

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION**

MEASURE

2017 BR NUMBER **1128**

HOUSE BILL NUMBER **240**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to public construction.**

SPONSOR **Representative Gentry**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			
EXPENDITURES	Indeterminable	Indeterminable	Indeterminable
NET EFFECT	(Indeterminable)	(Indeterminable)	(Indeterminable)

() indicates a decrease/negative

MEASURE'S PURPOSE: The measure would require contractors and subcontractors for public works estimated to cost over \$1,000,000 to participate in applicable apprenticeship programs.

PROVISIONS/MECHANICS: Section 1 creates a new section of KRS Chapter 343 that requires participation in applicable apprenticeship programs by all contractors and subcontractors for public works estimated to cost over \$1,000,000. The requirement shall be part of the specifications, bid forms, and contracts for the construction of public works. It shall also be part of the contractors' performance bonds.

Section 2 amends KRS 343.010 to define "public authority" and "public works."

Section 3 states the purpose of the act.

FISCAL EXPLANATION: There is the potential that the cost of public works projects could increase due to the bill's requirements, but the fiscal impact of this bill is indeterminable at this time.

Contractors and subcontractors that want to bid on public works projects that do not already have apprenticeship programs, would have to develop one, and the costs of those programs could increase bids. Fewer contractors or subcontractors might bid on public works projects if they choose not to have apprenticeship programs. If state agencies are required to monitor contractors and subcontractors on state projects for compliance with the provisions of the bill, then additional staff may be required.

Due to their large number of public works projects, the Transportation Cabinet was asked to comment on the potential fiscal impact and the Cabinet stated the fiscal impact is unknown at this time, however it is anticipated to be significant. Depending on how the apprenticeship requirement is implemented, the Cabinet may be required to enforce the provisions of the bill, which could include monitoring of contractors and/or apprentices to ensure they are in compliance. Additional Cabinet staff would likely be required. If every contractor bidding for projects estimated to cost more than \$1 million is required to implement an apprenticeship program, project bids may increase. Currently, federally-funded projects utilize trainees through entities such as the Kentucky Association of Highway Contractors and labor unions, but it's not clear if those arrangements would meet the requirements of the bill. The Cabinet indicated that in calendar year 2016 there were 42 state-funded projects costing more than \$1 million. To the extent that contractors for these projects do not already have apprenticeship programs, they would either have to develop an apprenticeship program in-house or collaborate with another entity to meet the requirements of HB 240. If this added requirement drives up project bids, the Cabinet's funds will not stretch as far as they otherwise would.

The U.S. Department of Labor says the benefits of apprenticeship programs for employers include: developing highly-skilled employees, reduced turnover rates, increased productivity and lower cost of recruitment. If those benefits are accurate, companies with established apprenticeship programs could have lower personnel costs and therefore submit lower bids on state projects. The Kentucky Labor Cabinet stated the bill would not have any fiscal impact on the Cabinet.

DATA SOURCE(S): Labor Cabinet, Transportation Cabinet, U.S. Department of Labor

PREPARER: Greg Troutman NOTE NUMBER: 46 REVIEW: JRS DATE: 2/15/2017