## Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2016 Regular Session

## **Part I: Measure Information**

Bill Request #: 301
Bill #: HB 73
Bill Subject/Title: AN ACT relating to Kentucky jobs.
Sponsor: Representative Rick Nelson
Unit of Government:        x     City     x     County     x     Urban-County       x     Charter County     x     Consolidated Local     x     Government
Office(s) Impacted: All local government offices
Requirement: x Mandatory Optional
Effect on  Powers & Duties:x _ Modifies Existingx _ Adds New Eliminates Existing

## **Part II: Purpose and Mechanics**

HB 73 amends KRS Chapter 336 to establish definitions and to require contractors in public works projects over \$250,000 to have 51% of its employees on the project be Kentucky residents and 15% of its employees be apprentices in an approved apprenticeship program for the entirety of the project; requires that public works projects of \$250,000 or less have at least one apprentice in an approved apprentice program, requires a public authority to include the employment requirements in the bid and contract for the project, provides for separate written notice of the requirements and requires monthly reports, monitoring and enforcement to verify and assure compliance. HB 73 also amends KRS 336.990 to provide civil penalties for violation.

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

The fiscal impact of HB 73 on local government is indeterminable but is expected to be minimal.

The Kentucky League of Cities (KLC) states that HB 73 would have a moderate administrative impact and a minimal financial impact on city governments doing any sort of capital projects. The administrative burden comes from having to provide written

notice of requirements in the legislation to all contractors and subcontractors awarded contracts. After the award, the city would have to collect monthly reports from all contractors and subcontractors to verify compliance with the provisions of the bill. The legislation does not specify what needs to be on the reports, nor does it direct the Kentucky Labor Cabinet to create a sample report for local government use. KLC also notes that the phrase, "Employees on the project" is not defined, leaving how to classify employees that are "employed on the project" open to considerable interpretation. The legislation requires cities to include these new requirements in their written contract and verify their compliance, which, KLC adds, may lead to contract disputes and potential litigation.

Related to the financial impact, KLC states that this legislation could drive up personnel costs on major public construction projects for cities. Particularly in areas along the state's border, construction companies doing business in (or drawing workers from) other states may no longer qualify to bid on public construction projects in Kentucky. The lack of apprentices may also cause a problem for potential bidders, possibly increasing costs. If these non-qualifying entities otherwise would have been the low bidder, then the local taxpayers may be paying more for the same project. Potential litigation, as outlined in Section 3, could also cost cities in court and in time lost on the project.

Data Source(s	): Kentucky League	of Cities, Ken	tucky Association of Co	<u>ounties</u>	
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