

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6013-01  
Bill No.: SB 927  
Subject: Office of Administration; Cities, Towns, and Villages; Contracts and Contractors; Employees-Employers; Department of Labor and Industrial Relations; Political Subdivisions  
Type: Original  
Date: January 30, 2018

Bill Summary: This proposal modifies provisions relating to the prevailing hourly rate of wages.

**FISCAL SUMMARY**

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

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would reduce the number of public works projects that are subject to the prevailing wage requirement. The department assumes this would 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 in 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 **Department of Public Safety-Capitol Police, Office of Administration-Budget and Planning, Department of Insurance, Financial Institutions and Professional Registration, Department of Public Safety-Division of Alcohol and Tobacco Control, Department of Social Services, Department of Public Safety-Office of the Director, Department of Corrections, Department of Natural Resources, and Department of Mental Health** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from the **Office of Administration-Facilities Management, Design and Construction (OA-FMDC)** assume this proposal would exempt construction projects estimated to cost less than \$25,000 from prevailing wage requirements. 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 repeals or restricts the payment of prevailing wage. A number of factors would affect whether or not FMDC receives any cost savings 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. Furthermore, given that this proposal would exempt only very small projects from prevailing wage, FMDC assumes that there would be little, if any, cost savings. In addition, FMDC will use any savings to decrease other deferred maintenance projects or offset leasing costs.

ASSUMPTION (continued)

290.230 (4): This section would require prevailing wage to be paid if a project that was originally estimated by the engineer to cost less than \$25,000 is subject to a change order that increases the cost of the project to more than \$25,000. Prevailing wage would be required to be paid for the entire project should that occur. This would result in increased costs to FMDC from those originally anticipated in the contract because the contractor would likely seek a change order to compensate the contractor for its increased labor costs.

290.230.5(1): This proposal would exempt projects estimated to cost less than \$25,000 from competitive bidding. Section 8.250, RSMo, currently does not require competitive bidding for projects under \$25,000; therefore, it appears that this section would have no impact on FMDC.

290.230.5(2): This proposal provides that in projects estimated to cost less than \$25,000, a public body can require a contractor to submit a statement of qualifications. It appears this proposal would prohibit FMDC from pre-qualifying contractors on projects that exceed \$25,000. Currently, FMDC only pre-qualifies contractors on large, complex projects that require special skill and experience on the part of the contractor. Pre-qualification is unlikely to be necessary on projects that are under \$25,000, as those projects are generally simple. Therefore, this proposal would impede FMDC's ability to judge the qualifications of contractors on larger projects where such information would be beneficial. This could result in increased costs to FMDC to repair or replace faulty work completed by a non-qualified contractor.

290.230.5(3): This section prohibits a contractor on a public works project from replacing a subcontractor or consultant without approval. It is unclear whether this section is intended to apply to all public works projects or only those that are estimated to cost under \$25,000. Regardless, FMDC's contracts already require approval for replacement of major subcontractors listed in the bid and MBE/WBE/SDVE subcontractors. Therefore, this section would have little impact on FMDC. However, it could result in an inconvenience for contractors if they are required to get approval before replacing a minor subcontractor.

290.230.5(4): This section provides that a public body can disqualify any contractor that "lacks the minimum qualifications required to perform the project." It is unclear whether this section is intended to apply to all public works projects or only those that are estimated to cost under \$25,000. If intended to apply to all projects, it is unclear how this would work if a public body were unable to ask for information about a contractor.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will potentially have a positive fiscal impact of less than \$100,000 annually due to lower construction costs.

ASSUMPTION (continued)

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

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal has the same fiscal impact as HB 1271, in which, DESE assumed passage of the 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 **Joint Committee on Administrative Rules** assume the proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of State Courts Administrator** assume the proposal may have some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Officials from the **Missouri Western State University** assume the proposal would have a positive fiscal impact. This proposal allows maintenance jobs and small projects under \$25,000 to be exempt from prevailing wage requirements. This would have positive impact on the maintenance budget.

ASSUMPTION (continued)

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

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

Officials from the **Wellsville-Middletown R-1** assume the proposal will have a minor positive fiscal impact.

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

**Oversight** assumes this proposal modifies provisions 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.

Officials from the **Department of Public Safety-Veterans, Department of Revenue-Taxation, Department of Economic Development, Department of Transportation, Department of Higher Education-Fiscal Affairs, Office of the Governor, Office of Administration-Administrative Hearing Commission, Missouri House of Representatives, Office of Administration-Personnel, Office of Administration-Purchasing, Missouri Ethics Commission, Missouri Lieutenant Governor, Department of Public Safety-State Emergency Management Agency, Missouri Senate, Missouri Consolidated Health Care Plan, Department of Public Safety-Missouri Gaming Commission, Office of the State Treasurer, Office of the State Public Defender, Department of Agriculture, Department of Public Safety-Division of Fire Safety, Missouri Lottery Commission, Missouri State Tax Commission, Department of Health and Senior Services, Department of Public Safety-Office of the Director, Missouri State Employees' Retirement System, Department of Public Safety-Missouri State Highway Patrol, and State Auditor's Office** each assume the proposal will have no fiscal impact on their respective organizations.

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

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

ASSUMPTION (continued)

organizations.

