

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4259-02
Bill No.: SCS for SB Nos. 555 & 609
Subject: Employees-Employers; Department of Labor and Industrial Relations; Labor and Management
Type: Original
Date: February 5, 2018

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Other State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other State Funds</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the proposal will have no fiscal impact on their organization. This proposal would eliminate the prevailing wage requirement for public works projects; therefore, the DOLIR assumes it would no longer receive prevailing wage complaints.

Current statute requires the DOLIR to issue prevailing wage orders and to investigate complaints relating to prevailing wage. However, funding for these activities was eliminated in the FY 2018 budget. Therefore, though this proposal would eliminate the prevailing wage program, there is no associated cost savings since the funding for this program was already eliminated from the department's budget.

Officials from the **Department of Public Safety-Office of the Director, Department of Health and Senior Services, Department of Insurance, Financial Institutions and Professional Registration, Department of Mental Health, and Department of Social Services** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

In response to a previous version, officials from the **Office of Administration** assumed this proposal repeals the prevailing wage law. A review of scholarly articles shows that there is no generally accepted methodology for determining the cost savings, if any, that may result from legislation such as this. A number of factors would affect **Facilities Management, Design & Construction's (FMDC)** cost savings, if any, from this proposal, including, but not limited to, how much contractors choose to pay their employees in the absence of prevailing wage and whether contractors choose to pass on any labor costs savings to FMDC. Any Facilities Maintenance Reserve Fund (FMRF) savings will be used to decrease other deferred maintenance projects.

This proposal could potentially affect the rental rates for future leases and improvements at leased facilities, as property owners are presently obligated to pay prevailing wage for alterations or improvements made to properties leased by the State. However, FMDC cannot calculate the impact of this legislation on rental rates for the reasons discussed above. Any savings from the elimination of prevailing wage will be used to offset increased costs for rental rates because of increases by the Lessor, or increases in janitorial and utilities.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and

ASSUMPTION (continued)

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, 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 our office can sustain with our core budget. Therefore, 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 from the **Missouri Department of Conservation (MDC)** assume an unknown positive fiscal impact but greater than \$100,000 due to savings of wages paid for construction.

Officials from the **Department of Elementary and Secondary Education** 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 cannot estimate the amount of this potential savings.

Officials from the **Office of Prosecution Services** assume the proposal will have no measurable fiscal impact.

Officials from the **City of Kansas City** assume any fiscal impact from the proposal would be difficult to ascertain at this time. There may be administrative savings. The City cannot assess the impact this may have on bids. Also, the City cannot speculate as to the impact on wages and any resulting impact on earning taxes.

In response to a previous version, officials from the **City of Springfield** assumed there is no clear fiscal impact.

Officials from **Cape Girardeau County** assume repealing prevailing wage saves the state, counties, and school districts tens if not hundreds of millions of dollars a year.

ASSUMPTION (continued)

Officials from the **Callaway County** assume the proposal will have a positive fiscal impact on all capital projects.

Officials from the **St. Louis County** assume the fiscal impact from the proposal would have minimal savings, but the amount is unknown.

Officials from the **Missouri State University** assume the proposal will have positive fiscal impact of an undetermined amount.

In response to a previous version, officials from the **University of Central Missouri** assumed the proposal will have a positive fiscal impact.

Officials from the **State Technical College of Missouri** assume the proposal could have a positive fiscal impact.

Officials from the **University of Missouri** assume the proposal has no significant cost impact.

In response to previous version, officials from the **Montgomery County R-II School District** assumed the proposal could have saved taxpayers 15% - 20% of the recent \$20,500,000 project.

Officials from the **Summersville R2 School District** assume the proposal could have a positive impact, depending on future construction projects.

Officials from the **Kirkville R-III School District** assume the proposal could have a positive fiscal impact.

Officials from the **Northeast Nodaway R-V Schools** assume the proposal could fiscally save thousands of dollars when doing capital improvement projects.

Officials from the **Wellsville-Middletown R-1** assume the proposal has the potential to have a positive fiscal impact by reducing labor costs.

Oversight assumes this proposal repeals the law relating to the prevailing hourly rate of wages paid for work done on public works therefore, Oversight will reflect a \$0 or unknown savings to the General Revenue Fund, Various Other State funds, and local political subdivisions.

ASSUMPTION (continued)

Officials from the **Department of Transportation, Office of Administration-Personnel, Office of Administration-Administrative Hearing Commission, Office of Administration-General Services, Missouri Lottery Commission, Office of the State Treasurer, Department of Public Safety-Missouri Gaming Commission, Joint Committee on Administrative Rules, Department of Public Safety-Division of Fire Safety, Missouri Tax Commission, Department of Public Safety-Capitol Police, State Auditor's Office, Office of the Governor, Department of Public Safety-State Emergency Management Agency, Department of Natural Resources, Department of Agriculture, Office of State Courts Administrator, Missouri Lieutenant Governor, Missouri Senate, MoDOT and Patrol Employees Retirement System, Department of Revenue, Office of the State Public Defender, Missouri State Employees' Retirement System and Department of Public Safety-Division of Alcohol and Tobacco Control** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Jackson County Board of Election Commissioners, St. Louis County Board of Election Board, and Platte County Board of Elections** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Missouri Western State University** assume the proposal will have no fiscal impact on their respective organization.

