assistant General Counsel, Office of General Counsel, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622.

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Subject Headings: (1) Capital Construction, (2) Finance and Administration, (3) Infrastructure, (4) Purchasing and Procurement

(1) Provide a brief summary of:

(a) What this administrative regulation does: This regulation publishes a manual of procedures that clarify and explain detailed processes necessary for daily administration of purchase-related activities.

(b) The necessity of this administrative regulation: This regulation fulfills the requirement of KRS 45A.045(2) for the Secretary to publish a manual of procedures which shall be incorporated by reference as an administrative regulation pursuant to KRS Chapter 13A.

(c) How this administrative regulation conforms to the content of the authorizing statutes: This regulation incorporates by reference the policies and procedures manual required by KRS 45A.045(2).

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: It provides guidance to vendors, prospective bidders, Finance and Administration Cabinet ("FAC") staff and other state employees in the administration of Kentucky's Model Procurement Code (KRS Chapter 45A).

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The amendment contains many updates and clarifications to the existing Finance and Administration Cabinet procedures manual, as detailed in the attached summary of changes. In addition to technical, grammatical, and formatting updates, the updated manual updates and consolidates defined terms, clarifies contract language that is legally prohibited, emphasizes the Commonwealth's transition to primarily electronic procurement methods, and clarifies ambiguities in existing processes.

(b) The necessity of the amendment to this administrative regulation: Aside from more recent changes required by statute, the manual last received a comprehensive review and update in 2016. Since that time, procurement standards have evolved considerably, with greater emphasis on electronic processes, legislative updates to defined terms, and demonstrated need to clarify content in the manual.

(c) How the amendment conforms to the content of the authorizing statutes: The manual is required by KRS 45A.045(2).

(d) How the amendment will assist in the effective administration of the statutes: Updates will simplify and clarify the Finance and Administration Cabinet's Manual of Policies and Procedures for all users and eliminate confusion as to procedures to be

followed in KRS 45A procurement matters.

(3) Does this administrative regulation or amendment implement legislation from the previous five years? No.

(4) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Affected state units, parts, or divisions consist of all state agencies subject to the KRS 45A.045 procurement authority of the Finance and Administration Cabinet. Excluded from this scope would be any postsecondary educational institution that has opted-out pursuant to KRS 164A.560, or any state government entity exempted by act of the legislature from the KRS 45A.045 central procurement authority of the Finance and Administration Cabinet. No local entity will be affected, except to the extent they independently elect to adopt regulations, pursuant to KRS 45A.360, modeled on the Manual of Policies and Procedures.

(5) Provide an analysis of how the entities identified in question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (4) will have to take to comply with this administrative regulation or amendment: The primary action required of regulated entities is that their procurement staff will be required to review and be aware of the updates in the amended manual. The individual updates clarify state entities with authority to review and authorize strategic purchases, specify electronic methods as being preferred in future procurement activities, and adds a payment dispute and resolution process.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (4): No additional cost.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (4): Agencies will have more detailed and clear guidance regarding the steps to be taken to procure goods and services for their agency in a manner that complies with Commonwealth law.

(6) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: No additional cost.

(b) On a continuing basis: No additional cost.

(7) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation or this amendment: No additional funding is necessary for implementation of this regulation.

(8) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No additional funding is necessary for implementation of this regulation.

(9) State whether or not this administrative regulation establishes any fees or directly

or indirectly increases any fees: No fees are established or increased.

(10) TIERING: Is tiering applied? Yes, the Manual of Policies and Procedures contains tiering primarily regarding tiered levels of general and small purchase procurement authority for different executive branch entities. That said, the focus of changes in this amendment are generally updates to policies and procedures that affect all state agencies subject to Finance's KRS 45A.045 authority in a similar manner.

FISCAL IMPACT STATEMENT

200 KAR 5:021.

Contact Person: Cary Bishop, Assistant General Counsel, Office of General Counsel, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622.

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(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation: No federal statute or regulation at issue. While the Commonwealth's Model Procurement Code is modeled on the federal model, the statute authorizing this regulation is a state statute, KRS 45A.045.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: Yes, KRS 45A.045(2) expressly requires the Finance and Administration to publish, and periodically revise, a manual of procedures incorporated by reference within an administrative regulation.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: Affected state units, parts, or divisions consist of all state agencies subject to the KRS 45A.045 procurement authority of the Finance and Administration Cabinet. Excluded from this scope would be any postsecondary educational institution that has opted-out pursuant to KRS 164A.560, or any state government entity exempted by act of the legislature from the KRS 45A.045 central procurement authority of the Finance and Administration Cabinet.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:
 - For the first year: \$0
 - For subsequent years: \$0
2. Revenues:
 - For the first year: \$0
 - For subsequent years: \$0
3. Cost Savings:
 - For the first year: \$0
 - For subsequent years: \$0

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): No local entity will be affected, except to the extent they independently elect to adopt regulations, pursuant to KRS 45A.360, modeled on the Manual of Policies and Procedures.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:
 - For the first year: \$0

- For subsequent years: \$0
- 2. Revenues:
 - For the first year: \$0
 - For subsequent years: \$0
- 3. Cost Savings:
 - For the first year: \$0
 - For subsequent years: \$0

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): None

(b) Estimate the following for each regulated entity identified in (5)(a):

- 1. Expenditures:
 - For the first year: \$0
 - For subsequent years: \$0
- 2. Revenues:
 - For the first year: \$0
 - For subsequent years: \$0
- 3. Cost Savings:
 - For the first year: \$0
 - For subsequent years: \$0

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: No fiscal impact is expected from this amendment. The nature of the changes in the amendment are primarily intended to clarify application of existing procurement statutes and regulations and eliminate potential confusion.

(b) Methodology and resources used to reach this conclusion: Review by the Office of Procurement Services and Office of General Counsel, within the Finance and Administration Cabinet, to confirm that anticipated changes are limited to procedural clarifications not expected to have a significant fiscal impact.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a “major economic impact”, as defined by KRS 13A.010(13): No, the revisions to the incorporated manual of procedures are intended to primarily update and clarify existing procedures without imposing any new significant costs on affected entities.

(b) The methodology and resources used to reach this conclusion: Review by the Office of Procurement Services and Office of General Counsel, within the Finance and Administration Cabinet, to confirm that anticipated changes are limited to procedural clarifications not expected to have a major economic impact.

SUMMARY OF MATERIAL INCORPORATED BY REFERENCE

The "Finance and Administration Cabinet Manual of Policies and Procedures", as required by KRS 45A.045(2), enacts a manual of procedures which incorporated by reference as into this administrative regulation. The manual contains regulations, rules, and procedures binding on all purchases by the various spending agencies, except as otherwise provided by law.

SUMMARY OF CHANGES TO MATERIAL INCORPORATED BY REFERENCE

The " Finance and Administration Cabinet Manual of Policies and Procedures "is being updated with updates and clarifications to the existing manual, as further detailed in the attached summary of changes. In addition to technical, grammatical, and formatting updates, the updated manual updates and consolidates defined terms, clarifies contract language that is legally prohibited, emphasizes the Commonwealth's transition to primarily electronic procurement methods, and clarifies ambiguities in existing processes.