

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0306-01
Bill No.: SB 30
Subject: Employment; Labor and Industrial Relations Department; Labor and Management
Type: Original
Date: January 11, 2013

Bill Summary: This proposal repeals all of the prevailing wage laws.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$4,900	\$4,900	\$4,900
Total Estimated Net Effect on General Revenue Fund	\$4,900	\$4,900	\$4,900

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Conservation Fund	Unknown greater than \$100,000	Unknown greater than \$100,000	Unknown greater than \$100,000
Total Estimated Net Effect on Other State Funds	Unknown greater than \$100,000	Unknown greater than \$100,000	Unknown greater than \$100,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	Unknown greater than \$100,000	Unknown greater than \$100,000	Unknown greater than \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Administrative Hearing Commission, Capitol Police, Department of Agriculture, Department of Corrections, Department of Health and Senior Services, Department of Higher Education, Department of Insurance, Financial Institutions and Professional Registration, Department of Mental Health, Department of Natural Resources, Department of Revenue, Fire Safety, Missouri Highway Patrol, Missouri Veterans Commission, Office of the Governor, Office of Prosecution Services, Office of State Courts Administrator, Office of the State Auditor, Office of the State Public Defender** and the **Office of State Treasurer** each assume there is no fiscal impact to their agency from this proposal.

Officials at the **Department of Social Services** defer to the Office of Administration for fiscal impact.

Officials at the **Department of Labor and Industrial Relations** assume this proposal eliminates the prevailing wage law in Missouri. The Labor and Industrial Relations Commission is responsible for handling prevailing wage objections under the current law. Should this bill pass they would not be responsible for handling the prevailing wage objections. This would result in a minimal savings (\$9,900) to the Department.

Officials at the **Office of Administration - Budget and Planning** assume this proposal repeals a penalty that can be assessed on employers that do not comply with the prevailing wage laws in the state. The legislation also repeals a fine that can be assessed on public bodies, contractors and subcontractors that violate prevailing wage laws. This proposal could annually reduce Total State Revenue by approximately \$5,000 or less.

Officials at the **Office of Administration - Division of Purchasing** assume they would no longer have to include prevailing wage language in bid solicitations.

Officials at the **Department of Conservation** assume an unknown positive impact of more than \$100,000, due to the reduction in construction costs.

Officials at the **Department of Economic Development (DED)** assume this may impact projects and programs administered by DED; however, they are unable to determine if this proposal would have a negative or positive impact on State Revenue.

ASSUMPTION (continued)

Officials at the **Department of Elementary and Secondary Education** assume no impact on the Department. However, this proposal could reduce public school district facility construction costs significantly. The Department can not estimate the potential savings.

Officials at the **University of Missouri** assume little impact from this proposal. Should there be an impact it is expected to be less than \$100,000.

Officials at the **University of Central Missouri (UCM)** estimate a savings on all construction/renovation/ remodeling projects on campus. UCM Facilities management estimates a 15% reduction in labor costs on all construction-related projects. Since roughly 50% of project costs are for labor, for every \$100,000 spent on construction, there would be a savings of about \$7,500.

Officials at the **City of Kansas City** assume an unknown amount of savings related to the time staff spends investigating prevailing wage compliance and enforcing prevailing wage violations. Any potential increase in revenues will likely be offset by the loss of liquidated damages. Additionally, an unknown amount of loss will likely occur from the proposal. The amount of loss is related to the liquidated damages that are collected for prevailing wage violations. Any potential loss will likely be offset by the savings related to staff time.

If the passage of this proposal results in lower wages than the current prevailing wages, the City would experience a loss in earnings tax collections, since those collections are directly related to income earned.

This proposal may have an impact on state income tax and local earnings taxes. **Oversight** considers the impact to be indirect and will not reflect the impact in this fiscal note.

Officials at the **Mexico School District** assume it has been the experience of the District that of a particular project, two-thirds of the total is made up of materials and the remaining one-third is labor. Of that labor, they estimate somewhere between 20% to 40% can be attributed to prevailing wage, depending on the type of project undertaken. Which translates to between 7% and 13% of an overall project. The District's most recent Energy Savings project was just over \$5.8 million. Using 10% as a rule of thumb for calculating prevailing wage, it cost the school district an additional \$580,000 for prevailing wage.

ASSUMPTION (continued)

Officials at the **Lincoln University** assume some savings may be realized with this proposal, as long as the project is not funded in part or whole by the federal government, which must follow the Davis-Bacon Act. The impact of this legislation cannot be determined exactly, but by not requiring contractors to pay prevailing wages on public projects this should decrease labor costs for various trades. Competition for work may increase by contractors who did not typically bid public works projects. If they pay their employees the same rates for private and public jobs, they may bid more on state/public projects. Defining types of projects (not knowing if classified as maintenance versus construction) will not be necessary, eliminating confusion and potential lawsuits.

