

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0372-01  
Bill No.: Perfected HB 34  
Subject: Labor and Industrial Relations Department; Education, Elementary and Secondary  
Type: Original  
Date: February 27, 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
Conservation Fund	More than \$100,000	More than \$100,000	More than \$100,000
<b>Total Estimated Net Effect on Other State Funds</b>	<b>More than \$100,000</b>	<b>More than \$100,000</b>	<b>More than \$100,000</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 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 \$200,000</b>	<b>More than \$200,000</b>	<b>More than \$200,000</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §290.344 - School Construction Act

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.

#### HA 1 - §290.210 - Definitions of "construction" and "maintenance work"

In response to a similar proposal from this year (HB 453), officials at the **Department of Conservation** assume this proposal has the potential to reduce contracted construction expenditures in the amount of \$100,000 or greater per year because it would significantly reduce the type and number of projects that would require payment of prevailing wage.

ASSUMPTION (continued)

Officials at the **Missouri Southern State University** assume the impact is unknown.

Officials at the **Missouri State University** assume a savings of \$15,000 annually.

Officials at the **University of Missouri** assume that if this proposal were to have an impact it would be less than \$100,000 annually.

Officials at the **Missouri Western State University** assume this would have an impact on the University as they are currently requesting prevailing wage rates on the smallest of projects. This proposal would save them a little money on the smaller projects and a lot of time in regards to paperwork and processing.

Officials at the **City of Columbia** assume this proposal would provide an unknown cost savings.

Officials at the **City of Kansas City, Department of Labor and Industrial Relations, Department of Transportation, Linn State Technical College, Metropolitan Community College, Northwest Missouri State University, Office of Administration, Parkway School District, Special School District, St. Louis County** and the **University of Central Missouri** each assume there is no fiscal impact to their organization from this section of the proposal.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, 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, Springfield, 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, Mexico Public Schools, Nixa Public Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, 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, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Crowder, 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.

**Oversight** will reflect a savings of more than \$100,000 for local political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>CONSERVATION FUND</b>			
<u>Savings</u> - §290.210 - Department of Conservation - Changes to prevailing wage definitions	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION FUND</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>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Savings</u> - §290.344 - School Districts - Construction and maintenance costs	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
<u>Savings</u> - §290.210 - Local Political Subdivisions	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>\$200,000</u></b>	<b>More than <u>\$200,000</u></b>	<b>More than <u>\$200,000</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

§290.344 - School Construction Act

This section 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.

HA 1 - §290.210

This section revises the definitions of “construction” and “maintenance work” as they pertain to prevailing wages.

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  
Office of Administration  
Department of Conservation  
Department of Transportation  
School Districts  
    Mexico  
    Fair Grove  
    Special School District of St. Louis County  
Cities  
    City of Columbia  
    City of Kansas City  
Colleges and Universities  
    Metropolitan Community College  
    Missouri Southern State University  
    Missouri State University  
    Missouri Western State University  
    Northwest Missouri State University  
    University of Central Missouri  
    University of Missouri  
    Linn State Technical College  
St. Louis County



Ross Strope  
Acting Director  
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