

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0778-01
Bill No.: SB 185
Subject: Administration, Office of; Contracts and Contractors; Employees-Employers;
 Labor and Industrial Relations Dept.; Labor and Management; Political
 Subdivisions; State Departments
Type: Original
Date: February 8, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue *	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund *	(Unknown)	(Unknown)	(Unknown)

* expected to be less than \$100,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Office of Administration, Division of Purchasing and Materials Management** assume this proposal would prohibit bid specifications and contracts established by public agencies from imposing certain labor requirements on bidders and contractors. DPMM solicits bids for a few public works contracts. Currently, DPMM does not require bidders to enter into or adhere to agreements with labor organizations. This legislation would not have an impact on the DPMM.

Officials from the **Department of Elementary and Secondary Education, the Department of Conservation, the Department of Higher Education, and the Department of Transportation** assume this proposal would have no impact on their organizations.

Officials from **Lincoln University** assume the proposal would have no adverse impact on their current practices.

ASSUMPTION (continued)

Officials from **Missouri Western State College, Southwest Missouri State University, East Central College, the University of Missouri, Linn State Technical College, Columbia Public Schools, Parkway School District, the City of Springfield, and Jasper County**, assume this proposal would have no impact on their organizations.

Officials from **Truman State University** assume that prevailing wage provisions currently add costs for both the institution and the bidders, primarily due to extra paperwork, etc. The only way to estimate savings under this proposal would be to survey costs for major construction projects in non-prevailing wage states. Typically, half of the cost of construction is labor, so savings could be significant. Eliminating this requirement could bring more competition on bids, particularly from small businesses which may currently be discouraged by the paperwork. There should also be possible staffing reductions at the state level.

Oversight assumes this proposal would not eliminate existing prevailing wage requirements.

Officials from the **Metropolitan Community Colleges** assume this proposal would only have a positive fiscal impact on the Metropolitan Community Colleges. Due to the cyclical nature of construction at the college, an exact fiscal impact is not possible to estimate, although it could be in the range of \$25,000 to \$75,000 per \$1.0 million in construction contracts awarded.

Officials from **Platte County** assume the proposal would reduce public project construction costs by at least fifteen percent.

Officials from the **Department of Public Safety, Missouri Veterans Commission**, assume the impact of this proposal on their organization would be unknown.

Officials from the **Office of the Attorney General** (AGO) assume that costs may arise from this proposal if the state were required to pay attorneys' fees after a successful challenge of a government agency decision. The AGO assumes those costs would be less than \$100,000.

Oversight assumes this proposal could have an unknown negative impact on the state General Revenue Fund, but less than \$100,000 per year, and that the state General Revenue Fund would absorb the costs for other state funds. Oversight assumes that any other costs and savings from this proposal would be insignificant.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Costs – Office of Attorney General</u> Attorneys' fees *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
* expected to be less than \$100,000.			

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact small businesses involved in contracting with the state or local governments.

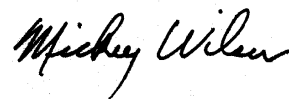
DESCRIPTION

This proposal would establish the Open Contracting Act for state and local public works projects. The proposal would prohibit state and local government agency bidding practices that would require or prohibit bidders, contractors, or subcontractors to enter into or follow agreements with labor organizations.

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

Office of Administration
 Division of Purchasing and Materials Management
Department of Elementary and Secondary Education
Department of Conservation
Department of Higher Education
Department of Transportation
Lincoln University
Linn State Technical College
Missouri Western State College
Southwest Missouri State University
Truman State University
University of Missouri
Metropolitan Community Colleges
East Central College
Platte County
Jasper County
Columbia Public Schools
Parkway School District
City of Springfield



Mickey Wilson, CPA
Director
February 8, 2005