

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4650-01
Bill No.: SB 598
Subject: Employees-Employers; Labor and Industrial Relations Department; Labor and Management
Type: Original
Date: February 2, 2016

Bill Summary: This proposal repeals the law pertaining to prevailing wage.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Conservation Commission	\$0 or Greater than \$100,000	\$0 or Greater than \$100,000	\$0 or Greater than \$100,000
Colleges and Universities	\$0 or could Exceed \$1,000,000	\$0 or could Exceed \$1,000,000	\$0 or could Exceed \$1,000,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or could Exceed \$1,100,000	\$0 or could Exceed \$1,100,000	\$0 or could Exceed \$1,100,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0 or Greater than \$500,000	\$0 or Greater than \$500,000	\$0 or Greater than \$500,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Conservation (MDC)** assume this proposal will have a positive fiscal impact estimated as unknown or greater than \$100,000 to their organization.

Officials at the **Department of Natural Resources (DNR)** assume this proposal will not have a significant fiscal impact on their organization. The prevailing hourly wage is based upon the wages generally paid in a locality. The cost of doing business should not be significantly different with or without the law.

In response to similar proposal (HB 1700) DNR stated they require entities receiving state or federal funds to comply with the state prevailing wage rate for public works projects including water and wastewater infrastructure projects. Opting out of the state prevailing wage rate would remove this requirement; however, entities receiving funding under federal programs may still be required to comply with wage rates under the federal Davis-Bacon Act, as applicable.

Officials at the **Department of Elementary and Secondary Education** assume this proposal will have an unknown positive fiscal impact on their organization.

Officials at the **Office of Administration - Budget and Planning** assume this proposal will have an estimated negative fiscal impact of \$5,000 or less on state revenues.

Oversight will assume the estimated negative fiscal impact of \$5,000 or less on state revenues can be absorbed by the state and therefore, will not include this impact in the fiscal note.

Officials at the **Office of the Secretary of State (SOS)** assume each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, a joint resolution proposing a constitutional amendment is submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a joint resolution to a vote of the people, §115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary. This figure was determined through analyzing and totaling

ASSUMPTION (continued)

expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and the SOS was appropriated \$1.19 million to publish the full text of the measures. Due to this reduced funding, the SOS reduced the scope of the publication of these measures. In FY 2015, at the August and November elections, there were 9 statewide constitutional amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue). Despite the FY 2015 reduction, the SOS will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

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.

ASSUMPTION (continued)

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 **Department of Mental Health, Department of Public Safety - Alcohol and Tobacco Control**, and **Department of Social Services** each defer to the Office of Administration to estimate a fiscal impact from this proposal.

Officials at the **Cole County** assume this proposal will have an unknown positive fiscal impact on their organization.

Officials at the **University of Central Missouri (UCM)** assume this proposal will have an estimated positive fiscal impact of \$5,250,000 annually.

This estimate is based on UCM's total project cost for last year of \$75 million, which included a large capitol project. Estimating labor cost at 35% of project cost, and savings on labor of 20% if prevailing wage law was repealed, savings would be \$5,250,000 for a year like last year, and vary year to year depending on construction cost expenditures

In response to a similar proposal (HB 1700) officials at the **University of Central Missouri** assumed the proposal will have a positive impact estimated at \$0 to \$1,000,000 to their organization.

Oversight will show a positive fiscal impact of could exceed \$1,000,000 in the fiscal note.

Officials at the **University of Missouri** assume this proposal will have an estimated "no cost impact over \$100,000".

Officials at the **Cassville R-IV** assume this proposal will have an estimated positive fiscal impact of \$310,500 in savings..

Officials at the **Kearney R-I** assume this proposal will have an estimated positive fiscal impact of \$100,000 per year.

