

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4813-11
Bill No.: Truly Agreed To and Finally Passed SS for HCS for HB Nos. 1729, 1621, & 1436
Subject: Employees-Employers; Labor and Management
Type: Original
Date: June 29, 2018

Bill Summary: This proposal repeals provisions relating to prevailing wages on public works.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$297,099) to Unknown	(\$315,373) to Unknown	(\$318,510) to Unknown
Total Estimated Net Effect on General Revenue	(\$297,099) to Unknown	(\$315,373) to Unknown	(\$318,510) to 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 8 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
General Revenue	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 FTE

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)** state:

Section 290.240 requires the department to diligently inquire into complaints regarding violations of Sections 290.210 to 290.340, institute actions for penalties, and enforce the provisions. The department's FY 2019 budget does not include appropriations for these activities; therefore, additional staff and resources will be required to perform these duties.

Three FTE Wage & Hour Investigator I/II's (\$38,304 annually), located around the state, will be responsible for taking complaints, completing inquiries regarding alleged violations of this section, assisting in the resolution of complaints, performing follow-up, and other associated administrative duties.

Historically, the department received an average of 216 complaints annually. With the threshold raised to projects of \$75,000 or more, the department estimates it will receive up to 177 complaints annually. Based on historical data, it takes an average of 42.59 hours to complete an investigation. This equates to 3.50 Wage & Hour Investigators ($152 \times 42.59 = 6,473.68$ hours \div 2,080 = 3.62)

Standard expense and equipment costs for these positions are included in this estimate, as well as mobile telephones and services, since these positions will travel extensively as part of their duties.

Section 290.257 requires the department to determine the prevailing wage rates for certain occupational titles and localities. It also requires the department to calculate a "public works contracting minimum wage" for each locality annually. The department's FY 2019 budget includes \$1 in appropriations for these activities; therefore, additional staff and resources will be required to perform these duties.

One FTE Research Analyst I (\$31,608 annually) will receive and compile wage information from designated reporters and calculate prevailing wages and public works contracting minimum wages for each locality annually and field calls regarding the reporting and calculation of wages. One FTE Senior Office Support Assistant (\$26,340 annually) will provide general administrative support to the program, take and route complaint calls, and answer questions regarding submission of wage information.

Standard expense and equipment costs for these positions are included in this estimate.

ASSUMPTION (continued)

Oversight notes that for all previous versions of this proposal, DOLIR had assumed no fiscal impact on their agency. However, the Senate Substitute of the bill is quite different from the previous versions and Oversight was not allowed sufficient time to get responses from agencies on the impact of the Senate Substitute. Oversight will reflect the cost of the FTE as described by DOLIR; however, the potential savings to the state may exceed these costs to the department.

Officials from the **Office of Administration** assume this bill amends Missouri's 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 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 bill 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 **Missouri Department of Conservation** assume an unknown positive fiscal impact but greater than \$100,000 due to savings of wages paid for construction.

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

Officials from the **Department of Economic Development, Office of Administration-Personnel, and Department of Transportation** both assume the proposal will have no fiscal impact on their respective organizations.

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

ASSUMPTION (continued)

Officials from the **City of Kansas City** assume the proposal will have no fiscal impact on their organization.

Officials from the **University of Missouri** assume the proposal will have no significant cost impact on their organization.

Oversight assumes this proposal modifies 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. Oversight notes that lower salaries will negatively impact income tax collections. Oversight cannot estimate those effects and considers them an indirect effect of the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Savings</u> - Changes made to the prevailing wage laws	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> - DOLIR			
Personal Service (5 FTE)	(\$144,050)	(\$174,589)	(\$176,334)
Fringe Benefits	(\$87,733)	(\$105,793)	(\$106,311)
Expense & Equipment	<u>(\$65,316)</u>	<u>(\$34,991)</u>	<u>(\$35,865)</u>
<u>Total Costs</u> - DOLIR	(\$297,099)	(\$315,373)	(\$318,510)
FTE Change - DOLIR	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$297,099) to Unknown</u>	<u>(\$315,373) to Unknown</u>	<u>(\$318,510) to Unknown</u>
Estimated Net FTE Change for General Revenue	5 FTE	5 FTE	5 FTE

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

OTHER STATE FUNDS

<u>Savings</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
Changes made to prevailing wage laws			

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>
Changes made to prevailing wage laws			

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 bill amends Missouri's prevailing wage law.

Prevailing wage shall not be paid for public works where the estimated cost, or accepted bids, are \$75,000 or less. All public works projects estimated to cost, or with an accepted bid of \$10,000 or less for all occupational titles shall be exempt from competitive bidding requirements. Wage determination schedules are provided in the bill (Section 290.230, RSMo).

Employers may use entry-level workers and federally-registered apprentices for on-the-job training provided that the combined total of those workers and apprentices does not exceed a one to one ratio with the number of journeyman in any occupational title on a public works project. The wage rate for the on-the-job training workers shall be 50% of the wage rate for an appropriate journeyman (Section 290.235).

Complaints regarding a violation of certain prevailing wage laws shall be filed with the Department of Labor and Industrial Relations and may only be filed by certain individuals, as specified in the bill (Section 290.240).

Currently, contractors and subcontractors working on public works projects are required to pay employees the prevailing wage for the particular locality in which the project is being completed. This bill instead requires that either the prevailing wage or public works contracting minimum wage be paid for workers on public works. The prevailing wage shall be paid for occupations in localities where at least 1,000 reportable works hours occur, but otherwise workers shall be paid the public works contracting minimum wage (Section 290.257).

The prevailing wage shall be set using the weighted average of the wages for an occupational title, and the public works contracting minimum wage shall be 120% of the average hourly wage in a particular locality (Section 290.257).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Labor and Industrial Relations

Office of Administration-Facilities Management, Design and Construction

Missouri Department of Conservation

State Technical College of Missouri

Department of Economic Development

Department of Transportation

Office of Administration-Personnel

Jackson County Board of Election Commissioners


Platte County Board of Elections

St. Louis County

City of Kansas City

University of Missouri

Ross Strope



Acting Director

June 29, 2018

SK:LR:OD