Officials from the **Attorney General's Office, Bi-State Development and MoDOT and Patrol Employees' Retirement System** 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, Springfield, 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, Boone, Buchanan, Callaway, Camden, Cape Girardeau, 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, 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-

ASSUMPTION (continued)

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, Shell Knob #78, 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, Stewartsville 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, West Plains R-VII, 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
<b>GENERAL REVENUE FUND</b>			
<u>Savings</u> Modifies provisions on prevailing wage	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>
<b>VARIOUS OTHER STATE FUNDS</b>			
<u>Savings</u> Modifies provisions on prevailing wage	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Savings</u> Modifies provisions on prevailing wage	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>
<u>FISCAL IMPACT - Small Business</u>			

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

## FISCAL DESCRIPTION

This proposal modifies several provisions relating to the prevailing hourly rate of wages required to be paid workers on public works projects.

SECTION 290.230 - This proposal stipulates that the prevailing wage requirements shall only apply to the construction of public works for which the engineer's estimate of the total project cost is more than \$25,000. The proposal further stipulates that public bodies may not divide a project into multiple contracts for the purpose of lowering the total project cost below \$25,000. Moreover, if during the project the total project cost is increased such that it exceeds \$25,000 then each workman shall be paid the prevailing wage rate for all work performed under the original contract as well as the change ordered work.

For all construction projects of public works for which the contract awarded is in the amount of \$25,000 or less, all public bodies are exempt from competitive bidding requirements. Furthermore, for such projects public bodies are permitted to select a contractor based solely upon qualifications.

Every public body authorized to contract for or construct public works is required to comply with the Fairness in Public Construction Act.

Section 290.235 - The proposal permits employers working on public works projects are permitted to employ apprentices and trainees. Such apprentices or trainees shall be participating in a program registered with the United States Department of Labor or a program certified with the United States Department of Transportation and shall be paid the prevailing wage rate.

Employers are further permitted to utilize entry-level workers for the purpose of on-the-job training, provided such workers are seeking qualification or acceptance into an apprenticeship or training program. On-the-job training workers shall be paid at a rate equal to the first period wage percentage of the prevailing wage rate for a journeyman worker under the appropriate occupational title.

Employers may not employ more on-the-job training workers, apprentices, and trainees, in the aggregate, than the total number of journeyman workers on a public works project.

Sections 290.240, 290.250, 290.330 - The proposal stipulates that complaints regarding any violation of prevailing wage requirements may only be filed by one of the following interested parties:

FISCAL DESCRIPTION (continued)

- Any decision-making public servant for a public body for which a public works project is being performed, if the complaint is against a contractor or subcontractor;
- Any contractor or subcontractor, if the complaint is against a contractor awarded a contract by a public body; and
- The employee whose rights are alleged to have been violated.

Section 290.262 - Under current law, there are separate methods for calculating the prevailing wage depending upon the locality under consideration. This proposal modifies that process such that the prevailing wage in all localities shall be determined in the following manner:

- If there are more reportable hours that are not paid pursuant to a collective bargaining agreement, the prevailing wage shall be the wage most commonly paid that is not paid pursuant to a collective bargaining agreement;
- If there are more reportable hours that are paid pursuant to a collective bargaining agreement, the prevailing wage shall be the wage most commonly paid under a collective bargaining agreement; or
- If the total number of reportable hours, whether paid pursuant to a collective bargaining agreement or otherwise, does not equal or exceed 300 hours there shall be no prevailing wage for that wage order.

For purposes of determining the prevailing hourly rate of wages, only hours reported by a contractor for work performed by such contractor in a particular occupational title within a particular locality shall be considered.

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  
Department of Public Safety-Capitol Police  
Office of Administration-Budget and Planning  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Public Safety-Division of Alcohol and Tobacco Control  
Department of Social Services  
Department of Public Safety-Office of the Director  
Department of Corrections  
Department of Natural Resources  
Department of Mental Health  
Office of Administration-Facilities Management, Design and Construction  
Missouri Department of Conservation  
Office of the Secretary of State  
Office of Prosecution Services  
Department of Elementary and Secondary Education  
Joint Committee on Administrative Rules  
Office of State Courts Administrator  
Missouri Western State University  
Missouri State University  
Summersville R2 School District  
Wellsville Middleton R-1  
Kirksville R-III School District  
Department of Public Safety-Veterans  
Department of Revenue-Taxation  
Department of Economic Development  
Department of Transportation  
Department of Higher Education  
Office of the Governor  
Office of Administration-Administrative Hearing Commission  
Missouri House of Representatives  
Office of Administration-Personnel  
Office of Administration-Purchasing  
Missouri Ethics Commission  
Missouri Lieutenant Governor  
Department of Public Safety-State Emergency Management Agency  
Missouri Senate  
Missouri Consolidated Health Care Plan  
Department of Public Safety-Missouri Gaming Commission

SOURCES OF INFORMATION (continued)

Office of the State Treasurer  
Office of the State Public Defender  
Department of Agriculture  
Department of Public Safety-Division of Fire Safety  
Missouri Lottery Commission  
Missouri Tax Commission  
Department of Health and Senior Services  
Missouri State Employees' Retirement System  
Department of Public Safety-Missouri State Highway Patrol  
State Auditor's Office  
Platte County Board of Elections  
St. Louis County Board of Election Commissioners  
Jackson County Election Board  
St. Louis County  
City of Kansas City  
State Technical College of Missouri  
University of Central Missouri  
University of Missouri

Ross Strobe



Acting Director  
January 30, 2018