

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0879-02
Bill No.: SB 349
Subject: Treasurer, State; Salaries; Labor and Management; Contracts and Contractors
Type: Original
Date: March 29, 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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Prevailing Wage Enforcement and Education Fund	Less than \$791,750	Less than \$950,100	Less than \$950,100
Various funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 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	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Office of Administration, Division of Budget and Planning** and **Division of Purchasing and Materials Management**, the **Department of Economic Development, Division of Workforce Development** and **Missouri Housing Development Commission**, and the **Department of Transportation** assume the proposal would have no impact on their organizations.

Officials from the **Department of Conservation** assumed the proposal would have an unknown negative impact on the Conservation Commission Fund.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the proposal would create some additional enforcement duties for the Department, but those duties would not have any fiscal impact. DOLIR noted the proposal would create a dedicated fund and require dedicated penalties be paid into the fund.

ASSUMPTIONS (continued)

In FY04, DOLIR assessed and collected \$121,630 in penalties that went to the contracting public body. This was based on the \$10 per day per worker penalty provided by the existing statutes. Increasing the amount of the proposed penalty to \$50 provides for an estimate of penalties due of \$608,150. In addition, DOLIR has FY04 penalties assessed but not yet collected in the amount of \$68,390. Under the new proposal, additional penalties in the amount of \$341,950 would be due to DOLIR, for a total due of \$950,100.

If passed, the effective date of the proposed penalty assessment to the Department would be in September 2005. Prorating for 10 months, using FY04 figures, the possible revenue for FY06 could be \$791,750 (\$950,100 divided by 12 months, x 10 months = \$791,750).

Assessed penalties decreased by 25% from FY02 to FY03. Penalties assessed increased by 4% from FY03 to FY04. Therefore, DOLIR assumes actual penalties assessed and collected would likely fluctuate.

Oversight assumes this proposal would result in revenues to the newly created Prevailing Wage Enforcement and Education Fund as estimated by DOLIR.

In addition, Oversight assumes there would be an unknown cost to the newly created fund since some current DOLIR employees involved in prevailing wage education and enforcement activities would be transferred to the new fund and there would be corresponding unknown savings to the General Revenue Fund. According to DOLIR budget documents, the cost of prevailing wage activities including data collection, determinations, education, and enforcement was approximately \$222,000 in FY 2002, \$216,000 in FY 2003, and \$172,000 in FY 2004.

Oversight also assumes the proposal would result in new revenues in the same amount as estimated by DOLIR but spread among the contracting public bodies, including the General Revenue Fund, other state funds, and local governments.

In response to similar proposals, officials from the **Office of the State Treasurer** have assumed the proposal would not have any significant impact on their organization.

Officials from **Boone County, Greene County, Jackson County, St. Charles County, St. Louis County, the City of Kansas City, and the City of St. Louis** did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Revenue</u> - Penalties	Unknown	Unknown	Unknown
<u>Cost reduction</u> - Department of Labor and Industrial Relations			
Personal Service	Unknown	Unknown	Unknown
Fringe Benefits	Unknown	Unknown	Unknown
Expense and Equipment	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
OTHER STATE FUNDS			
<u>Revenue</u> - Penalties	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
PREVAILING WAGE ENFORCEMENT AND EDUCATION FUND			
<u>Revenues</u> - Department of Labor and Industrial Relations			
Penalties	<u>\$791,750</u>	<u>\$950,100</u>	<u>\$950,100</u>
<u>Cost</u> - Department of Labor and Industrial Relations			
Personal Service	(Unknown)	(Unknown)	(Unknown)
Fringe Benefits	(Unknown)	(Unknown)	(Unknown)
Expense and Equipment	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PREVAILING WAGE ENFORCEMENT AND EDUCATION FUND	<u>Less than \$791,750</u>	<u>Less than \$950,100</u>	<u>Less than \$950,100</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
LOCAL GOVERNMENTS			
<u>Revenues</u>			
Penalties	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

This proposal could impact small businesses which contract with public bodies.

DESCRIPTION

This proposal would make changes to the prevailing wage for public work projects. The amount due to the contracting public body for penalties per worker per day for underpayment of wages would be increased from \$10 to \$50. An additional penalty per worker per day of the same amount would be implemented and deposited into the newly created Prevailing Wage Enforcement and Education Fund. Subject to appropriation, those revenues could be used by the Department of labor and Industrial Relations for education and enforcement activities related to the prevailing wage law.

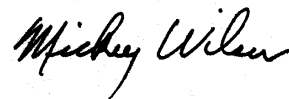
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
 Division of Budget and Planning
 Division of Purchasing and Materials Management
Department of Conservation
Department of Economic Development
 Division of Workforce Development
 Missouri Housing Development Commission
Department of Labor and Industrial Relations
Department of Transportation

NOT RESPONDING

Boone County
Greene County
Jackson County
St. Charles County
St. Louis County
City of Kansas City
City of St. Louis



Mickey Wilson, CPA
Director
March 29, 2005