

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0385-04  
Bill No.: HCS for HB 78  
Subject: Labor and Management; Employees - Employers; Political Subdivisions  
Type: Original  
Date: March 8, 2017

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Bill Summary: Modifies provisions relating to the prevailing wage.

**FISCAL SUMMARY**

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

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

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

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

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

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

## FISCAL ANALYSIS

### ASSUMPTION

In response to a previous version of this proposal (0385-01), officials at the **Department of Conservation (MDC)** assumed the 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** did not show a fiscal impact to MDC because Oversight assumed 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.

Officials at the **Department of Mental Health** and the **Department of Social Services** defers to Office of Administration for a fiscal impact.

Officials at the **Office of Administration - Administrative Hearing Commission**, the **Department of Agriculture**, the **State Auditor's Office**, the **Department of Public Safety - Gaming Commission**, the **Lieutenant Governor's Office**, the **Department of Health and Senior Services**, the **Department of Higher Education**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Joint Committee on Administrative Rules**, the **Department of Labor and Industrial Relations**, the **Missouri Lottery Commission**, the **Missouri House of Representatives**, the **Missouri Consolidated Health Care Plan**, the **Missouri State Employees' Retirement System**, the **Office of State Courts Administrator**, the **State Public Defender's Office**, the **Department of Revenue**, the **Missouri Tax Commission**, the **State Treasurer's Office**, the **Department of Transportation**, the **Department of Public Safety - Alcohol and Tobacco**, the **Department of Public Safety - Capitol Police**, the **Department of Public Safety - Highway Patrol**, and the **Department of Public Safety - State Emergency Management Agency** each assume this proposal will not have a fiscal impact on their respective organizations.

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.

ASSUMPTION (continued)

**Oversight** will not show an impact to the Chillicothe R-II School District because this proposal states “public works projects that are \$1,000,000 or less”. The construction of a new elementary school in the Chillicothe R-II School District exceeds the \$1,000,000 limit.

Officials at the school district of **Milan C-II** assume this proposal would have a positive fiscal impact to their organization, estimate it would save approximately \$25,000 in one (1) particular project (construction of a Fieldhouse-Storage Building). The prevailing wage proposal was roughly \$125,000 and the non-prevailing wage proposal was roughly \$100,000. In addition, noted this may not sound like a significant amount, but this particular project is fairly small compared to other projects.

Officials at the school district of **East Carter County R-II** assume this proposal has the potential for saving their organization thousands of dollars in any given year and the potential of tens of thousand or more on a year of significant project needs. In addition, noted the elementary students are currently in a WPA building and labor costs for renovation and/or replacement is a significant limiting factor.

In response to a previous version of this proposal (0385-01), officials at the school district of **Bakersfield R-IV** assumed the proposal would have a positive fiscal impact to their organization estimated at \$500,000.

In response to a previous version of this proposal (0385-01), officials at the school district of **Kirksville R-III** assumed the proposal would be a great benefit to their organization. However, 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.

In response to a previous version of this proposal (0385-01), officials at the school district of **Wentzville R-IV** assumed the proposal would have a positive fiscal impact to their organization estimated between \$135,000 to \$415,000 per year.

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.

ASSUMPTION (continued)

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

In response to a previous version of this proposal (0385-01), officials at the school district of **Seymour R-II** assumed the 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.

In response to a previous version of this proposal (0385-01), officials at the school district of **Bowling Green R-I** assumed the proposal would have a positive fiscal impact to their organization with estimated savings of 25% per average project cost.

In response to a previous version of this proposal (0385-01), officials at the **Eldon R-I School District** assumed the proposal would 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.

In response to a previous version of this proposal (0385-01), officials at the school district of **Malta Bend** assumed the proposal would have a huge fiscal impact to their organization.

In response to a previous version of this proposal (0385-01), officials at the school district of **Pettis R-XII** assumed the proposal could have a positive fiscal impact to their organization but did not provide a dollar estimate.

In response to a previous version of this proposal (0385-01), officials at the school district of **Orrick R-XI** assumed the 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.

In response to a previous version of this proposal (0385-01), officials at the **Special School District of St. Louis County** assumed the proposal would have little fiscal impact to their organization.

ASSUMPTION (continued)

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.

In response to a previous version of this proposal (0385-01), officials at the school districts of **Bronaugh R-VII, Middle Grove C- I, Grain Valley, and Wright City R-II** each assumed the proposal would 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 **City of Kansas City** assume this proposal would not have a fiscal impact on their organization.

Officials at the **City of West Plains** assume the proposal would help out local communities tremendously but did not provide an estimated dollar amount.

In response to a previous version of this proposal (0385-01), officials at the **City of Richmond** assumed the 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 **St. Louis County** assume this proposal would not have a fiscal impact on their organization.

In response to a previous version of this proposal (0385-01), officials at **Callaway County** assumed the proposal would have an unknown positive fiscal impact to their organization.

Officials at the **Missouri State University** assume this proposal would have an unknown positive fiscal impact to their organization.

ASSUMPTION (continued)

In response to a previous version of this proposal (0385-01), officials at the **Truman State University** assumed the proposal would have an unknown positive fiscal impact to their organization.

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

In response to a previous version of this proposal (0385-01), officials at the **University of Missouri** assumed the proposal would not have a fiscal impact on their organization.

**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.

ASSUMPTION (continued)

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

**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>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>Could exceed <u>\$1,000,000</u></b>	<b>Could exceed <u>\$1,000,000</u></b>	<b>Could exceed <u>\$1,000,000</u></b>

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 \$1,000,000 or less.

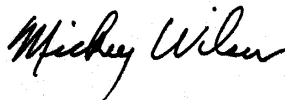
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Department of Conservation  
Office of Administration - Facilities Management and Design  
Office of Administration - Administrative Hearing Commission  
Department of Agriculture  
State Auditor's Office  
Department of Public Safety - Gaming Commission  
Department of Health and Senior Services  
Department of Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Joint Committee on Administrative Rules  
Lieutenant Governor's Office  
Missouri House of Representatives  
Missouri Consolidated Health Care Plan  
Missouri State Employees' Retirement System  
Office of State Courts Administrator  
Department of Revenue  
State Public Defender's Office  
Missouri Tax Commission  
State Treasurer's Office  
Department of Natural Resources  
Department of Labor and Industrial Relations  
Department of Mental Health  
Department of Social Services  
Department of Transportation  
Department of Public Safety - Alcohol and Tobacco  
Department of Public Safety - Capitol Police  
Department of Public Safety - Highway Patrol  
Department of Public Safety - State Emergency Management Agency  
Cities of:  
    West Plains  
    Kansas City  
    Richmond  
Callaway County  
St. Louis County

SOURCES OF INFORMATION (continued)

Moberly Area Community College  
Missouri State University  
Truman State University  
State Technical College of Missouri  
University of Central Missouri  
University of Missouri  
School Districts of:  
Bakersfield R-IV  
Bronaugh R-VII  
Bowling Green R-I  
Chillicothe R-II  
East Carter County R-II  
Eldon R-I  
Grain Valley R-V  
Kansas City  
Kearney R-I  
Kirksville R-III  
Malta Bend  
Middle Grove -I  
Milan C-II  
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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