

STATEMENT OF EMERGENCY

200 KAR 5:021E

1) This emergency amendment is necessary to implement 2026 RS HB 480 (enacted as 2026 Ky. Acts ch. 147. Section 2 of that Act, codified as KRS 45A.137(7)), which requires the Finance and Administration Cabinet to promulgate regulations concerning contract payments no later than October 1, 2026. KRS 45A.137(8) separately requires publication of the payment resolution process and instructions on the Cabinet's website by that date. This amendment is therefore promulgated pursuant to KRS 13A.190(1)(a)3. to meet an imminent statutory deadline.

This amendment updates the Finance and Administration Cabinet Manual of Policies and Procedures, incorporated by reference in 200 KAR 5:021. In particular, FAP 111-45-00 and FAP 111-46-00 establish procedures for invoice review and correction, partial payments, late-payment penalties, and administrative resolution of payment disputes. These procedures give agencies and contractors a common process for implementing the new payment requirements and obtaining timely resolution of unpaid amounts.

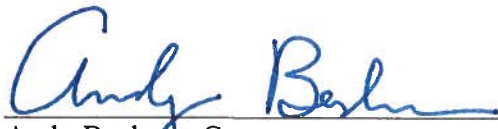
2) An ordinary amendment filed at this time would not take effect by October 1, 2026. Immediate effectiveness is necessary to have the required regulatory procedures in place by the statutory deadline and to align the published instructions with enforceable procedures. Delayed implementation would prolong uncertainty over invoice corrections and payment claims and increase the risk of avoidable interest penalties and recoverable financing costs. Prompt resolution

also supports contractors' continued performance and protects funds available for the goods and services the Commonwealth has contracted to receive.

The revised Manual also clarifies contract insurance requirements, electronic submission for review, procurement card training, contract assignments, and bid withdrawal, and corrects technical errors. These changes support consistent contract administration, financial oversight, and continuity of performance. Notwithstanding the foregoing, the statutory payment deadline is the principal basis for this emergency amendment.

3) This administrative regulation will be replaced through an emergency amendment by an ordinary administrative regulation.

4) The ordinary administrative regulation is identical to this emergency administrative regulation.



Andy Beshear, Governor

9/30/2026
Date



Holly M. Johnson, Secretary
Finance and Administration Cabinet

9.30.2026
Date

1 FINANCE AND ADMINISTRATION CABINET

2 (Emergency Amendment)

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

4 RELATES TO: KRS 45A.045(2)

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

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

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

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

18 Section 2. Incorporation by Reference. (1) "Finance and Administration Cabinet Manual
19 of Policies and Procedures", Revised October 2026~~[May 2026]~~, is incorporated by reference.

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

9.30.2026
Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on November 23rd, 2026, at 10:00 a.m. at the Kentucky Finance and Administration Cabinet, 200 Mero Street, Frankfort, Kentucky 40622. Individuals interested in being heard at this hearing shall notify this agency in writing five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until 11:59 p.m. on November 30, 2026. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Cary Bishop, Assistant General Counsel, Office of General Counsel, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622. Phone: (502)564-6660, Fax: (502)564-9875. Email: cary.bishop@ky.gov.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

200 KAR 5:021E

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

Phone: (502)564-6660

Email: cary.bishop@ky.gov

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 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 brings the manual into alignment with the requirements of 26RS HB 480, in regard to vendor payment documents and disputes; updates small purchase amounts; and clarifies application of administrative oversight requirements.

(b) The necessity of the amendment to this administrative regulation: Aside from the recent changes required by 26RS HB 480, after a 2025 major update, the first since a prior comprehensive review and update in 2016, Finance has become aware of the need for clarification and update of portions of the manual, both in language revised in 2025 as well as older language.

(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? Yes. The update's primary purpose is to align with the requirements of 26RS HB 480.

(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 most notable action required will be for agencies to be aware of the increased need for timely processing and payment of contractor invoices and to exercise due diligence to avoid application of late payment penalties.

(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

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

Phone: (502)564-6660

Email: cary.bishop@ky.gov

(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: *The promulgating agency is the Finance and Administration Cabinet. 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(14): *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 brings the manual into alignment with the requirements of 26RS HB 480, in regard to vendor payment documents and disputes; updates small purchase amounts; and clarifies application of administrative oversight requirements. See attached SUMMARY OF CHANGES TO MATERIAL INCORPORATED BY REFERENCE for a detailed summary.

SUMMARY OF CHANGES TO MATERIAL INCORPORATED BY REFERENCE

Finance and Administration Cabinet Manual of Policies and Procedures
October 2026 Revision • 200 KAR 5:021

GENERAL UPDATES: Corrects typographical, grammatical, formatting, terminology, and technical issues throughout the Manual, including cross-references and legal citations.

FAP 111-45-00 “PAYMENT DOCUMENTS”: Clarifies payment of undisputed invoice amounts and permits project-initiation payments when included in the contract payment schedule. Requires late-payment penalties to be paid from the agency budget rather than the contract budget.

