

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4223-01
Bill No.: HB 1272
Subject: Labor and Management; Employees-Employers; Political Subdivisions
Type: Original
Date: January 18, 2018

Bill Summary: This proposal allows public bodies to opt out of prevailing wage laws for the construction of public works projects that are \$750,000 or less.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Other State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on Other State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the proposal would allow any public body to opt out of the provisions of 290.230 for projects with a contract award of \$750,000 or less. DOLIR assumes this would reduce the number of public works projects that are subject to the prevailing wage requirement and thus, reduce the number of complaints received regarding prevailing wage issues.

Current statute requires DOLIR to issue prevailing wage orders and to investigate complaints relating to prevailing wage. However, funding for these activities was eliminated in the FY 2018 budget. In order to assure that employers are able to comply with the law, DOLIR has redirected some existing resources so that a new prevailing wage order can be issued by the March 2018 deadline.

Though the number of prevailing wage complaints is expected to decrease as a result of this legislation, current resources are inadequate to address any complaints received. DOLIR anticipates that, should this bill be approved, it would pursue additional resources via the appropriations process.

Officials from the **Office of Administration-Facilities Management, Design and Construction (OA-FMDC)** assume the proposal would allow OA-FMDC to opt out of requiring contractors to pay prevailing wage on projects that are less than \$750,000.

A review of scholarly articles shows that there is no generally accepted methodology for determining the cost savings, if any, that may result from legislation such as this. A number of factors would affect FMDC's cost savings, if any, from this proposal, including, but not limited to, how much contractors choose to pay their employees in the absence of prevailing wage and whether contractors choose to pass on any labor costs savings to FMDC. Any Facilities Maintenance Reserve Fund (FMRF) savings will be used to decrease other deferred maintenance projects.

This proposal could potentially affect the rental rates for future leases and improvements at leased facilities, as property owners are presently obligated to pay prevailing wage for alterations or improvements made to properties leased by the State. However, FMDC cannot calculate the impact of this legislation on rental rates for the reasons discussed above. Any savings from the elimination of prevailing wage will be used to offset increased costs for rental rates because of increases by the Lessor, or increases in janitorial and utilities.

ASSUMPTION (continued)

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will have an unknown positive fiscal impact but would be greater than \$100,000 due to savings of wages paid for construction if MDC opted out as provided in the proposed legislation.

Officials from the **City of Columbia** assume the proposal does not appear to have a negative fiscal impact.

Officials from the **City of Springfield** assume the proposal has no clear fiscal impact.

Officials from the **Missouri Western State University** assume the proposal would have a positive fiscal impact. The majority of their projects are under the \$750,000 threshold that this proposal addresses.

Officials from the **University of Central Missouri** assume the impact would be similar to that of HB 1270, where University of Central Missouri would see cost savings for the smaller dollar projects not only in billable costs but in University of Central Missouri employee cost in reviewing the documentation submitted with an invoice, requesting the missing information, and following up. They assume decreased fiscal impact based on contract and ability to opt out of paying prevailing wage.

Officials from the **Missouri State University** assume the proposal will have a positive fiscal impact of an undetermined amount.

Officials from the **State Technical College of Missouri** assume the proposal will have a positive fiscal impact.

Officials from the **Northeast Nodaway R-V Schools** assume the proposal would save the school district thousands of dollars since they are in a rural area.

Officials from the **West Plains Schools** assume the proposal would save the school distribution \$100,000-\$150,000 annually.

Officials from the **Summersville R2 School District** assume the proposal could have a beneficial fiscal impact when paying construction costs on future projects. Without knowing size, scope, and number of future projects, it is impossible to put a specific dollar amount on the fiscal impact.

ASSUMPTION (continued)

Officials from **Shell Knob School District** assume this proposal would allow for huge savings.

Officials from the **Kirkville R-III School District** assume the proposal will have a positive fiscal impact.

Oversight assumes this proposal allows public bodies to opt out of prevailing wage laws for the construction of public works that are \$750,000 or less. As stated by OA, there are many factors that affect the cost savings that we cannot estimate. Therefore, Oversight will reflect a \$0 or unknown savings to the General Revenue Fund, Other State Funds, and the Local Political Subdivisions.

Officials from the **Department of Transportation, Office of Administration-Personnel, and Office of Administration-Administrative Hearing Commission** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Jackson County Board of Election Commissioners, Boone County, St. Louis County, St. Louis Board of Election Commissioners, and City of Kansas City** each assume the current proposal will not fiscally impact their respective agencies.

