



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 152 of the 131st G.A. **Date:** May 4, 2016
Status: As Reported by House State Government **Sponsor:** Sen. Uecker

Local Impact Statement Procedure Required: No

Contents: Prohibits a public authority from using residency requirements or residency-based bid preferences in public improvement contracts

State Fiscal Highlights

- The bill prohibits a public authority from offering bid preferences for, or requiring a contractor to employ, a certain number or certain percentage of local residents on professional design services and construction of a public improvement. This would include contracts that are managed or funded through certain state agencies such as the Ohio Facilities Construction Commission (OFCC) and Ohio Department of Transportation (ODOT).
- If more contractors are able to bid on professional design or construction contracts, this may reduce the state's overall construction costs.

Local Fiscal Highlights

- Prohibiting a public authority from offering bid preferences for, or requiring a contractor to employ, a certain number or certain percentage of local residents could expand the number of professional design or construction contractors willing to bid on projects. If so, this could potentially lead to lower contract costs through the competitive bidding process.
- The bill specifies that if state funds are used in a contract, the applicable political subdivision can neither require, nor prohibit the contract to include a project labor agreement (PLA). Because a variety of factors determine a construction project's ultimate cost, the impact of this provision of the bill is indeterminate.

Detailed Fiscal Analysis

The bill prohibits a public authority from requiring a contractor, as part of a prequalification process for the construction of a specific public improvement or the provision of professional design services for that public improvement, to employ as laborers, a certain number or percentage of individuals who reside within the public authority's defined geographic or service area. The bill also prohibits providing a bid award bonus or preference to a contractor as an incentive to employ laborers residing within the geographic area of a public authority. Finally, the bill specifies that a political subdivision can neither require, nor prohibit a contract to include a project labor agreement (PLA), if that contract is paid for in whole or in part through state funds.

In addition, the bill repeals current law provisions that require a contractor to comply with political subdivision regulations or ordinances about residency requirements or use of local businesses that were in effect before July 1, 2009. These current law provisions apply to projects under three conditions. The first is when a project is for construction or improvements administered by the Ohio Facilities Construction Commission (OFCC) or by another authorized state agency, or the project is for road or highway improvements overseen by the Ohio Department of Transportation (ODOT) or any local public authority authorized to administer such a project. The second condition is that the project be located in a municipal corporation with a population of at least 400,000 that is in a county with a population of at least 1.2 million. The third condition under which current law residency requirements apply is when the political subdivision contributes at least \$100,000 to the project.

Overall, eliminating the ability of a public authority to specify these type or residency requirements or to offer bid preferences for contractors that supply a certain number or percentage of local labor could expand the pool of potential contractors that would be able to bid on public improvement contracts. This is because there may be several contractors that currently do not employ a large enough percentage of their workforce from a specific geographic area and thus may not meet the bidding or preference criteria related to local labor employment. Without these contract specifications, it is possible that public authorities field more bids for contracts. This could in turn result in lower project costs for subdivisions as well as for contracts managed or funded through state agencies such as OFCC and ODOT. Finally, it is unclear as to whether or not the provisions related to project labor agreements would have a tangible impact on contract costs. This is because there are a variety of inputs and variables, not just labor costs, that ultimately affect the cost of public construction.