FAP 111-46-00 “RESOLUTION OF PAYMENT ISSUES”: Adds financing costs attributable to delayed payment to the information a contractor may submit for recovery in a payment dispute. Requires a determination directing payment to set a payment deadline within five working days of issuance.

FAP 111-51-00 “CONTRACT ADMINISTRATION”: Requires proposed contracts, including nonfinancial agreements and sponsorships, to be submitted through the EProcurement System for OPS review and required approvals before execution or performance, except as expressly provided by law.

FAP 111-55-00 “SMALL PURCHASE PROCEDURE FOR GOODS AND NON-PROFESSIONAL SERVICES”: Updates small-purchase authority table in alignment with Secretary Order SO 26-004, which expands authority beyond prior table, and clarifies that purchases must remain within an agency’s authorized small-purchase limit.

FAP 111-65-00 “SPONSORSHIPS”: Requires sponsorship agreements to be submitted through the EProcurement System after award and before execution or performance.

FAP 220-10-00 “SMALL PURCHASE PROCEDURE FOR CONSTRUCTION SERVICES”: Raises the one-quote construction threshold from \$20,000 to \$50,000 for FAC, the Legislative Branch, and institutions of higher learning, and for agencies with \$100,000 delegated construction authority. Updates the related quotation ranges. Note this update is a correction update to restore a 2024 manual revision that was inadvertently rolled-back in a more recent update.

**Documentary Evidence
Supporting Statement of
Emergency**

2026 Kentucky Acts, Chapter 147 (HB
480)

CHAPTER 147

(HB 480)

AN ACT relating to state contracts.

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

➔Section 1. KRS 45A.035 is amended to read as follows:

- (1) The secretary of the Finance and Administration Cabinet shall have power and authority over, and may, except as otherwise expressly provided in this code, adopt regulations pursuant to KRS Chapter 13A and consistent with this code governing the purchasing, management, and control of any and all supplies, services, and construction, and other items required to be purchased by the Commonwealth. The secretary shall consider and decide matters of policy with regard to state procurement. The secretary shall have the power of review with respect to the implementation of administrative regulations and policy determinations.
- (2) Administrative regulations shall be promulgated governing the following:
 - (a) Conditions and procedures for delegations of purchasing authority;
 - (b) Prequalification, suspension, debarment, and reinstatement of prospective bidders;
 - (c) Small purchase procedures;
 - (d) Conditions and procedures for the purchase of items for resale;
 - (e) Conditions and procedures for the purchase of agricultural products in accordance with KRS 45A.645;
 - (f) Conditions and procedures for the use of source selection methods authorized by this code, including emergency purchases;
 - (g) Opening and rejection of bids or offers, consideration of alternate bids, and waiver of informalities in offers;
 - (h) Confidentiality of technical data and trade secrets information submitted by actual or prospective bidders or offerors;
 - (i) Partial, progressive, and multiple awards;
 - (j) Supervision of storerooms and inventories, including determination of appropriate stock levels and the management, transfer, sale, or other disposal of state-owned property;
 - (k) Definitions and classes of contractual services and procedures for acquiring them;
 - (l) An appeals process to resolve disputes arising from specifications requiring items deemed to be equivalent or a sole brand as specified in KRS 45A.170; ~~and~~
 - (m) Use of reverse auctions as defined in KRS 45A.070; *and*
 - (n) ***Policies and procedures governing timely payments, partial payments, reimbursement, and resolution for contract payments in violation of KRS 45.453 and Section 2 of this Act.***

The secretary may promulgate other administrative regulations as deemed advisable to carry out the purposes of this code.

➔SECTION 2. A NEW SECTION OF KRS CHAPTER 45A IS CREATED TO READ AS FOLLOWS:

- (1) *As used in this section:*
 - (a) ***"Purchasing agency" means a unit or body of state government that receives goods or services from a contractor or vendor; and***
 - (b) ***"Undisputed amount" means a good-faith, valid, accurate, and timely request for payment that has been submitted to an entity owing money, and for which the entity has reviewed and confirmed that the money is due and owing.***
- (2) ***All contracts shall include but not be limited to the following provisions for:***

