

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0592-01
Bill No.: SB 175
Subject: Employees-Employers, Employment Security, Labor and Industrial Relations
 Department
Type: Original
Date: February 6, 2007

Bill Summary: Would modify the prevailing wage law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Prevailing Wage Enforcement and Education Fund	Less than \$344,100	Less than \$412,920	Less than \$412,920
Other	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$344,100 to Unknown	Less than \$412,920 to Unknown	Less than \$412,920 to Unknown

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Administrative Hearing Commission and Division of Personnel, St. Louis County**, and the **City of Centralia** assume the proposal would have no fiscal impact to their organizations.

Officials from the **Department of Elementary and Secondary Education (DESE)** stated that the proposal would require contracting public bodies to collect and retain detailed records from each contractor and subcontractor and examine those records to ensure compliance with the provisions of the prevailing wage law. Those additional record keeping duties would likely pose a cost to local school districts; however, DESE assumed the costs would not be significant.

Officials from the **City of North Kansas City** did not estimate the cost to their organization. City officials stated that the proposal would result in additional administrative responsibility for their organization to store payroll records for an additional year and to notify the Department of Labor and Industrial Relations of work completion and final payment.

Officials from the **Office of the Attorney General (AGO)** assume the proposal would create an additional workload for their organization and AGO would require 2.0 FTE additional Assistant Attorney General to investigate, litigate, and fulfill the new authority under the provisions in the proposal.

AGO submitted an estimated cost for the additional employees and related equipment and expense totaling \$116,592 for FY 2008, \$140,804 for FY 2009, and \$145,026 for FY 2010.

Oversight assumes the additional cost, if any, could be absorbed by the AGO with existing resources. If unanticipated costs are incurred, or if multiple proposals are enacted which result in additional workload for the AGO, resources could be requested through the budget process.

ASSUMPTION (continued)

Officials from the **Department of Labor and Industrial Relations** (DOLIR) provided the following information:

In FY06, the Department assessed and collected \$63,160 in penalties that went to the contracting public body at the current \$10/day penalty. DOLIR estimated that ($\$63,160/10 = 6,316$ days) and ($6,316 \text{ days} \times \50) = \$315,800 estimated penalties if the proposal would be implemented. In addition, DOLIR assessed but has not yet collected penalties in the amount of \$40,070. Using the same process assessed but not yet collected penalties of \$200,350 would be due. Assuming that the number of penalty days would remain the same, estimated total FY 2006 penalties of \$516,150 would be imposed if the proposal was implemented.

Further, DOLIR stated that the effective date of the proposal would be in September 2007. Prorating for 10 months, using FY06 figures, the possible revenue for FY07 could be \$430,125 ($\$516,150$ divided by 12 months, x 10 months = \$430,125).

There was a 14% decrease in total penalties assessed in FY05 verses FY04, and there was a 37% decrease in total penalties assessed in FY05 verses FY06. Therefore, actual penalties assessed and revenue received for FY08, FY09, or FY10 will likely fluctuate. Based on this fluctuation, DOLIR indicated an "unknown" for general revenue impact as there could be minimal to no penalties collected in any certain year.

DOLIR assumed that local and state public entities may receive penalty funds if they have contracted for public works construction, a violation is determined on the project, and penalties are assessed and collected. Due to the variables involved, it is unknown what this impact could be.

Oversight assumes that the additional penalties generated by this proposal would result in unknown revenues to the newly created Prevailing Wage Enforcement and Education Fund, as estimated by DOLIR. Oversight also assumes there would be unknown costs 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. 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.

ASSUMPTION (continued)

	FY 2008 (10 Months)	FY 2009 (Full Year)	FY 2010 (Full Year)
Current revenue	\$86,025	\$103,230	\$103,230
Proposed revenue	\$430,125	\$516,150	\$516,150
Additional revenue	\$344,100	\$412,920	\$412,920

In addition, Oversight assumes the proposal would result in new revenues from the additional penalties in the same amount as estimated by DOLIR but spread among the contracting public bodies, including the state General Revenue Fund, other state funds, and local governments. Oversight assumes that any additional costs to the state and to local government would be minimal.

Oversight assumes the General Revenue Fund would have new revenues from the additional penalties as well as unknown cost savings resulting from the transfer of prevailing wage education and enforcement activities to the new fund.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Revenue</u> - Additional penalties	Unknown	Unknown	Unknown
<u>Cost reduction</u> - Department of Labor and Industrial Relations			
Personal Service (unknown FTE)	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>

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
OTHER STATE FUNDS			
<u>Revenue</u> - Additional 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			
Additional penalties	<u>\$344,100</u>	<u>\$412,920</u>	<u>\$412,920</u>
<u>Cost</u> - Department of Labor and Industrial Relations			
Personal Service (Unknown FTE)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Fringe Benefits	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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 \$344,100</u>	<u>Less than \$412,920</u>	<u>Less than \$412,920</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL GOVERNMENTS			
<u>Revenues</u>			
Additional 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.

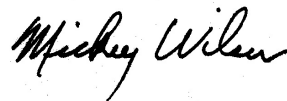
FISCAL DESCRIPTION

This proposal would modify 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 the Attorney General
Office of Administration
 Administrative Hearing Commission
 Division of Personnel
Department of Elementary and Secondary Education
Department of Labor and Industrial Relations
St. Louis County
City of Centralia
City of North Kansas City



Mickey Wilson, CPA
Director
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