

waiver.

If a local governments does not 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.

According to the 2016 Annual Survey of State and Local Governments*, Kentucky local government construction outlays in 2016, including schools and special districts was \$1,525 billion. Of this amount, supplies, materials, and components comprise 38.6% of the net value of construction work done in Kentucky (data extrapolated from the 2012 Economic Census*) and labor cost comprises 61.4%. Cost net of labor is \$588,650,000. If a waiver is not issued, a local government could potentially realize a price increase of one percent or \$5.88 million for each \$588 million increase in material cost. The one percent is provided as an example; any increase in price may be lesser or greater than one percent.

**The U.S. Census Bureau conducts a Census of Governments of all state and local government organization units every 5 years, for years ending in 2 and 7. As of the preparation date of this local mandate statement, the 2017 data needed to update these estimates has not been published. Likewise, the 2016 Annual Survey of State and Local Governments is the most recent data available.*

HB 114 would have a greater impact on larger counties capable of initiating significant capital projects.

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.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II, above, pertains to the bill as introduced.

Data Source(s): LRS Staff, 2012 Census of Governments, 2016 Annual Survey of State and Local Governments

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