Officials from the following **state agencies**: Bi-State Development, Department of Economic Development, Department of Higher Education, Department of Public Safety-Missouri State Highway Patrol, Department of Public Safety-Veterans, Missouri Consolidated Health Care Plan, Missouri Ethics Commission, and Missouri House of Representatives did not respond to **Oversight's** request for fiscal impact.

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

ASSUMPTION (continued)

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Camden, Carroll, Cass, Christian, Clay, Clinton, Cole, Cooper, Davies, Dekalb, Dent, Franklin, Greene, Holt, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following **colleges and universities**: Crowder, East Central, Harris-Stowe, Jefferson College, Kansas City Metropolitan Community College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **school districts**: Alton R-IV, Arcadia Valley R-2, Ash Grove R-IV, Ava R-1, Avilla R-13, Bakersfield R-4, Belton School District #124, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Bradleyville R-1, Branson, Brentwood, 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, Couch R-1, Crawford County R-1, Crawford County R-2, Crocker R-II, Delta C-7, East Carter R-2, East Lynne 40, East Newton R-6, Eldon R-I, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Gasconade County R-1, Glenwood R-8, Grain Valley, Green City R-1, Green Ridge R-8, Hallsville R-IV, Hancock Place, Hannibal School District #60, Harrisonburg R-8, Harrisonville, Hartville R-11, Hazelwood, Henry County R-1, Hillsboro R-3, Holcomb R-III, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jasper R-5, Jefferson City, Kansas City, Kennett #39, King City R-1, Kirbyville R-VI, Lathrop R-2, Lee Summit, Leeton R-10, Lewis County C-1, Liberty, Lincoln R-2, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-IV, Madison C-3, Malta Bend, Maplewood Richmond Heights, Marshfield R-1, Maryville R-II, Maysville R-1, Meadville R-IV, Mehville School District R-9, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Miller R-11, Moberly, Morgan County R-2, Mountain Grove R-III, Mt. Vernon R-V, New Bloomfield R-III, New Haven, Niangua R-5, Nixa, North Harrison R-3, North Kansas City, North St. Francois Co. R-1, Northwest R-1, Oak Ridge R-6, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County, Osage R-2, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City R-6, Plato R-5, Polo R-VII, Prairie Home R-5, Princeton R-5, Purdy R-II, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Rich Hill R-IV, Richards R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Rockwood School District, Salisbury R-4, Sarcoxie R-2, Scott City R-1, Sedalia, Seymour R-2, Shell Knob #78, Sherwood Cass R-5,

ASSUMPTION (continued)

Sikeston, Silex, Smithville R-2, South Harrison R-11, Southland C-9, Sparta R-III, Special School District of St. Louis County, Spickard R-II, Spokane R-VII, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Stanberry R-III, Stewartville C-2, Sullivan, Sweet Springs, Trenton R-1x, Valley Park, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Warsaw R-IX, Waynesville, Webster Groves, Wentzville R-IV, Westran R-1, Westview C-6, Willard R-2 and the Wright City R-2 School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
	(10 Mo.)		

GENERAL REVENUE FUND

<u>Savings</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
Repeals prevailing wage			

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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OTHER STATE FUNDS

<u>Savings</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
Repeals prevailing wage			

ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019	FY 2020	FY 2021
	(10 Mo.)		

LOCAL POLITICAL SUBDIVISIONS

<u>Savings</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
Repeals prevailing wage			

ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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FISCAL IMPACT - Small Business

There could be a fiscal impact to contractors and subcontractors who bid on public works projects.

FISCAL DESCRIPTION

This proposal repeals the law relating to the prevailing hourly rate of wages paid for work done on public works.

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 Labor and Industrial Relations
Office of Administration-Facilities Management, Design and Construction
Missouri Department of Conservation
Department of Public Safety-Office of the Director
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Social Services
Office of the Secretary of State
Department of Elementary and Secondary Education
Office of Prosecution Services
Callaway County
City of Springfield
Cape Girardeau County
Missouri State University
University of Central Missouri
State Technical College of Missouri
Montgomery County R-II School District
Summersville R2 School District
Kirksville R-III School District
Northeast Nodaway R-V Schools
Wellsville-Middletown R-1
Department of Transportation
Office of Administration-Personnel
Office of Administration-Administrative Hearing Commission

SOURCES OF INFORMATION (continued)

Office of Administration-General Services
Missouri Lottery Commission
Office of the State Treasurer
Department of Public Safety-Missouri Gaming Commission
Joint Committee on Administrative Rules
Department of Public Safety-Fire Safety
Missouri Tax Commission
Department of Public Safety-Capitol Police
State Auditor's Office
Office of the Governor
Department of Public Safety-State Emergency Management Agency
Department of Natural Resources
Department of Agriculture
Office of State Courts Administrator
Missouri Lieutenant Governor
Missouri Senate
MoDOT and Patrol Employees Retirement System
Department of Revenue
Office of the State Public Defender
Department of Public Safety-Division of Alcohol and Tobacco Control
Jackson County Board of Election Commissioners
St. Louis County
Platte County Board of Election Commissioners
Boone County
St. Louis County Board of Election Commissioners
City of Kansas City
University of Missouri
Missouri Western State University
West Plains Schools

Ross Strobe



Acting Director

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