

February 21, 2011

The Honorable Susan Wagle, Chairperson
Senate Committee on Commerce
Statehouse, Room 135-E
Topeka, Kansas 66612

Dear Senator Wagle:

SUBJECT: Fiscal Note for SB 171 by Senator Hensley, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 171 is respectfully submitted to your committee.

SB 171 would require all nonfederal state contracts for public works projects to include the 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.

The Kansas Department of Transportation (KDOT) states that nonfederal aid state-funded highway contracts are already covered by a prevailing wage statute. According to KDOT, SB 171 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 or verified. 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.

With regards to providing a preference to contractors that employ only Kansas residents KDOT states it would need clarification to determine the fiscal effect to the agency. KDOT indicates it appears the provision applies to all public works projects built for a state agency, regardless of funding source. The agency notes this would affect all current bid processes, including highway construction. 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.

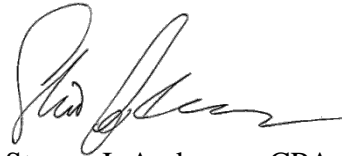
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The Department of Administration states it would have to make minor changes to bid documents. The Department notes that any increase in wage costs would be expected to be passed through to state agencies in the form of higher project costs. This would increase the cost to the agency's own public work projects. The Department states passage of SB 171 could result in an increase in operating expenditures, but that would depend on the number and the extent of the agencies' public works projects. The Board of Regents indicates passage of SB 171 would create additional administrative duties collecting and monitoring data submitted by contractors and subcontractors to verify compliance, but the additional responsibilities could be absorbed within existing resources. Any fiscal effect associated with SB 171 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

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

cc: Ben Cleaves, Transportation
Diane Duffy, Board of Regents
Pat Higgins, Administration