

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3528-01
Bill No.: SB 647
Subject: Employees-Employers; Labor and Industrial Relations Dept.; Labor and Management; Liability; Merit System; Salaries
Type: Original
Date: February 1, 2010

Bill Summary: Would require equal pay for the same work regardless of gender and establish a commission to study wage disparities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(\$455,680)	(\$534,558)	(\$557,342)
Total Estimated Net Effect on General Revenue Fund	(\$455,680)	(\$534,558)	(\$557,342)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	10	10	10
Total Estimated Net Effect on FTE	10	10	10

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that 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, we also recognize 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, we reserve 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.

Officials from the **Office of Administration, Administrative Hearing Commission and Division of Personnel, the Department of Conservation, the Department of Transportation, Missouri Southern State University, the University of Central Missouri, Linn State Technical College, the City of West Plains, and the Special School District of St. Louis County** assume this proposal would have no fiscal impact on their organizations.

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume the wage study required by this proposal would require a research program similar in structure to DOLIR's existing Research and Analysis Section, which includes a manager, two analysts, and three clerical staff. DOLIR officials assume the volume of research and analysis that would be required by this proposal would be much greater; therefore, the fiscal note response includes staff as described above with two additional analysts.

Further, enforcement of resulting recommendations would require two new wage and hour investigators. Although there would be a lag between the study and recommendations and the need for enforcement, the investigators would need to come on board immediately to work with the commission created by the proposal throughout the study to be prepared when the need to enforce the recommendations arises.

ASSUMPTION (continued)

DOLIR officials included an estimate of the cost to implement this proposal including one FTE Research Manager, two FTE Research Analysts, three FTE clerical staff, and two FTE Wage and Hour Investigators. The DOLIR estimate for salaries, benefits, expense, and equipment was \$456,749 for FY 2011, \$559,526 for FY 2012, and \$576,311 for FY 2013.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOLIR estimate of expense and equipment cost in accordance with OA budget guidelines.

Officials from **Lincoln University** assume the cost to implement this proposal would be minimal.

Officials from the **University of Missouri** (UM) assume that the financial impact of the proposal would be significant, but that it would be difficult to determine the total cost to implement this proposal. UM officials stated that the amount of time and paperwork resulting from the proposal would be great, and estimated a personnel cost in excess of \$50,000.

Officials from **St. Louis Community College** assume the proposal would cause no negative impact on their organization.

Officials from **Missouri State University** (MSU) assume this proposal would have a fiscal impact on their organization. Additional staffing may be required to investigate and determine if there are any salaries out of line based upon the requirements of the legislation. Further, there would be on-going requirements to see that newly hired individuals' salaries do not cause inequities. Finally, there would be increased costs in staffing and time as inquiries are made and lawsuits are instituted that must be defended.

Officials from **Missouri Western State University** stated that the fiscal impact would depend on the amount of staff time it would take to develop the reporting requirements.

Oversight assumes that the costs of this proposal to colleges and universities would not be paid from state funds; instead, Oversight assumes that colleges and universities would raise tuition to cover costs associated with this proposal.

ASSUMPTION (continued)

Officials from **St. Louis County** (SLC) stated that SLC voluntarily provides each employee with an annual statement of compensation and benefits. The cost in preparation and staff time is approximately \$2,000. SLC officials assume there would be additional staff oversight required to review and assure that wage payments are consistent irrespective of gender and race. An additional cost of \$2,500 annually in staff time would be anticipated for this proposal.

Officials from the **City of Centralia** assume the impact would depend on the regulations promulgated and the forms used, but they do not expect costs to exceed \$100 per year.

Officials from the **City of Boonville** assume the proposal would have a cost of \$75,000 per year.

Officials from the **City of Kansas City** (CKC) assume the proposal would have a negative fiscal impact on their organization of approximately \$5,000 annually, due to the cost of generating the annual written reports to all employees as required by this proposal.

Oversight will indicate an unknown cost to local governments for compliance documentation and reporting.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Cost - Department of Labor</u>			
Personal Services (10 FTE)	(\$285,450)	(\$352,816)	(\$363,401)
Fringe Benefits	(\$149,690)	(\$185,017)	(\$190,567)
Equipment and Expense	(\$20,540)	\$3,275	(\$3,374)
Total Costs - DOLIR	<u>(\$455,680)</u>	<u>(\$534,558)</u>	<u>(\$557,342)</u>
FTE Change - DOLIR	10 FTE	10 FTE	10 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$455,680)</u>	<u>(\$534,558)</u>	<u>(\$557,342)</u>
Estimated Net Effect on FTE for General Revenue	10 FTE	10 FTE	10 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL GOVERNMENTS			
Cost - Compliance Documentation	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could lead to increased wages for Missouri employers.

FISCAL DESCRIPTION

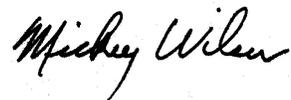
This proposal would require equal pay for the same work regardless of gender and establish a commission to study wage disparities. Specifically, the proposal would prohibit employers from paying any employee lower wages than those paid to employees of the opposite gender for the same work. Under the act, employees could bring a civil cause of action against employers who engage in such a discriminatory practice. Wage payment differentials based on merit systems, regional economic factors, factors that measure pay due to output, or other bona fide factors other than gender, would not be actionable. Varying local market rates would not be considered bona fide factors under the proposal. The act imposes record-keeping and reporting requirements on employers to document wage rates. An Equal Pay Commission would be established to study the causes and consequences of wage disparities.

This legislation is not federally mandated and would not require additional capital improvements or rental space.

This program is a duplication of Title VII of federal law, and the Human Rights Act.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Administrative Hearing Commission
 Division of Personnel
Department of Conservation
Department of Labor and Industrial Relations
Department of Transportation
Lincoln University
Missouri Southern State University
Missouri State University
Missouri Western University
University of Central Missouri
University of Missouri
Linn State Technical College
St. Louis Community College
St. Louis County
City of Boonville
City of Centralia
City of Kansas City
City of West Plains
Special School District of St. Louis County



Mickey Wilson, CPA
Director
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