

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1514-01
Bill No.: HB 692
Subject: Labor and Industrial Relations Department; Contracts and Contractors; Surety Bonds
Type: Original
Date: March 20, 2013

Bill Summary: This proposal repeals the provisions regarding the prevailing hourly wage requirements and specifies that no person will be paid a prevailing wage with specified exceptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$9,900	\$9,900	\$9,900
Total Estimated Net Effect on General Revenue Fund	\$9,900	\$9,900	\$9,900

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Conservation Fund	Unknown greater than \$100,000	Unknown greater than \$100,000	Unknown greater than \$100,000
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown greater than \$100,000	Unknown greater than \$100,000	Unknown greater than \$100,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

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 2014	FY 2015	FY 2016
Local Government	Unknown greater than \$100,000	Unknown greater than \$100,000	Unknown greater than \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Labor and Industrial Relations** assume that elimination of the prevailing wage rate would eliminate the prevailing wage rate objections filed at the Labor and Industrial Relations Commission. Not handling these cases would result in a savings of \$9,900 a year.

Officials at the **Department of Agriculture, Department of Corrections, Department of Economic Development, Department of Elementary and Secondary Education, Department of Health and Senior Services, Department of Higher Education, Department of Insurance, Financial Institutions and Professional Registration, Department of Mental Health, Linn State Technical College, Missouri Veterans Commission, Office of Administration, Office of the State Auditor, Office of State Courts Administrator, Office of the State Public Defender, Office of State Treasurer, Parkway School District, St. Louis County, University of Central Missouri** and the **University of Missouri** each assume there is no fiscal impact to their organization from this proposal.

Officials at the **Department of Elementary and Secondary Education** assume this could reduce public school district facility construction costs significantly; however, they could not estimate the potential savings.

Officials at the **Department of Natural Resources** assume they coordinate construction projects through the Office of Administration; therefore, they do not anticipate a fiscal impact from this proposal.

Officials at the **Department of Social Services** defer to the Office of Administration for fiscal impact.

Officials at the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Department of Conservation** assume an unknown positive impact greater than \$100,000.

Officials at the **Missouri Department of Transportation** anticipate a potential positive unknown impact. Any savings from not paying prevailing wage would be put back into the road fund for highway projects.

ASSUMPTION (continued)

Officials at the **Lincoln University** assume some savings may be realized with this proposal, as long as the project is not funded in part or whole by the federal government, which must follow the Davis-Bacon Act. The impact of this legislation cannot be determined exactly, but by not requiring contractors to pay prevailing wages on public projects this should decrease labor costs for various trades. Competition for work may increase by contractors who did not typically bid public works projects. If they pay their employees the same rates for private and public jobs, they may bid more on state/public projects. Defining types of projects (not knowing if classified as maintenance versus construction) will not be necessary, eliminating confusion and potential lawsuits.

Officials at the **Missouri State University** assume a savings of \$2,359,000 per year from elimination of prevailing wage.

Officials at the **Metropolitan Community College** assume an unknown positive impact from this proposal.

Officials at the **Missouri Western State University** assume an unknown impact.

Officials at the **Northwest Missouri State University** assume it is not possible to determine the exact fiscal impact. They estimate a 30%-40% savings on projects based on the scope of the project and trades used.

Officials at the **City of Kansas City** assume an unknown amount of savings related to the time staff spends investigating prevailing wage compliance and enforcing prevailing wage violations. Any potential increase in revenues will likely be offset by the loss of liquidated damages. Additionally, an unknown amount of loss will likely occur from the proposal. The amount of loss is related to the liquidated damages that are collected for prevailing wage violations. Any potential loss will likely be offset by the savings related to staff time.

If the passage of this proposal results in lower wages than the current prevailing wages, the City would experience a loss in earnings tax collections, since those collections are directly related to income earned.

This proposal may have an impact on state income tax and local earnings taxes. **Oversight** considers the impact to be indirect and will not reflect the impact in this fiscal note.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state 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 the 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, the 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 the core budget. Therefore, the 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 at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, 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 at the following schools: Blue Springs Public Schools, Branson Public Schools, Columbia Public Schools, Fair Grove Schools, Francis Howell Public Schools, Independence Public Schools, Jefferson City Public Schools, Kirksville Public Schools, Lee Summit Public Schools, Mexico Public Schools, Nixa Public Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, and Sullivan Public Schools did not respond to **Oversight's** request for fiscal impact.

Officials at the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski,

ASSUMPTION (continued)

Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Crowder, Harris-Stowe, Jefferson College, Southeast Missouri State University, State Fair Community College, St. Charles Community College, Three Rivers Community College and Truman State University did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Savings</u> - Department of Labor and Industrial Relations - Elimination of prevailing wage objections	<u>\$9,900</u>	<u>\$9,900</u>	<u>\$9,900</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$9,900</u>	<u>\$9,900</u>	<u>\$9,900</u>
CONSERVATION FUNDS			
<u>Savings</u> - Department of Conservation - elimination of prevailing wage	Unknown greater than <u>\$100,000</u>	Unknown greater than <u>\$100,000</u>	Unknown greater than <u>\$100,000</u>
ESTIMATED NET EFFECT ON CONSERVATION FUNDS	Unknown greater than <u>\$100,000</u>	Unknown greater than <u>\$100,000</u>	Unknown greater than <u>\$100,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - Local Political Subdivisions - elimination of prevailing wage	Unknown greater than <u>\$100,000</u>	Unknown greater than <u>\$100,000</u>	Unknown greater than <u>\$100,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Unknown greater than <u>\$100,000</u>	Unknown greater than <u>\$100,000</u>	Unknown greater than <u>\$100,000</u>

FISCAL IMPACT - Small Business

Small businesses that bid on projects may be impacted by this proposal.

FISCAL DESCRIPTION

This bill repeals the provisions regarding the prevailing hourly wage requirements and specifies that no person will be paid a prevailing hourly wage except for federally-funded projects and services provided to the federal government.

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

- City of Kansas City
- Department of Agriculture
- Department of Conservation
- Department of Corrections
- Department of Economic Development
- Department of Elementary and Secondary Education
- Department of Health and Senior Services
- Department of Higher Education
- Department of Insurance, Financial Institutions and Professional Registration
- Department of Labor and Industrial Relations
- Department of Mental Health
- Department of Natural Resources
- Department of Social Services

SOURCES OF INFORMATION (continued)

Lincoln University
Linn State Technical College
Metropolitan Community College
Missouri Department of Transportation
Missouri State University
Missouri Veterans Commission
Missouri Western State University
Northwest Missouri State University
Office of Administration
Office of Attorney General
Office of the Secretary of State
Office of the State Auditor
Office of State Courts Administrator
Office of the State Public Defender
Office of State Treasurer
Parkway School District
St. Louis County
University of Central Missouri
University of Missouri



Ross Strope
Acting Director
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