Officials at the **Linn State Technical College, Metropolitan Community College and Missouri Southern State University** each assume an unknown savings from this proposal.

Officials at the **City of Springfield** assume as savings of approximately one million to three million dollars annually.

Officials at the **Missouri State University** assume a savings of \$2,359,000 annually.

Officials at the **Crowder College** assume they are starting two, \$6 million dollar projects in February. They believe a conservative estimate on what would be saved from these two projects is approximately \$1.8 million, which is at least an average of 15% on all projects subject to prevailing wage.

Officials at the **City of Cape Girardeau** assume a savings of approximately 20% per year on its maintenance projects and new construction projects if this proposal is passed. If this had been in place in the last couple of years, the City would have had the following savings: FY 2009 = \$5,108,398, FY 2010 = \$1,201,273, FY 2011 = \$2,633,353 and FY 2012 = \$13,440,946.

Officials at the **Johnson County** assume they do several hundred thousands of dollars worth of new construction annually and this proposal would create a savings. This year, the County did a bridge project that cost \$600,000, of which \$150,000 was added cost because of prevailing wage.

Officials at the **Missouri Western State University** assume this proposal would save the University thousands of dollars in construction costs annually. There would be additional savings in terms of administration time from not having to deal with the complexities of the prevailing wage system.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **Monroe County** responded to the fiscal note request, but did not indicate an impact.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials at the following schools: Blue Springs Public Schools, Branson Public Schools, Columbia Public Schools, Fair Grove Schools, Francis Howell Public Schools, Independence Public Schools, Jefferson City Public Schools, Kirksville Public Schools, Lee Summit Public Schools, Nixa Public Schools, Parkway Public Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, and Sullivan Public Schools did not respond to **Oversight's** request for fiscal impact.

ASSUMPTION (continued)

Officials at the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Harris-Stowe, Jefferson College, Southeast Missouri State University, State Fair Community College, St. Charles Community College, Three Rivers Community College and Truman State University did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Savings</u> - Department of Labor and Industrial Relations - Elimination of prevailing wage objections	\$9,900	\$9,900	\$9,900
<u>Loss</u> - Budget and Planning prevailing wage penalty fees	(\$5,000)	(\$5,000)	(\$5,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$4,900</u>	<u>\$4,900</u>	<u>\$4,900</u>

CONSERVATION FUNDS

<u>Savings</u> - Department of Conservation - elimination of prevailing wage	<u>Unknown greater than \$100,000</u>	<u>Unknown greater than \$100,000</u>	<u>Unknown greater than \$100,000</u>
ESTIMATED NET EFFECT ON CONSERVATION FUNDS	<u>Unknown greater than \$100,000</u>	<u>Unknown greater than \$100,000</u>	<u>Unknown greater than \$100,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - Local Political Subdivisions - elimination of prevailing wage	<u>Unknown</u> <u>greater than</u> <u>\$100,000</u>	<u>Unknown</u> <u>greater than</u> <u>\$100,000</u>	<u>Unknown</u> <u>greater than</u> <u>\$100,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown</u> <u>greater than</u> <u>\$100,000</u>	<u>Unknown</u> <u>greater than</u> <u>\$100,000</u>	<u>Unknown</u> <u>greater than</u> <u>\$100,000</u>

FISCAL IMPACT - Small Business

Small businesses currently bidding on projects could be affected.

FISCAL DESCRIPTION

This act repeals all of the prevailing wage laws.

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

- Administrative Hearing Commission
- Capitol Police
- City of Cape Girardeau
- City of Kansas City
- City of Springfield
- Crowder College
- Department of Agriculture
- Department of Conservation
- Department of Corrections
- Department of Economic Development
- Department of Elementary and Secondary Education
- Department of Health and Senior Services
- Department of Higher Education
- Department of Insurance, Financial Institutions and Professional Registration
- Department of Labor and Industrial Relations

SOURCES OF INFORMATION (continued)

Department of Mental Health
Department of Natural Resources
Department of Revenue
Department of Social Services
Fire Safety
Johnson County
Lincoln University
Linn State Technical College
Metropolitan Community College
Mexico School District
Missouri Highway Patrol
Missouri Southern State University
Missouri State University
Missouri Veterans Commission
Missouri Western State University
Monroe County
Office of Administration
 Budget and Planning
 Division of Purchasing
Office of the Governor
Office of Prosecution Services
Office of State Courts Administrator
Office of the State Auditor
Office of the State Public Defender
Office of State Treasurer
University of Central Missouri
University of Missouri



Ross Strope
Acting Director
January 11, 2013