

As Amended by Senate Committee

Session of 2026

SENATE BILL No. 450

By Committee on Federal and State Affairs

2-3

1 AN ACT concerning state employees; authorizing the secretary of
2 administration to grant a monetary award to a state employee who
3 reports activity that constitutes fraud, waste or abuse of funds in any
4 program administered by a state agency; amending K.S.A. 75-37,105
5 and repealing the existing section.
6

7 *Be it enacted by the Legislature of the State of Kansas:*

8 Section 1. K.S.A. 75-37,105 is hereby amended to read as follows:
9 75-37,105. (a) As used in this section, "state agency" ~~has the meaning~~
10 ~~ascribed thereto by~~ *means the same as defined in* K.S.A. 75-3701, and
11 amendments thereto, ~~and~~ "State agency" includes the governor's
12 department, lieutenant governor, attorney general, secretary of state, state
13 treasurer, commissioner of insurance, each agency of the executive branch,
14 the legislature and each agency of the legislative branch, the judicial
15 branch and each agency of the judicial branch and any appointed state
16 council or state commission.

17 (b) (1) There is established an employee award and recognition
18 program for state employees. Under this program monetary or non-
19 monetary awards may be made to state employees. An appointing
20 authority may implement a program of award and recognition for
21 classified and unclassified employees or teams of employees for
22 distinguished accomplishment, meritorious service, innovations, Kansas
23 quality management, volunteerism or length of service. Under this
24 program monetary or non-monetary awards may be made to state
25 employees. Non-monetary awards may include, but are not limited to, a
26 medal, an annual award luncheon held by the employee's respective state
27 agency or public recognition by the Kansas house of representatives or the
28 Kansas senate.

29 (2) All awards and recognition provided under this section shall meet
30 the conditions for a discretionary bonus set out in 29 C.F.R. § 778.211.

31 (c) The total gross value of awards to any employee of the state
32 during a single fiscal year shall not exceed \$3,500 except as provided in
33 ~~subsection~~ *subsections (g) and (h)*. No award paid pursuant to this section
34 during the fiscal year shall be compensation, within the meaning of K.S.A.
35 74-4901 et seq., and amendments thereto, for any purpose under the
36 Kansas public employees retirement system and shall not be subject to

1 deductions for employee contributions thereunder. Each taxable award
2 paid under this section shall be a discretionary bonus, as defined by 29
3 C.F.R. § 778, and shall be in addition to the regular earnings to which that
4 employee may be entitled or for which the employee may become eligible.
5 Monetary awards are subject to taxes in accordance with federal internal
6 revenue code regulations. The value of non-monetary awards shall be
7 reported by state agencies in accordance with sections 74 and 132 of the
8 federal internal revenue code and procedures prescribed by the director of
9 accounts and reports.

10 (d) The award and recognition program shall be paid from moneys
11 appropriated and available for operating expenditures of the state agency
12 or from other funding sources as appropriated. In the case of employee
13 suggestions, the award or recognition for each employee shall be paid or
14 provided by the state agency that benefited from and implemented the
15 suggestion.

16 (e) The regulations of the employee award board adopted pursuant to
17 K.S.A. 75-37,108, and amendments thereto, are hereby revoked.

18 (f) The secretary of administration shall adopt rules and regulations
19 that provide oversight and administrative review of state agency award and
20 recognition programs. The secretary of administration shall adopt rules and
21 regulations to provide safeguards to preclude opportunities for abuse
22 within the employee award and recognition program in each state agency
23 and to ensure objective decision-making procedures in award and
24 recognition determinations for all participating employees.

25 (g) (1) (A) The secretary of administration shall establish a state
26 employee suggestion program through which state employees may submit
27 suggestions for cost reductions to their respective state agency through
28 increased efficiencies or other economies or savings in the operations of
29 the state agency.