Officials at the **Wright City R-II** assume this proposal will have a negative fiscal impact on their organization. The cost of this is unknown...may be a saving on work. However, the Foundation Formula has Dollar Value Multiplier (DVM). Wright City School District is at the higher end of

ASSUMPTION (continued)

the DVM. If this has a leveling affect on the DVM (making them all equal), then this shifts

funds from urban and suburban districts to rural districts. Overall cost to the state would be nil, but to us, it would be as much as \$400,000 in lost revenue. We would not see that level of gain in cost savings.

Officials at the **New Haven** assume this proposal will have an estimated positive fiscal impact of 15 to 25% on all construction projects. Based on prevailing wage requirements are significantly higher than wages for construction in their area.

Officials at the school districts of **Kansas City, Kennett #39, Macon County R- IV, Parkway, St. Charles, Salisbury R-IV, Sarcoxie R-II, Shelby County R-IV, Shell Knob #78 Warren County R-III, and West Plains R-VII**, each assume this proposal will have an unknown positive impact on their respective organizations.

Officials at the **Northwest Missouri State** and **Missouri State University** each assume this proposal will have an unknown positive impact on their respective organizations.

Officials at the **Department of Agriculture, Office of Attorney General, State Auditor's Office, Department of Corrections, Missouri Ethics Commission, Department of Insurance, Financial Institutions, and Professional Registration, Joint Committee on Administrative Rules, Department of Labor and Industrial Relations, Governor's Office, Department of Health and Senior Services, Department of Higher Education, Missouri House of Representatives, Joint Committee on Public Employee Retirement, Office of Lieutenant Governor, Legislative Research, Lottery Commission, Missouri Consolidated Health Care Plan, Missouri State Employee's Retirement System, State Highway Employees Retirement System, Department of Economic Development, Office of Administration - Administrative Hearing Commission, Office of Administration - Facilities, Management, Design and Construction, Office of Administration - Personnel, Office of Prosecution Services, Department of Public Safety - Office of Adjutant General, Department of Public Safety - Capitol Police, Department of Public Safety - Fire and Safety, Department of Public Safety - Gaming Commission, Department of Public Safety - Highway Patrol, Department of Public Safety - State Emergency Management Agency, Department of Public Safety - Veterans, Department of Revenue, Office of Courts Administrator, State Public Defender's Office, State Tax Commission, Department of Transportation, and State Treasurer's Office** each assume this proposal will not have a fiscal impact on their respective organizations.

ASSUMPTION (continued)

Officials at the **City of Kansas City** assume this proposal will not have a fiscal impact on their organization.

Officials at the **St. Louis County** and **Mississippi County** assume this proposal will not have a fiscal impact on their organization.

Officials at the Boards of Elections Commissioners for **Jackson County**, **Platte County**, and **St. Louis County** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the **Metropolitan Community College** assume this proposal will not have a fiscal impact on their organization.

Officials at the school districts of **Middle Grove C-1** and **Brentwood** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Des Peres, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, 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 counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following boards of election commissioners: Kansas City Board of Election Commission, St. Louis City Board of Election Commission, and Clay County Board of Election Commission did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Moberly Area Community College, Missouri Southern

ASSUMPTION (continued)

State University, Missouri Western State University, Southeast Missouri State University, State Fair Community College, State Technical College of Missouri, St. Charles Community College, St. Louis Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for fiscal impact.

Officials at the following school districts: Arcadia Valley R-2, Aurora R-8, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, King City R-1, Kingston 42, Kirbyville R-VI, Kirksville, Laclede County R-1, Laredo R-7, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Malta Bend, Mehville, Mexico, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Riverview Gardens, Scotland County R-I, Sedalia, Seymour R-2, Sikeston, Silex, Slater, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Elizabeth R-4, Sullivan, Tipton R-6, Valley R-6, Verona R-7, Warrensburg R-6, Webster Groves, and Westview C-6 did not respond to **Oversight's** request for fiscal impact.

