

solicitation or advertisement for bids.” Therefore, irrespective of whether localities, twenty-four percent of cities, adopted the Local Model Procurement Code; this legislation would apply.

The tiered scoring bonus is three percent for businesses qualifying as resident bidders; two percent for bidders with the majority of employees and independent contractors necessary to administer the contract located within Kentucky, even if the businesses themselves do not qualify as resident bidders; and five percent for bidders with the majority of employees and independent contractors necessary to administer the contract located in a Kentucky county outside a metropolitan statistical area with, as determined by the U.S. Census Bureau, a median family income below Kentucky’s median family income. A business meeting all of the above criteria would receive a ten percent scoring bonus.

The legislation may have a nil to significant fiscal impact. Depending upon how much higher the resident bids are relative to the nonresident bids, the legislation could increase contract costs by up to the ten percent maximum scoring bonus. The legislation excludes partially or wholly federally funded contracts where the preference would run counter to the purpose for which the federal funds were provided and stipulates that no KRS 45A.494 preference shall be awarded to a bidder if that preference conflicts with federal law; which would be most federal projects.

The Kentucky League of Cities calculated \$575 million in fiscal year 2020 city construction projects, from the Uniform Financial Information Reports submitted to the Department for Local Government. Ten percent of that is \$5.75 million. However, the \$575 million includes federally funded projects. Also, initial resident bids may be lower and it is unlikely that most resident entities would receive the entire ten percent scoring bonus.

The legislation would have a greater effect on larger localities initiating sizeable capital construction projects; particularly if they are along a state border with more nonresident bidders. Louisville Metro is one example, with its proximity to Indiana as well as adjacent counties in its MSA, bidders further away would receive a higher scoring bonus. The legislation may also compound the effect of Louisville’s existing preferences. Louisville, through its local ordinance, provides an up to five percent preference for local business as defined by Section 37.02 of the Louisville Metro Code of Ordinances. Louisville also has an up to five percent minimum wage preference and an up to three percent preference for apprenticeship programs on construction projects of at least \$250,000.

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, Louisville-Jefferson County Metro Government

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