

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0372-01  
Bill No.: HB 34  
Subject: Labor and Industrial Relations Department; Education, Elementary and Secondary  
Type: Original  
Date: January 18, 2013

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Bill Summary: This proposal establishes the School Construction Act which exempts construction and maintenance work done for certain school districts from the prevailing wage rate requirement upon the school board's approval.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>More than \$100,000</b>	<b>More than \$100,000</b>	<b>More than \$100,000</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume passage of this proposal would require zero increase in state cost and has the added benefit of reducing public school district facility construction costs significantly. DESE is unable to estimate the amount of the potential savings.

Officials from the **Mexico School District** state that it has been the experience of their school 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 Mexico School 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 approximately \$580,000. Those funds could have been used for other necessary district construction and/or facility improvements.

In response to HB 138 (FN 0524-01) from 2011, officials from the **Fair Grove School District** assumed the proposal would have a positive fiscal impact on school districts. By not paying prevailing wage, tax payers could get more for their tax dollars and bond issues would not have to max out bonding capacities.

**Oversight** assumes that not all school districts with pending construction projects may elect out of the prevailing wage requirements and not all construction and renovation projects would be undertaken; however, Oversight assumes savings could exceed \$100,000 in any given year statewide.

Officials from the **Department of Labor and Industrial Relations** assume the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Savings</u> - School Districts - Construction and maintenance costs	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
<b>ESTIMATED NET EFFECT TO THE LOCAL POLITICAL SUBDIVISIONS</b>	<b>More than <u>\$100,000</u></b>	<b>More than <u>\$100,000</u></b>	<b>More than <u>\$100,000</u></b>

FISCAL IMPACT - Small Business

Small businesses who contract to do maintenance, renovation, or construction of public school facilities who are currently bidding on projects could be affected.

FISCAL DESCRIPTION

This bill establishes the School Construction Act which allows a school district in any county except a county with a charter form of government to exempt itself from the prevailing hourly wage rate requirement for the construction and maintenance work done for its educational facilities upon the approval of the district school board. If a school district exempts itself, it must notify the Division of Labor Standards within the Department of Labor and Industrial Relations.

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

Department of Elementary and Secondary Education  
Department of Labor and Industrial Relations  
School Districts  
    Mexico  
    Fair Grove



Ross Strope

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