

construction bid or proposal openings shall be delayed, if necessary, to accommodate requests for the second waiver.

Regardless of whether local governments 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, 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.

Therefore, the fiscal impact of HB 417 on local governments is anticipated to be moderate to significant, with a greater impact on larger counties capable of initiating significant capital projects. This measure would have a greater impact on larger counties capable of initiating significant capital projects. 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. Based on a possible one percent increase in in costs resulting from the factors above, would increase annual local government construction costs by over \$7 million.

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): LRC Staff, Kentucky League of Cities

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