

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2020 Regular Session**

Part I: Measure Information

Bill Request #: 323

Bill #: HB 77

Document ID #: 775

Bill Subject/Title: AN ACT relating to prevailing wage.

Sponsor: Representative Joni Jenkins

Unit of Government: City County Urban-County
Unified Local
 Charter County Consolidated Local Government

Office(s) Impacted: public construction projects

Requirement: Mandatory Optional

Effect on

Powers & Duties: Modifies Existing Adds New Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 77 would create a new section of KRS Chapter 337 to establish that contracts entered into by a public authority for construction of public works in excess of \$250,000, stipulate that not less than the prevailing hourly wage be paid to all employees performing work under the contract. The bill would essentially repeal HB 3, passed by the General Assembly in 2017, that repealed Kentucky's prevailing wage requirement effective January 9, 2017. HB 77 would amend current statutes and create new sections of KRS Chapter 337 to implement the requirement for payment of prevailing wage.

The bill would define "public authority" to include:

[A]ny officer, board, commission, political subdivision, or department of this state, or any institution supported in whole or in part by public funds, including publicly owned or controlled corporations, authorized by law to enter into any contract for the construction of public works.

The fiscal impact of HB 77 on local governments is inconclusive. Numerous studies have been conducted in order to determine whether a prevailing wage requirement increases or decreases the costs of constructing public works projects. A 2014 report by the Legislative Research Commission's Program Review and Investigations Committee, while noting several limitations of their research methodology, concluded that Kentucky's prevailing wage requirements in force at the time increased labor costs (not total construction costs) for a sample of school projects by 51 percent and by 6.7 percent on Finance Cabinet projects, relative to what labor costs would have been if workers were paid the same rate they earn on private construction projects. Other studies have concluded that prevailing wage does not increase the cost of public construction, and assert that lower cost labor results in substandard construction, more injuries which drives pressure on the workers compensation system, and economically insecure workers, which ultimately drives up costs and increases pressure on social services.

Kentucky League of Cities (KLC) believes HB 77 would result in a significant increase in construction costs for cities. KLC estimates that, based on cities' FY 2018 construction expenditures, a prevailing wage requirement would have increased total construction costs approximately 11% per year over a 5-year period.

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

Part II addresses HB 77 as introduced.

Data Source(s): Draft Report, Program Review and Investigations Committee, "How Kentucky's Prevailing Wage Laws Affect Public Construction," 2014; Kevin Duncan, Ph.D., Frank Manzo IV, M.P.P., "The Economic, Fiscal, and Social Effects of Kentucky's Prevailing Wage Law," December 15, 2016, submitted to the Kentucky State Building and Construction Trades Council; Kentucky League of Cities.

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 2/11/20