

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1455-02
Bill No.: HB 576
Subject: Administration, Office of; Employees - Employers; Labor and Industrial Relations Dept.; State Departments
Type: Original
Date: March 4, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue*	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund	Unknown	Unknown	Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various*	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	Unknown	Unknown	Unknown

* Could Exceed \$100,000 in any given fiscal year.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government*	Unknown	Unknown	Unknown

* Could Exceed \$100,000 in any given fiscal year.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Division of Design and Construction** and the **Department of Economic Development – Division of Workforce Development** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Department of Conservation (MDC)** assume the proposal would appear to have fiscal impact on MDC funds due to elimination of the prevailing wage on projects under \$150,000. The amount of impact is unknown but could be positive.

Officials from the **Department of Transportation (MoDOT)** state the portions of the proposal that may significantly affect MoDOT revise the definitions of “construction,” “maintenance work” and “public works.” MoDOT states, currently, prevailing wages must be paid on construction work, but not on maintenance work. MoDOT states changes to these definitions will cause a fiscal impact since some types of work that currently fall under the prevailing wage requirements will be exempted by the proposal. MoDOT notes the proposal also exempts from prevailing wage requirements public works projects that cost less than \$150,000.

ASSUMPTION (continued)

MoDOT notes the proposal would not affect most of their projects since they are at least partially federally funded and are subject to federal prevailing wage laws. However, a small number of state-funded projects could be affected. These projects would primarily be in the rural areas, since most projects in urban areas would employ union labor. MoDOT anticipates that the proposal could result in cost savings to the Road Fund and Local Funds. MoDOT cannot estimate the exact fiscal impact but anticipates the impact would be greater than \$100,000.

Officials from the **Department of Labor and Industrial Relations (DOL)** assume they would be required to change the method by which wage rates are determined. The change requires wage rates to be determined by occupational titles established by union jurisdiction, which vary from county to county. Currently, wage rates are established for occupational titles statewide pursuant to 8 CSR30-3.060. This creates an extensive change in wage determination procedures and requires collection of additional documentation relating to union jurisdiction.

DOL states there would be additional enforcement problems for the Department with the removal of workers' names from payroll records. This would require additional research and investigation time to assure workers are paid the appropriate prevailing wage rate. Also, creation of the \$150,000 threshold will likely cause enforcement problems with public entities breaking larger projects up into smaller ones to cause them not to be covered by the law. Other states with thresholds have experienced this problem and note it occurs when thresholds are established or the amount is changed in their prevailing wage laws.

Last, due to changes in what work is covered, DOL states they would need to educate public bodies, workers, contractors and others about the changes.

DOL does not anticipate an impact or cost savings as there will be additional duties created for both the new determination process as noted above, and enforcement of the law due to the removal of workers' names from payroll records, and creation of a threshold. DOL notes there may be a decrease in types of construction projects covered, which may or may not cause a decrease in some complaints. DOL claims, regardless, their case load increased about 33% in fiscal year 2003 already. DOL adds, in addition, two investigators were laid off, which increased the remaining investigators' caseloads. DOL states due to the large number of complaints filed yearly, the length of time some complaints take to process, and the large coverage areas many of the investigators have, there is always a backlog of cases to review.

Oversight assumes the DOL's assumption regarding a decrease in complaints pertains to the section of the proposal that restricts prevailing wage complaints to interested parties and assigns no further fiscal impact.

ASSUMPTION (continued)

Oversight assumes the proposal could result in a savings in the cost of construction of public works with a total cost of less than \$150,000.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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GENERAL REVENUE

<u>Savings – Various State Agencies</u> Potential Reduction in Construction Costs	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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VARIOUS OTHER STATE FUNDS

<u>Savings – Various State Agencies</u> Potential Reduction in Construction Costs	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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VARIOUS LOCAL FUNDS

<u>Savings – Various Local Governments</u> Potential Reduction in Construction Costs	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

Some small business contractors may no longer be eligible to receive the benefits of the prevailing wage law. The impact of this is unknown. Conversely, some small businesses may save money by no longer being required to affix certain information on certain motor vehicles and equipment.

DESCRIPTION

This proposal:

- (1) Modifies the definitions of "construction" and "maintenance work" under the prevailing wage law;
- (2) Excludes decorating, maintenance, replacement, or repairs and public works projects with a total cost of less than \$150,000 from the prevailing wage law;
- (3) Restricts the application of the prevailing wage law to actual construction only and to public works that are fixed works that are both constructed for public use or benefit and directly paid for wholly or in part out of public funds;
- (4) Requires the Department of Labor and Industrial Relations to determine the schedule of prevailing hourly wages by occupational title as claimed by each union attached to and made part of the specifications for the work. Where no wages are reported for a particular locality, the wage rate will be 1.5 times the most recent hourly wage rate for the locality as published on or before March 10 of each year by the Missouri Economic Research Center or its successor. These rates must be included in the advertising of bids;
- (5) Allows an interested party to report an alleged violation of the prevailing wage law to the contracting public body, who in turn, must report any alleged violation to the department. The department must investigate and either confirm or dismiss the complaint. Upon confirmation of a violation, the public body must withhold and retain only sums due as a result of a confirmed violation;
- (6) Removes the requirement that contractors and subcontractors engaged in public works include in their records the names of their workmen. Further, it removes subsections which require contractors and subcontractors engaged in the construction of public works to have certain information affixed on certain motor vehicles and motorized self-propelled pieces of equipment; and
- (7) Limits violations of the prevailing wage law to willful violations.

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This proposal 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
Department of Economic Development – Division of Workforce Development
Office of Administration – Division of Design and Construction
Department of Conservation
Department of Transportation



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Director

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