30 (B) Each employee making a suggestion for cost reduction shall be
31 awarded a monetary or non-monetary employee award or awards for
32 innovation pursuant to subsection (b) of this section upon adoption of the
33 suggestion by the state agency. Monetary awards for innovation shall be
34 nondiscretionary and shall be in the amount of 10% of the cost reduction,
35 accrued during the first 12 months after implementation of the suggestion,
36 as documented to the division of the budget, up to a maximum of \$5,000.
37 Should multiple employees make similar suggestions for cost reduction, as
38 determined by the state agency, each employee shall submit to the head of
39 the state agency a list of each employee's percentage contribution to the
40 suggestion for cost reduction. Upon adoption of the suggestion by the state
41 agency, the head of the state agency shall make the final determination as
42 to each employee's percentage contribution. Such multiple employees shall
43 then share the documented cost reduction in such percentage shares as

1 determined by the head of the state agency, up to a maximum of \$5,000
2 per employee.

3 (C) The state agency shall retain 10% of the documented cost
4 reduction. Savings achieved through this cost reduction shall be placed in
5 a separate special revenue fund or funds for such purpose to be
6 administered by that state agency. The remaining balance of the savings
7 achieved through this cost reduction shall revert to the state general fund.

8 (2) Each state agency shall submit each suggestion it receives,
9 together with the state agency's estimated cost reduction, if any, and
10 dispensation of the suggestion to the division of the budget. The director of
11 the budget shall file copies with the director of the legislative research
12 department, who shall report annually on the information to members of
13 the legislative budget committee.

14 (3) Each state agency that has awarded an employee under the state
15 agency's employee suggestion program pursuant to this subsection shall
16 report all information related to the award to the secretary of
17 administration.

18 (4) At the beginning of each regular session of the legislature, the
19 secretary of administration shall provide all information received by state
20 agencies pursuant to subsection (g)(3) to the appropriate committees of the
21 legislature.

22 (5) The secretary of administration shall provide all information
23 regarding the state employee suggestion program to all state agencies by a
24 pamphlet, brochure or by publication on the official website of the
25 department of administration.

26 (h) (1) *The secretary of administration may grant a monetary award*
27 *to a state employee who reports activity that constitutes fraud, waste or*
28 *abuse in any program administered by a state agency if the secretary of*
29 *administration, in consultation with the office of inspector general*
30 *established under K.S.A. 75-7427, and amendments thereto, or attorney*
31 *general, determines that such report results in the saving of state funds.*
32 *Unless the state employee is the original source of the information, the*
33 *secretary of administration shall not grant an award to such state*
34 *employee in connection with such report if the:*

35 (A) *Office of inspector general or attorney general had independent*
36 *knowledge of the activity;*

37 (B) *office of inspector general or attorney general had an open*
38 *complaint or investigation on the person or entity named in such report;*

39 (C) *state or any agent of the state was a party to civil or criminal*
40 *proceedings in which the allegations were disclosed;*

41 (D) *allegations were disclosed in a legislative or administrative*
42 *report, hearing, audit or investigation;*~~*or*~~

43 (E) *allegations were disclosed by the news media; or*

1 *(F) state employee's information was derived from the investigating*
2 *or auditing of state agencies or the functions of state government as part*
3 *of such state employee's position or regular job duties.*

4 *(2) A state employee who makes a report under this subsection shall*
5 *declare at the time of making such report that such state employee is*
6 *reporting the potential fraud, waste or abuse in accordance with this*
7 *subsection.*

8 *(3) The award granted under this subsection shall be 10% of the*
9 *amount of the savings realized by the state that resulted from such state*
10 *employee's report of fraud, waste or abuse after deducting the costs of*
11 *investigation and recovery. Such award shall be granted only after the*
12 *secretary has collected the funds to be awarded.*

13 *(4) Any disciplinary action taken against an employee of a state*
14 *agency as defined under K.S.A. 75-2973, and amendments thereto, for*
15 *making a report under paragraph (1) shall be governed by the provisions*
16 *of K.S.A. 75-2973, and amendments thereto.*

17 *(i) Awards and incentives and other recognition pursuant to this*
18 *section shall not be deemed in violation of K.S.A. 46-237a, and*
19 *amendments thereto.*

20 ~~(i)~~(j) Any person elected or appointed to a state agency position shall
21 not be a recipient of a monetary award under this section.

22 Sec. 2. K.S.A. 75-37,105 is hereby repealed.

23 Sec. 3. This act shall take effect and be in force from and after its
24 publication in the statute book.