

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact of HB 57 on local governments is anticipated to be significant.

Kentucky local government construction outlays in 2012, excluding school and special districts, totaled \$722.1 million (2012 Census of Governments – based on survey data). Supplies, materials, and components are estimated to comprise about forty percent of the net value of construction work done in Kentucky (data extrapolated from the 2007 Economic Census). **Based on the \$722.1 million, an overall price increase of one percent would increase annual local government construction costs by over seven million dollars.**

If one assumes that local governments would seek a waiver from the requirement to buy Kentucky or American supplies, materials, and components if lower cost supplies, materials, and components were available from outside Kentucky or America, respectively; then, increased costs may be borne by local government due to factors including:

1. Firms based in Kentucky and America, already supplying materials, may charge higher prices due to the preference policy; and
2. Contractors may increase fees for ensuring compliance with the Kentucky Buy American Act; and
3. Delays may result in construction bid or proposal openings due to accommodating the request for a second waiver.

It is possible that the Kentucky Buy American Act's procurement requirements would generate additional local tax revenue to partially offset the increased costs at the aggregate level. However, localities in which the suppliers are based may differ from the localities executing the project, therefore, the additional tax revenues would not necessarily accrue to the locality bearing the cost of the project.

Data Source(s): LRC Staff Economist's Office, Kentucky Finance and Administration Cabinet, Kentucky League of Cities, National Conference of State Legislators, National Association of State Procurement Officials "In-state Preferences" Briefing Paper (August 2012)

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