

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0385-01
Bill No.: HB 78
Subject: Labor and Management; Employees - Employers; Political Subdivisions
Type: Original
Date: January 26, 2017

Bill Summary: This proposal allows public bodies to opt out of prevailing wage laws for the construction of public works projects that are \$750,000 or less.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	Could exceed \$1,000,000	Could exceed \$1,000,000	Could exceed \$1,000,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Conservation (MDC)** assume this proposal would have a positive fiscal impact to their organization estimated from unknown to greater than \$100,000 due to savings of wages paid for construction should MDC opt out of prevailing wage.

Oversight will not show a fiscal impact to MDC because Oversight assumes MDC has a budget amount for public works projects and any savings on a project would be reallocated to other projects.

Officials at the **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assume this proposal may have an unknown positive fiscal impact to their organization by reducing the overall costs of certain projects. OA-FMDC assumes any Facilities Maintenance Reserve fund (FMRF) savings will be used to decrease other deferred projects.

Oversight will not show a fiscal impact to OA-FMDC based on any savings would be used to decrease the cost for other deferred projects.

In response to a similar proposal from this session (HB 132), officials at the school district of **Chillicothe R-II** anticipated the proposal would impact their organization by approximately \$4,000,000 due to the construction of the new Million Elementary School with a cost of \$13,800,000.

Oversight will not show an impact to the Chillicothe R-II School District because this proposal states “public works projects that are \$750,000 or less”. The construction of a new elementary school in the Chillicothe R-II School District exceeds the \$750,000 limit.

Officials at the school district of **Bakersfield R-IV** assume this proposal would have a positive fiscal impact to their organization estimated at \$500,000.

Officials at the school district of **Kirksville R-III** assume this proposal would be a great benefit to their organization.

In response to a similar proposal from this session (HB 132), officials at the school district of **Kirksville R-III** assumed the proposal would have a fiscal impact to their organization estimated at \$250,000 to \$500,000 per year.

Officials at the school district of **Wentzville R-IV** assume this proposal would have a positive fiscal impact to their organization estimated between \$135,000 to \$415,000 per year.

ASSUMPTION (continued)

In response to a similar proposal from this session (HB 132), officials at the school district of **Parkway** assumed the proposal could have a fiscal impact to their organization estimated at \$130,000 to \$195,000 annually.

Officials at the school district of **West Plains R-VII** assume this proposal would have a positive fiscal impact to their organization estimated between \$50,000 to \$150,000 annually.

In response to a similar proposal from this session (HB 132), officials at the school district of **Kearney R-I** assume the proposal would have a fiscal impact to their organization estimated at \$10,000 to \$75,000 annually.

Officials at the school district of **Seymour R-II** assume this proposal would have a positive fiscal impact to their organization with an estimated savings of 50% of all labor costs on future prevailing wage contracts under \$750,000.

Officials at the school district of **Bowling Green R-I** assume this proposal would have a positive fiscal impact to their organization with estimated savings of 25% per average project cost.

Officials at the **Eldon R-I School District** assume this proposal could have a fiscal impact to their organization based on the following information.

Most subcontractors are union, and union wages are similar to prevailing wage. Some have union crews and non-union crews. If exempt from prevailing wage, more and more companies would have non-union crews to be competitive. Larger projects where man power is needed, subcontractors such as electrical, plumbing, HVAC all hire from the Union, so there might not be much savings. Smaller project would probably see small local contractors bid which result in some savings.

Officials at the school district of **Malta Bend** assume this proposal would have a huge fiscal impact to their organization.

Officials at the school district of **Pettis R-XII** assume this proposal could have a positive fiscal impact to their organization but did not provide a dollar estimate.

Officials at the school district of **Orrick R-XI** assume this proposal could have a positive impact to their organization. Although, practically impossible to provide precise numbers on how much it would save the district on construction costs. It would be very financially beneficial to the district if not required to pay prevailing wage on every small(ish) construction related project.

ASSUMPTION (continued)

Officials at the **Special School District of St. Louis County** assume this proposal would have little fiscal impact to their organization.