- (a) *Timely payments in accordance with KRS 45.451;*
- (b) *Penalties for nonpayment. Payments that are not timely received shall be subject to a penalty:*
 - 1. *In accordance with KRS 45.454, and except as provided in KRS 371.405, an interest penalty of one percent (1%) shall be applied and added to any undisputed amount for each month or fraction thereof after thirty (30) business days following the receipt of the goods or services, or receipt of the invoice by the purchasing agency; or*
 - 2. *In accordance with the payment terms of the contract;*
- (c) *Addressing partial payment. Partial payment terms shall be included to:*
 - 1. *Allow disbursement of partial payment for undisputed amounts in the invoice or an agreed-upon payment process for goods received or services performed that are not rejected or deficient; or*
 - 2. *Not allow disbursement of partial payment for goods received or services performed that are not rejected or deficient;*
- (d) *A payment process for the disbursement of funds. When invoices are utilized for payment, terms shall be included for the invoice requirements, including form, format, delivery, necessary information, supporting documentation, and communication and notification procedures for complete invoices. For deliverables-based contracts, terms shall be included to establish milestones that shall be fully met before payment;*
- (e) *A payment schedule that may include an initial disbursement of funds upon execution of the contract for project initiation; and*
- (f) *A payment resolution process in accordance with subsection (7)(c) of this section.*
- (3) *Any undisputed amount shall be paid:*
 - (a) *Within thirty (30) business days of receipt of the goods, services, or contractor's invoice; or*
 - (b) *In accordance with the negotiated payment terms of the contract.*
- (4) (a) *The purchasing agency shall make a good-faith effort of notifying the contractor or vendor that an invoice has been rejected, of any errors in an invoice, or any requirement of additional or missing information in an invoice within fifteen (15) business days from receipt of the goods, services, or invoice, or in accordance with the terms of the contract.*
- (b)
 - 1. *If the purchasing agency transmits a rejection notice to the contractor or vendor, there shall be a ten (10) calendar day correction period for the contractor or vendor to remedy any problems in the delivery of a good or service or submit a corrected invoice to fulfill the approval requirements. Utilization of the ten (10) calendar day correction period shall not create a new date of submission or receipt for all items included in the invoice or terms of the contract and shall not be considered a new invoice for calculation of the late payment fee pursuant to KRS 45.454.*
 - 2. *If a contractor or vendor fails to remedy the problem with the good or service, or fails to submit a corrected invoice within the ten (10) calendar day correction period, the submitted invoice shall be considered a new invoice with a new date of submission for calculation of the late payment fee pursuant to KRS 45.454.*
- (5) *In accordance with KRS 45.458, the interest penalty shall be paid by the purchasing agency and the amount of the payments shall not be deducted from the contract budget, and modifications shall not be made to the budget of the contract, the total award of the contract, funds encumbered or obligated for the contract, or total amount available to fulfill the contract agreement as awarded by the contracting agency.*
- (6) *If a contractor or vendor has not received payment within thirty (30) business days for an undisputed amount and has executed a loan, line of credit, revolving credit, or other financial instrument in order to fulfill the obligations and continue performance of the contract, the contractor or vendor may recover from the purchasing agency the interest and costs of credit borne until the date payment has been issued.*
- (7) *The secretary shall promulgate administrative regulations in accordance with KRS Chapter 13A relating to contract payments no later than October 1, 2026, to implement this section. The administrative regulations shall include:*

- (a) *Procedures for correcting an invoice submission error when the purchasing agency does not reject the goods or services received;*
 - (b) *Procedures for partial payment of invoices by a purchasing agency for portions of an invoice; and*
 - (c) *A payment resolution process to resolve late payment claims by contractors or vendors that includes but is not limited to:*
 - 1. *That a contractor may notify the purchasing agency the payment is overdue and information to include when a payment has not been received within the thirty (30) day period after receipt of an invoice;*
 - 2. *The method and manner payment disputes shall be submitted to the purchasing agency for resolution by the secretary;*
 - 3. *Information required to be included when a contractor or vendor submits an administrative payment dispute;*
 - 4. *The time period by which the purchasing agency shall submit a response to the secretary and contractor or vendor, not to exceed ten (10) days;*
 - 5. *The time period for the secretary to issue a determination or written notice not to exceed thirty (30) days from submission of a payment dispute; and*
 - 6. *The requirement for the purchasing agency to issue payment within five (5) business days from when the determination or written notice establishes the total payment due. The secretary may grant an extension to pay upon receipt of a joint request between the contractor and purchasing agency.*
- (8) *The Finance and Administration Cabinet shall make the payment resolution process to resolve a late payment claim with instructions for contractors and vendors available on its website no later than October 1, 2026.*
- (9) (a) *Beginning on July 1, 2027, the Finance and Administration Cabinet shall submit a written report every six (6) months to the Legislative Research Commission for referral to:*
- 1. *The Interim Joint Committee on Appropriations and Revenue, or House and Senate Standing Committees on Appropriations and Revenue, as appropriate; and*
 - 2. *The Interim Joint Committee on State Government, or Senate Standing Committee on State and Local Government and House Standing Committee on State Government, as appropriate.*
- (b) *The report shall include the quantity of late payment contract disputes submitted to the secretary of the Finance and Administration Cabinet, including but not limited to:*
- 1. *Purchasing agency at issue;*
 - 2. *Unpaid amount alleged or disputed;*
 - 3. *Duration of late payment claimed; and*
 - 4. *Determination issued.*

Became law without Governor's signature April 14, 2026.