

the construction bids or proposal openings, if necessary, to accommodate requests for the second waiver.

Even if local governments seek a waiver from the requirement to buy Kentucky or American supplies, materials, and components, they may still have increased costs due to factors including:

1. Firms based in Kentucky and America, already supplying materials, charging higher prices due to the preference policy; and
2. Contractors increasing fees for ensuring compliance with the Kentucky Buy American Act; and
3. Localities delaying construction bids or proposal openings due to accommodating the request for a second waiver.

Therefore, the fiscal impact of HB 139 on local governments is anticipated to be moderate to significant, with a greater impact on larger counties capable of initiating significant capital projects. Kentucky local government construction outlays in 2019, excluding school and special districts, totaled \$747.5 million (2019 Census of Governments – based on survey data). [The Kentucky League of Cities said that cities reported over \$635 million in fiscal year 2020 construction projects.] Adjusting for inflation, the local government construction outlays for 2023, excluding school and special districts, are estimated to total \$759.9 million. Supplies, materials, and components are estimated to comprise about thirty-eight percent of the net value of construction work done in Kentucky (data extrapolated from the 2017 Economic Census). **Based on the \$759.9 million, an overall price increase of one percent would increase annual local government construction costs by over seven million dollars.**

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 applies to the bill as introduced. There are no previous versions.

Data Source(s): LRC Staff Economist's Office, Kentucky League of Cities, National Conference of State Legislatures, National Association of State Procurement Officials "In-State Procurement Preferences" Briefing Paper (December 1, 2020)

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