

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1566-01
Bill No.: SB 334
Subject: Employees-Employers; Contracts and Contractors; Labor and Management
Type: Original
Date: February 21, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Highway	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

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
Highway	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

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 State Courts Administrator**, the **Office of Administration, Division of Design and Construction/Facilities Management and Division of Purchasing and Materials Management**, the **Department of Economic Development**, the **Department of Labor and Industrial Relations**, and **Jasper County**, assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would have no cost to the foundation formula. DESE does not know how much additional fine money might be collected by the Department of Revenue to distribute to schools. Any increase in this money distributed to schools becomes a deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula with a proration factor of 1.00.

ASSUMPTIONS (continued)

Oversight assumes there would be a limited number and amount of fines and penalties collected under this proposal, and that the impact to the state and the political subdivisions would be minimal.

In response to a similar proposal, officials from the **Department of Transportation** assumed the proposal would prohibit illegal aliens from working on publicly-financed projects, amend the statute involving the state "excessive unemployment law", and restrict the employment of laborers from other "restrictive states" on public works projects and improvements. In particular, the Missouri Department of Transportation (MODOT) has received a written determination from the Federal Highway Administration (FHWA), within the U.S. Department of Transportation (USDOT), that the provisions of the Missouri "Excessive Unemployment Law" may not be applied or enforced on a contract awarded by the Missouri Highways and Transportation Commission (MHTC), which is funded in part by USDOT funding. The written determination indicates that the enforcement of these state statutes on any FHWA funded projects would require the withdrawal of federal funds from these projects.

If MODOT enforces the "Excessive Unemployment Law" on FHWA funded projects, a withdrawal of federal funds from those projects would be required. MoDOT interprets the new subsection 2 (the imposing of penalties for violation of 290.560.1) to apply to state funded projects only and does not apply to any FHWA funded projects, therefore assumes no fiscal impact.

Oversight assumes the proposal would apply to any construction or maintenance contract with the state or its political subdivisions, and could result in the withdrawal of federal funding from any transportation project involving FHWA funding. Oversight assumes this would result in an unknown loss greater than \$100,000 for the state Highway Fund and for federal funds for highway maintenance and construction.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
HIGHWAY FUND			
Loss - MODOT Federal funding	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
FEDERAL HIGHWAY FUNDS			
Loss - MODOT Federal funding	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
ESTIMATED NET EFFECT ON FEDERAL HIGHWAY FUNDS	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
 <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 its political subdivisions.

DESCRIPTION

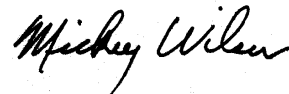
This proposal would create penalties for employing or subcontracting with an illegal alien on any publicly financed project. Any employer that knowingly accepts any state-administered or subsidized tax credit, tax abatement, or loan would be fined ten dollars per individual illegal alien per day each individual illegal alien was employed or subcontracted with, and the violator would not be eligible to bid on any publicly financed project submitted for bids for the ten years immediately following the last violation.

In addition, during a period of excessive unemployment, any contractor engaged by the state, any political subdivision, municipal corporation, or other governmental unit; for buildings, public works projects, or improvements, would be required to hire only laborers from Missouri or other nonrestrictive states. Violators of this section would forfeit as a penalty to the state, or the contracting political subdivision, ten dollars for each nonqualifying worker, for each calendar day or portion thereof. The public body awarding the contract would withhold and retain all amounts due and owing as a result of such violation when making payments to contractor.

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 State Courts Administrator
Office of Administration
 Division of Design and Construction/Facilities Management
 Division of Purchasing and Materials Management
Department of Economic Development
Department of Labor and Industrial Relations
Jasper County
Department of Elementary and Secondary Education



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Director
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