

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4677-01
Bill No.: SB 599
Subject: Employees-Employers; Department of Labor and Industrial Relations; Labor and Management
Type: Original
Date: January 23, 2018

Bill Summary: This proposal modifies 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</u> State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 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 would exempt public works projects, for which the contract awarded is \$500,000 or less, from Sections 290.220 through 290.340. The DOLIR assumes this would reduce the number of public works projects that are subject to the prevailing wage requirement and thus, reduce the number of complaints received regarding prevailing wage issues.

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. In order to assure that employers are able to comply with the law, the DOLIR has redirected some existing resources so that a new prevailing wage order can be issued by the March 2018 deadline.

Though the number of prevailing wage complaints is expected to decrease as a result of this legislation, current resources are inadequate to address any complaints received. DOLIR anticipates that, should this bill be approved, it would pursue additional resources via the appropriations process.

Officials from the **Office of Administration-Facilities Management, Design and Construction (OA-FMDC)** assume section 290.230.3 of this proposal provides that prevailing wage is not required for projects that are under \$500,000 in value. Section 290.260.1 changes how the prevailing wage is calculated. Rather than considering rates established by collective bargaining agreements and rates generally paid in the area, the prevailing wage would be based solely on the average hourly wages in the area as determined by Department of Economic Development.

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 that either revokes or restricts the payment of prevailing wage. A number of factors would affect FMDC's cost savings, if any, from this bill, 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

ASSUMPTION (continued)

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 **Missouri Department of Conservation (MDC)** assume the proposal will have an unknown positive fiscal impact but would be greater than \$100,000 due to savings of wages paid for construction if MDC opted out as provided in the proposed legislation.

Officials from the **City of Springfield** assume there is no clear fiscal impact. The fiscal impact is unquantifiable without knowing the average hourly rate as determined by the MERIC and will vary by project.

Officials from **Cape County** assume the proposal costs Missouri taxpayers not less than hundreds of millions, 20 %- 30% of project total over \$500,000.

Officials from the **University of Central Missouri** assume the proposal will have possible indirect fiscal impact. Prevailing wage modification can result in adjustments to contractor and contract services pricing.

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

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

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

Officials from the **Forsyth R-III Schools** assume the proposal will have a positive impact of over \$350,000 per year.

Officials from the **West Plains Schools** assume the proposal would result in an annual savings of \$25,000 - \$75,000.

Officials from the **Shell Knob School District #78** assume the proposal would be a huge savings of thousands of dollars and provide local jobs.

ASSUMPTION (continued)

Officials from the **Office of Administration-Personnel, Office of Administration-Accounting, Office of Administration-Administrative Hearing Commission, and Department of Transportation** each assume the proposal will have no fiscal impact on their respective organizations.

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

Officials from the **State Technical College of Missouri, Missouri Western State University, and University of Missouri** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes this proposal provides that prevailing wage is not required for projects that are under \$500,000 in value. As stated by OA, there are many factors that affect the cost savings that we cannot estimate. Therefore, Oversight will reflect a \$0 or unknown savings to the General Revenue Fund, Other State Funds, and the Local Political Subdivisions.

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, Kansas City, 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.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Callaway, 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

ASSUMPTION (continued)

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, 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, Montgomery County R-11, 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, Northeast Nodaway R-5, 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, Scotland County R-I, Scott City R-1, Sedalia, Seymour R-2, Sherwood Cass R-5, 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, Wellsville Middletown R-1, 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 (10 Mo.)	FY 2020	FY 2021
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GENERAL REVENUE FUND

<u>Savings - prevailing wage not required on projects less than \$500,000</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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OTHER STATE FUNDS

<u>Savings - prevailing wage not required on projects less than \$500,000</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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LOCAL POLITICAL SUBDIVISIONS

<u>Savings - prevailing wage not required on projects less than \$500,000</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to 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

Under current law, the method for determining the prevailing hourly rate of wages depends upon the type of work contracted for, the occupational title being performed, and the county in which the public body is located. This proposal repeals this provision and instead stipulates that the prevailing hourly rate of wages shall be equivalent to the average hourly wage rate in each locality as determined by the Missouri Economic Research and Information Center within the Department of Economic Development.

Furthermore, the prevailing wage law shall only apply to the construction of public works for which the contract awarded is more than \$500,000.

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
City of Springfield
Cape Girardeau County
University of Central Missouri
Missouri State University
Summersville R2 School District
Kirksville R-III School District
Forsyth R-III Schools
West Plains Schools
Shell Knob School District #78
Office of Administration-Personnel
Office of Administration-Accounting
Office of Administration-Administrative Hearing Commission
Department of Transportation
St. Louis County Board of Election Commissioners
Jackson County Board of Election Commissioners
Boone County
St. Louis County
State Technical College of Missouri
Missouri Western State University
University of Missouri

Ross Strobe



Acting Director
January 23, 2018