

February 28, 2013

The Honorable Marc Rhoades, Chairperson  
House Committee on Appropriations  
Statehouse, Room 111-N  
Topeka, Kansas 66612

Dear Representative Rhoades:

**SUBJECT:** Fiscal Note for HB 2334 by Representative Davis, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2334 is respectfully submitted to your committee.

HB 2334 would require all nonfederal state contracts for public works projects to include provisions for the contractor to pay employees a wage comparable to wages of similar classes of employees within the county where the work is performed. The bill would also provide a preference in selecting contractors who exclusively employ Kansas residents. HB 2334 would not apply to highway contracts entered into by the Secretary of Transportation for nonfederal aid state-funded projects and contracts for projects identified by the University Research and Development Act, as defined in current law.

The Board of Regents states the bill would create additional costs for the state universities. If contractors were required to pay employees a prescribed wage rate rather than a competitive free market, this would create an increase in construction costs, according to the Board. HB 2334 would also require additional administrative time at the state universities involving in tracking the rates to be paid to employees and reviewing contractor documentation for compliance; the Board is not able to estimate the additional costs.

The Kansas Department of Transportation (KDOT) states that state-funded highway contracts are already covered by the prevailing wage statute. According to KDOT, HB 2334 would extend coverage to other state nonfederal aid projects such as building renovations. KDOT can mandate the requirement in a bid specification, but the bill does not address how this would be managed, verified, or overseen. The state may have to evaluate and determine the average pay for workers of a class within the county where the work is being performed because it would likely be requested by the contractor, according to KDOT. The agency states a permitted alternative would be to utilize existing federal prevailing wage rules to accomplish the wage determination.

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With regards to providing a preference to contractors that employ only Kansas residents, KDOT states it requires further clarification to determine the fiscal effect to the agency. KDOT states the provision, as written, does not indicate the amount of preference and when the preference would be applied, i.e., only in a tie-bid situation. Finally, KDOT indicates it could require additional FTE positions if the fiscal effect of implementing this bill exceeds the agency's resources. The Department of Administration states enactment of HB 2334 may result in additional administrative and enforcement costs, but the agency states it is unclear in the bill who would bear those expenditures. Any fiscal effect associated with HB 2334 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Ben Cleeves, KDOT  
Dawn Palmberg, KDOL  
Steve Neske, Revenue  
Pam Fink, DofA  
Kelly Oliver, Board of Regents