

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1563-01
Bill No.: HB 828
Subject: Counties; Employees - Employers; Employment Security; Contracts and Contractors
Type: Original
Date: April 5, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$73,969	\$90,983	\$93,257
Total Estimated Net Effect on General Revenue Fund	\$73,969	\$90,983	\$93,257

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Department of Conservation** assume this proposal could have an unknown positive impact on the Conservation Commission Fund.

Officials from the **Office of Administration, Division of Purchasing and Materials Management** and **Division of Facilities Management/Design and Construction**, the **Department of Corrections**, the **Department of Economic Development**, the **Department of Mental Health**, the **Department of Social Services**, **Metropolitan Community Colleges**, and **Linn State Technical College** assume this proposal would have no impact on their organizations.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would be applicable only to county governments and MODOT, but not any other public body within specified counties. The proposal would make numerous changes to the procedures used to determine prevailing wage rates. The Department's Division of Labor Standards (Division) would use two different sets of criteria for the determination of prevailing wage rates and enforcement of the prevailing wage law for certain counties.

ASSUMPTIONS (continued)

For counties meeting specified criteria, the Division would be required to use union jurisdiction to determine wage rates by occupational title, to average information to determine wage rates, to exclude incremental increases and to use the average hourly rate as provided by MERIC if wages are not reported for a locality. For those counties not meeting the specified criteria, the Division would determine prevailing wage rates and enforce the law as it is now. The proposal also provides for a \$150,000 threshold before the prevailing wage law applies. The Division would have no authority over any public works project contracted by MODOT in counties meeting the specified criteria.

The Division would be required to issue two different Annual and General Wage Orders. Two completely different sets of criteria would be used for the orders. The first set would be for the 19 counties and the City of St. Louis not meeting the criteria as spelled out in the proposal, and for all other public bodies across the state. The Annual and General Wage Orders for these locations would be determined as they are now. This would take no additional staff or resources. A different set of criteria would apply to those 95 counties that meet the criteria specified in the proposal. The Annual and General Wage Orders for those counties would require a change in the manner in which prevailing wage rates are determined, and would create new duties for staff.

DOLIR estimated one additional half-time FTE Research Analyst III would be required, since the proposal would only require two wage orders per year, and it takes about 3 months to review information for each wage order. That employee would review collective bargaining agreements based on union jurisdiction to determine prevailing wage rates for 95 counties, and determine wage rates from MERIC average wage information where no wages are reported. Holiday and overtime information would also have to be determined for all wage rates.

In addition, DOLIR estimated that one FTE Data Entry Operator II would be required to do data entry and review all wage information submitted.

There is existing space in the office that can be used for both FTE. Office equipment and supplies is taken from OA Budget Budget Guidelines. Monthly telephone cost is taken from the Division's actual monthly phone bill.

DOLIR provided an estimated cost of \$47,528 for FY 2006, \$54,548 for FY 2007, and \$55,917 for FY 2008 for the additional staff and related expenditures.

Oversight assumes the data entry, analysis, and wage orders could be provided with existing staff, since the proposal reduces the overall scope and coverage of the state prevailing wage law.

ASSUMPTIONS (continued)

DOLIR noted the proposal designates certain counties whose public works construction projects would not be subject to the law, which could reduce the number of investigations needed. DOLIR received 304 total complaints in FY04, and 77 were county projects. Since 95 of the 115 counties (including the City of St. Louis), or 82% fall under the criteria established in the proposal DOLIR estimated that 20.7% of current complaints would no longer be investigated should the proposal become effective. DOLIR currently has 9 FTE Wage & Hour Investigators that focus on prevailing wage; therefore, 20.7%, or 1.8 would no longer be needed.

The proposal would also implement a threshold of \$150,000 before projects are subject to the prevailing wage law. In the 4th Quarter of FY04, which is generally the largest construction bidding period every year, the Division received 342 project notifications where the project was less than \$150,000. Of those, 64 or 18.7% were for county projects. Based on 82% of counties falling under the criteria as established in the proposal, 15.2% of those projects would no longer be subject to the prevailing wage law. DOLIR estimated that another 15.2%, or 1.3 FTE Wage & Hour Investigators would no longer be needed. Since project notifications and complaints are not separate issues, and complaints regarding public works contracted by public bodies in those counties would still be investigated, the Division estimated a total reduction of 1.8 FTE.

DOLIR did not provide an estimated savings for these potential staff reductions.

Oversight assumes there would be little overlap between the reduced coverage by county and the reduced coverage by project value, and has calculated the savings from this proposal based on a total reduction of 2 FTE Wage and Hour Investigator II at current salary rates as shown in the DOLIR budget request.

Officials from the **Department of Transportation** (MODOT) assume this proposal would have a negative unknown fiscal impact greater than \$100,000 to the Road Fund since MODOT would be required to monitor compliance with federal and state prevailing wage law, and the state prevailing wage law could be different from county to county.

Oversight assumes that the proposal would create only a minimal amount of additional work for MODOT since the contractor and DOLIR would still have the primary responsibility for determining and enforcing the prevailing wage for a given project or location.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Savings - Labor and Industrial Relations</u>			
Personnel (2 FTE)	\$51,850	\$63,776	\$65,370
Benefits	<u>\$22,119</u>	<u>\$27,207</u>	<u>\$27,887</u>
Total	<u>\$73,969</u>	<u>\$90,983</u>	<u>\$93,257</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$73,969</u>	<u>\$90,983</u>	<u>\$93,257</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2006 (10 Mo.)	 FY 2007	 FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact small businesses which contract for public works projects.

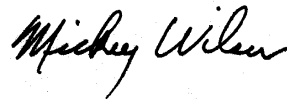
DESCRIPTION

This proposal would modify the state prevailing wage provisions. Projects in certain counties and those projects under a specified size would no longer be subject to the state prevailing wage law.

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

Office of Administration
 Division of Facilities Management/Design and Construction
 Division of Purchasing/Materials Management
Department of Conservation
Department of Corrections
Department of Economic Development
Department of Labor and Industrial Relations
Department of Mental Health
Department of Social Services
Department of Transportation
University of Missouri
Linn State Technical College



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April 5, 2005