Oversight will range the fiscal impact from \$0 (the referendum is not passed by voters in November 2016) to the estimated savings provided by the state agencies, universities, and local political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
COLLEGES AND UNIVERSITIES			
<u>Savings - Colleges and Universities</u>			
	\$0 or could Exceed	\$0 or could Exceed	\$0 or could Exceed
Change to Prevailing Wage Definition	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>
ESTIMATED NET EFFECT TO STATE GOVERNMENT	\$0 or could Exceed <u>\$1,000,000</u>	\$0 or could Exceed <u>\$1,000,000</u>	\$0 or could Exceed <u>\$1,000,000</u>
CONSERVATION COMMISSION FUND			
<u>Savings - MDC</u>			
Change to Prevailing Wage Definition	<u>\$0 or Greater than \$100,000</u>	<u>\$0 or Greater than \$100,000</u>	<u>\$0 or Greater than \$100,000</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>\$0 or Greater than \$100,000</u>	<u>\$0 or Greater than \$100,000</u>	<u>\$0 or Greater than \$100,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings - Political Subdivisions</u>			
Change to Prevailing Wage Definition	<u>\$0 or Greater than \$500,000</u>	<u>\$0 or Greater than \$500,000</u>	<u>\$0 or Greater than \$500,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or Greater than \$500,000</u>	<u>\$0 or Greater than \$500,000</u>	<u>\$0 or Greater than \$500,000</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act repeals the law pertaining to the prevailing wage.

The act also contains a referendum clause submitting the repeal to voters for approval.

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

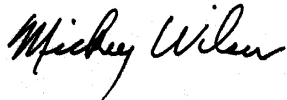
Department of Conservation
Department of Natural Resources
Office of Administration - Budget and Planning
Department of Elementary and Secondary Education
Office of Secretary of State
Department of Mental Health
Department of Public Safety - Alcohol and Tobacco Control
Department of Social Services
Cole County
University of Central Missouri
University of Missouri
Cassville R-IV School District
Kearney R-I School District
Wright City R-II School District
New Haven School District
Kansas City Public School District
Kennett #39 School District
Macon County R-IV School District
Parkway School District
St. Charles School District
Salisbury R-IV School District
Sarcoxie R-II School District
Shelby County R-IV School District
Shell Knob #78 School District
Warren County R-III School District

SOURCES OF INFORMATION (continued)

West Plains R-VII School District
Northwest Missouri State University
Missouri State University
Department of Agriculture
Attorney General's Office
State Auditor's Office
Department of Corrections
Missouri Ethics Commission
Department of Insurance, Financial Institutions, and Professional Registration
Joint Committee on Administrative Rules
Department of Labor and Industrial Relations
Governor's Office
Department of Health and Senior Services
Department of Higher Education
Missouri House of Representatives
Joint Committee on Public Employee Retirement
Lieutenant Governor's Office
Legislative Research
Lottery Commission
Missouri Consolidated Health Care Plan
Missouri State Employees' Retirement System
State Highway Employees Retirement System
Department of Economic Development
Office of Administration - Administrative Hearing Commission
Office of Administration - Facilities Management, Design and Construction
Office of Administration - Personnel
Department of Public Safety - Office of Adjutant General
Office of Prosecution Services
Department of Public Safety - Capitol Police
Department of Public Safety - Fire and Safety Division
Department of Public Safety - Gaming Commission
Department of Public Safety - Highway Patrol
Department of Public Safety - State Emergency Management Agency
Department of Public Safety - Veterans Commission
Department of Revenue
Office of State Courts Administrator
State Public Defender's Office

SOURCES OF INFORMATION (continued)

State Tax Commission
Department of Transportation
State Treasurer's Office
City of Kansas City
Mississippi County
St. Louis County
Jackson County Board of Elections Commission
Platte County Board of Elections Commission
St. Louis County Board of Elections Commission
Metropolitan Community College
Brentwood School District
Middle Grove C-I School District



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