

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1402-04
Bill No.: SCS for SB 291
Subject: Administration, Office of; Contracts and Contractors; Employees-Employers;
 Labor and Industrial Relations Dept.; Labor and Management; Political
 Subdivisions; State Departments.
Type: Original
Date: March 11, 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 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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Office of Administration, Division of Purchasing and Materials Management** (DPMM) assume the proposal would require DPMM to develop an affidavit for bidders. DPMM did not indicate any cost associated with the proposal.

Officials from the **Department of Labor and Industrial Relations** (DOLIR) assume the proposal would make some changes in the way the Division of Labor Standards (DLS) administers the Missouri Prevailing Wage Law. It would require the division to:

- Include apprentice hours in determination of prevailing wage rates.
- Determine county valuation to determine whether projects within that county have a threshold for coverage, and what that threshold would be.
- Determine whether or not a public body has "made a mistake" in order to know whether or not the public body is allowed to use any applicable threshold.
- Discard hours not supported by payroll records in determining prevailing wage rates during the objection process.

ASSUMPTIONS (continued)

- Assure that "targeting" or other similar funds are not used to pay workers.
- Review public body records to assure the body has received the affidavit(s) stating no "targeted" or similar funds are used.
- Notify the attorney general if penalties are still due public bodies or wages are still due workers.
- Commence all causes of action within two years of the accrual of the cause of action.

DLS currently has one Research Analyst III that does all analyses, and 2 Senior Office Support Assistants and one Wage & Hour Supervisor FTE that do review and/or data entry for wage orders. Currently, no apprentice hours are used in the determination of prevailing wage rates. The vast majority of construction apprenticeship programs approved by the United States Department of Labor's Bureau of Apprenticeship and Training (BAT) provide a ratio of a minimum of one apprentice to each journeyman. Most construction contractors that submit hours likely employ apprentices. Therefore DLS estimates that as much as twice the number of hours could be submitted.

To address those contractors that do not employ apprentices, DLS cut this amount in half. Therefore, the Division would expect 50% of what is currently received, which was 15,000 pages for FY04, or 7,500 additional pages of wage survey information yearly. To receive, review, analyze and use this information for determination of prevailing wage rates would therefore require .5 Research Analyst III FTE and 1 Data Entry Clerk or Senior Office Support Assistant FTE. The Division would attempt to use existing file cabinets and space for the additional wage information. If considerably higher amounts were submitted, the division might need additional file cabinets and space for them to store those records.

DOLIR assumes the Labor and Industrial Relations Commission (LIRC) would require additional time in processing, hearing and issuing decisions on those allegations. Assuming the DLS investigates the allegations with their present staff, it is believed there would be a minimal impact to the LIRC.

ASSUMPTIONS (continued)

DOLIR does not believe it would require additional core funding for LIRC. Since the LIRC is cost allocated, this legislation would impact the general revenue allotment received by the LIRC, in that additional hearings would be held by the LIRC. The additional time spent by staff and Commissioners to process, hear and issue decisions on the allegations, would increase the general revenue portion of the cost allocation. The LIRC would also require court-reporting services for the hearings, at an approximate cost of \$400 per hearing. At this time the LIRC is unable to estimate the increase to the general revenue allotment if the legislation is passed.

DOLIR submitted an estimated fiscal impact of \$47,258 for FY 2006, \$54,548 for FY 2007, and \$55,917 for FY 2008 for the DLS.

Oversight assumes there would be an unknown additional cost to the LIRC, including additional staff and fringe benefits for DLS and additional General Revenue Fund allocated costs for the LIRC. Oversight assumes the total would be less than \$100,000 per year. If unanticipated costs are incurred or if more than one proposal is passed requiring additional resources, needs could be requested through the state budget process.

Officials from the **Department of Mental Health** and the **Department of Social Services, Division of Youth Services** and **Division of Budget and Finance**, and the **Cole County Public Works Department** assume the proposal would have no fiscal impact on their organizations.

In response to a previous version of the proposal, officials from **St. Louis County**, the **City of Columbia**, the **City of Springfield**, and **Parkway School District**, assumed the proposal would have no fiscal impact on their organizations.

In response to a previous version of the proposal, officials from the **Columbia School District** assumed the proposal would create some cost for the district to revise its bid documents.

In response to a previous version of the proposal, officials from **Jefferson County** assumed the proposal would have a positive fiscal impact on their organization.

Officials from the **Department of Conservation** (MDC) assume the proposal legislation could have a positive effect on MDC funds due to lower bids on contracts. The exact amount of impact is unknown.

Oversight assumes that project costs or savings resulting from this proposal would be minimal.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Cost</u> - Labor and Industrial Relations	(Unknown)	(Unknown)	(Unknown)
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 amend the state Prevailing Wage Law. The Department of Labor and Industrial Relations (DOLIR) would include apprentice hours in determination of prevailing wage rates, and apply prevailing wage determinations based on locally measured wage rates, applied according to a county's most recent assessed valuation. DOLIR would determine whether that county would have a threshold for coverage, and what that threshold would be.

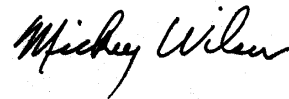
A public body that made a mistake in applying the prevailing wage law would lose its exemptions from the prevailing wage law.

Hours not supported by payroll records would not be included prevailing wage rate determinations during the objection process. Job "targeting" or other similar funds could not be used to pay workers on public projects, and public bodies would be required to obtain affidavit(s) from project contractors stating no "targeted" or similar funds are used.

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 Labor and Industrial Relations
Department of Mental Health
Department of Social Services
 Division of Youth Services
 Division of Budget and Finance
Jefferson County
St. Louis County
Parkway School District



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