Officials from the **University of Missouri** assume the proposal will have no fiscal impact on their organization.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark City, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, St. Charles City Administrator, St. Louis City Budget Division, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Clinton, Cole, Cooper, Davies, Dekalb, Dent, Franklin, Greene, Holt, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, and Worth did not respond to **Oversight's** request for fiscal impact.

ASSUMPTION (continued)

Officials from the following **colleges and universities**: Crowder, East Central, Harris-Stowe, Jefferson College, Kansas City Metropolitan Community College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, and Truman State University the did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **school districts**: Alton R-IV, Arcadia Valley R-2, Ash Grove R-IV, Ava R-1, Avilla R-13, Bakersfield R-4, Belton School District #124, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Bradleyville R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Couch R-1, Crawford County R-1, Crawford County R-2, Crocker R-II, Delta C-7, East Carter R-2, East Lynne 40, East Newton R-6, Eldon R-I, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Gasconade County R-1, Glenwood R-8, Grain Valley, Green City R-1, Green Ridge R-8, Hallsville R-IV, Hancock Place, Hannibal School District #60, Harrisonburg R-8, Harrisonville, Hartville R-11, Hazelwood, Henry County R-1, Hillsboro R-3, Holcomb R-III, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jasper R-5, Jefferson City, Kansas City, Kennett #39, King City R-1, Kirbyville R-VI, Lathrop R-2, Lee Summit, Leeton R-10, Lewis County C-1, Liberty, Lincoln R-2, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-IV, Madison C-3, Malta Bend, Maplewood Richmond Heights, Marshfield R-1, Maryville R-II, Maysville R-1, Meadville R-IV, Mehville School District R-9, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Miller R-11, Moberly, Montgomery County R-11, Morgan County R-2, Mountain Grove R-III, Mt. Vernon R-V, New Bloomfield R-III, New Haven, Niangua R-5, Nixa, North Harrison R-3, North Kansas City, North St. Francois Co. R-1, Northwest R-1, Oak Ridge R-6, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County, Osage R-2, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City R-6, Plato R-5, Polo R-VII, Prairie Home R-5, Princeton R-5, Purdy R-II, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Rich Hill R-IV, Richards R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Rockwood School District, Salisbury R-4, Sarcoux R-2, Scotland County R-I, Scott City R-1, Sedalia, Seymour R-2, Sherwood Cass R-5, Sikeston, Silex, Smithville R-2, South Harrison R-11, Southland C-9, Sparta R-III, Special School District of St. Louis County, Spickard R-II, Spokane R-VII, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Stanberry R-III, Stewartsville C-2, Sullivan, Sweet Springs, Trenton R-1x, Valley Park, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Warsaw R-IX, Waynesville, Webster Groves, Wellsville Middletown R-

ASSUMPTION (continued)

1, Wentzville R-IV, Westran R-1, Westview C-6, Willard R-2 and the Wright City R-2 School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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GENERAL REVENUE FUND

Savings - allows public bodies to opt out of prevailing wage laws for public works projects \$750,000 or less	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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OTHER STATE FUNDS

Savings - allows public bodies to opt out of prevailing wage laws for public works projects \$750,000 or less	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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LOCAL POLITICAL SUBDIVISIONS

Savings - allows public bodies to opt out of prevailing wage laws for public works projects \$750,000 or less	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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FISCAL IMPACT - Small Business

There could be a fiscal impact to contractors and subcontractors who bid on public works projects.

FISCAL DESCRIPTION

This bill allows any public body to opt out of the provisions regarding prevailing wages for the construction of public works projects for which the contract awarded is \$750,000 or less.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Office of Administration-Facilities Management, Design and Construction
Missouri Department of Conservation
City of Columbia
City of Springfield
Missouri Western State University
University of Central Missouri
Missouri State University
State Technical College of Missouri
Northeast Nodaway R-V Schools
West Plains Schools
Summersville R2 School District
Shell Knob School District 78

SOURCES OF INFORMATION (continued)

Kirksville R-III School District
Department of Transportation
Office of Administration-Personnel
Office of Administration-Administrative Hearing Commission
Jackson County Board of Election Commissioners
Boone County
St. Louis County
St. Louis County Board of Election Commissioners
City of Kansas City
University of Missouri

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope".

Acting Director
January 18, 2018