Officials at the school district of **Kansas City** assume this proposal would not have a fiscal impact to their organization but added that depending on the projects, they may foresee a positive fiscal impact from some projects.

Officials at the school districts of **Bronaugh R-VII, Middle Grove C- I, Grain Valley, and Wright City R-II** each assume this proposal will not have a fiscal impact to their respective organizations.

Officials at the **Department of Natural Resources (DNR)** assumes this proposal would not have a significant fiscal impact to their organization.

DNR provided the following information:

DNR requires entities receiving state or federal funds to comply with the state prevailing wage rate for public works projects including water and wastewater infrastructure projects. Opting out of the state prevailing wage rate would remove this requirement; however, entities receiving funding under federal programs may still be required to comply with wage rates under the federal Davis-Bacon Act, as applicable.

Officials at the **Department of Labor and Industrial Relations** and **Department of Transportation** each assume this proposal would not have a fiscal impact to their respective organizations.

Officials at the **City of Kansas City** assume this proposal could have a positive fiscal impact to their organization which cannot be estimated because the number of projects and the nature of the market dictating wage levels to be considered in bids, no specific amount can be estimated.

Officials at the **City of Richmond** assume this proposal would have a significant fiscal impact on their organization, estimated at 25% to 35% savings on project costs and allow their organization to redirect thousands of dollars per year.

Officials at the **Callaway County** assume this proposal will have an unknown positive fiscal impact to their organization.

ASSUMPTION (continued)

Officials at the **Missouri State University** and **Truman State University** each assume this proposal would have an unknown positive fiscal impact to their respective organizations.

Officials at the **State Technical College of Missouri** and **University of Missouri** each assume this proposal would not have a fiscal impact on their respective organizations.

Oversight will show an impact to local political subdivisions based on the combined estimates provided by the school districts, cities and counties which could exceed \$1,000,000 in reduced costs for public works construction projects.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Des Peres, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, 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 counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Metropolitan Community College, Moberly Area Community College, Missouri Southern State University, Missouri Western 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 the University of Central Missouri did not respond to **Oversight's** request for fiscal impact.

Officials at the following school districts: Arcadia Valley R-2, Aurora R-8, Avilla R-13, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Branson, Brentwood, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1,

ASSUMPTION (continued)

Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Laclede County R-1, Laredo R-7, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Mehville, Mexico, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Osage County R-II, Osborn R-O, Pattonville, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Slater, Smithville R-2, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Tipton R-6, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Webster Groves, and the Westview C-6 did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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LOCAL POLITICAL SUBDIVISIONS

<u>Savings</u> - exemption from prevailing wage	Could exceed <u>\$1,000,000</u>	Could exceed <u>\$1,000,000</u>	Could exceed <u>\$1,000,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed <u>\$1,000,000</u>	Could exceed <u>\$1,000,000</u>	Could exceed <u>\$1,000,000</u>

FISCAL IMPACT - Small Business

This proposal may have an impact to small business by reducing payrolls for those small businesses that opt out of the state prevailing wage rate when involved in the construction of public works projects.

FISCAL DESCRIPTION

This bill allows any public body to opt out of the provisions regarding prevailing wages for the construction of public works projects for which the contract awarded is \$750,000 or less.

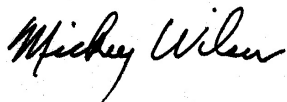
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Conservation
Office of Administration - Facilities Management and Design
Department of Natural Resources
Department of Labor and Industrial Relations
Department of Transportation
Cities of:
 Kansas City
 Richmond
Callaway County
Missouri State University
Truman State University
State Technical College of Missouri
University of Missouri
School Districts of:
 Bakersfield R-IV
 Bronaugh R-VII
 Bowling Green R-I
 Eldon R-I
 Grain Valley R-V
 Kansas City
 Kirksville R-III
 Malta Bend
 Middle Grove -I

SOURCES OF INFORMATION (continued)

Orrick R-II
Parkway
Pettis County R-XII
Seymour R-II
Special School District of St. Louis County
Wentzville R-IV
West Plains R-VII
Wright City R-II



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