

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5298-01  
Bill No.: HB 1621  
Subject: Employees-Employers; Labor and Management; Department of Labor and Industrial Relations  
Type: Original  
Date: February 1, 2018

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Bill Summary: This proposal repeals provisions relating to prevailing wages on public works.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED  | FY 2019               | FY 2020               | FY 2021               |
| General Revenue Fund                                 | \$0 or Unknown        | \$0 or Unknown        | \$0 or Unknown        |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED   | FY 2019               | FY 2020               | FY 2021               |
| Other State Funds   | \$0 or Unknown        | \$0 or Unknown        | \$0 or Unknown        |
|   |                       |                       |                       |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS                         |         |         |         |
|---|---------|---------|---------|
| FUND AFFECTED   | FY 2019 | FY 2020 | FY 2021 |
|   |         |         |         |
|   |         |         |         |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> |         |         |         |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) |          |          |          |
|--|----------|----------|----------|
| FUND AFFECTED                                      | FY 2019  | FY 2020  | FY 2021  |
|  |          |          |          |
|  |          |          |          |
| <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.

| ESTIMATED NET EFFECT ON LOCAL FUNDS |                       |                       |                       |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED                       | FY 2019               | FY 2020               | FY 2021               |
| <b>Local Government</b>             | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b> |

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would eliminate the prevailing wage requirement for public works projects; therefore, the DOLIR assumes it would no longer receive prevailing wage complaints.

Current statute requires the DOLIR to issue prevailing wage orders and to investigate complaints relating to prevailing wage. However, funding for these activities was eliminated in the FY 2018 budget. Therefore, though this proposal would eliminate the prevailing wage program, there is no associated cost savings since the funding for this program was already eliminated from the department's budget.

Officials from the **Office of Administration** assume this bill repeals the prevailing wage law. A review of scholarly articles shows that there is no generally accepted methodology for determining the cost savings, if any, that may result from legislation such as this. A number of factors would affect **Facilities Management, Design & Construction's (FMDC)** cost savings, if any, from this bill, including, but not limited to, how much contractors choose to pay their employees in the absence of prevailing wage and whether contractors choose to pass on any labor costs savings to FMDC. Any Facilities Maintenance Reserve Fund (FMRF) savings will be used to decrease other deferred maintenance projects.

This bill could potentially affect the rental rates for future leases and improvements at leased facilities, as property owners are presently obligated to pay prevailing wage for alterations or improvements made to properties leased by the State. However, FMDC cannot calculate the impact of this legislation on rental rates for the reasons discussed above. Any savings from the elimination of prevailing wage will be used to offset increased costs for rental rates because of increases by the Lessor, or increases in janitorial and utilities.

Officials from the **Missouri Department of Conservation (MDC)** assume an unknown positive fiscal impact but greater than \$100,000 due to savings of wages paid for construction.

Officials from the **Callaway County Commission** assume the proposal would have a positive fiscal impact to county revenues.

Officials from **Boone County** assume the proposal will have no adverse fiscal impact.

ASSUMPTION (continued)

Officials from the **City of Columbia** assume that prevailing wage adds cost to local construction projects, depending on the project and the skill set needed. Also, there could be loss of quality and availability of contractors and workers, without the incentive of prevailing wage.

Officials from the **Missouri State University** assume the proposal will have a positive fiscal impact of an undetermined amount.

Officials from the **State Technical College of Missouri** assume the proposal will have a positive fiscal impact.

Officials from the **Wellsville-Middletown R-1** assume the proposal will have a positive fiscal impact and allows more efficiency with taxpayers' dollars.

Officials from the **Bakersfield R-IV School District** assume the proposal would have saved the district about \$750,000.

Officials from the **Kirkville R-III School District** and **Summersville R2 School District** assume the proposal will have a positive fiscal impact.

**Oversight** assumes this proposal repeals the law relating to the prevailing hourly rate of wages paid for work done on public works; therefore, Oversight will reflect a \$0 or unknown savings to the General Revenue Fund, Various Other State funds, and local political subdivisions.

Officials from the **Department of Transportation, Office of Administration-Personnel, and Office of Administration-Purchasing** assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Jackson County Board of Election Commissioners, St. Louis County, St. Louis County Board of Election Commissioners, and City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **University of Central Missouri** and **University of Missouri** both assume the proposal will have no fiscal impact on their respective organizations.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark City, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico,

ASSUMPTION (continued)

Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles City Administrator, St. Louis City Budget Division, 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 from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Clinton, Cole, Cooper, Davies, Dekalb, Dent, Franklin, Greene, Holt, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, and Worth did not respond to **Oversight's** request for fiscal impact.

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

Officials from the following **school districts**: Alton R-IV, Arcadia Valley R-2, Ash Grove R-IV, Ava R-1, Avilla R-13, Belton School District #124, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Bradleyville R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Couch R-1, Crawford County R-1, Crawford County R-2, Crocker R-II, Delta C-7, East Carter R-2, East Lynne 40, East Newton R-6, Eldon R-I, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Gasconade County R-1, Glenwood R-8, Grain Valley, Green City R-1, Green Ridge R-8, Hallsville R-IV, Hancock Place, Hannibal School District #60, Harrisonburg R-8, Harrisonville, Hartville R-11, Hazelwood, Henry County R-1, Hillsboro R-3, Holcomb R-III, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jasper R-5, Jefferson City, Kansas City, Kennett #39, King City R-1, Kirbyville R-VI, Lathrop R-2, Lee Summit, Leeton R-10, Lewis County C-1, Liberty, Lincoln R-2, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-IV, Madison C-3, Malta Bend, Maplewood Richmond Heights, Marshfield R-1, Maryville R-II, Maysville R-1, Meadville R-IV, Mehville School District R-9, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Miller R-11, Moberly, Montgomery County R-11, Morgan County R-2, Mountain Grove R-III, Mt. Vernon R-V, New Bloomfield R-III, New Haven, Niangua R-5, Nixa, North Harrison R-3, North Kansas City,

ASSUMPTION (continued)

North St. Francois Co. R-1, Northeast Nodaway R-5, Northwest R-1, Oak Ridge R-6, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County, Osage R-2, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City R-6, Plato R-5, Polo R-VII, Prairie Home R-5, Princeton R-5, Purdy R-II, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Rich Hill R-IV, Richards R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Rockwood School District, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Scott City R-1, Sedalia, Seymour R-2, Shell Knob #78, Sherwood Cass R-5, Sikeston, Silex, Smithville R-2, South Harrison R-11, Southland C-9, Sparta R-III, Special School District of St. Louis County, Spickard R-II, Spokane R-VII, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Stanberry R-III, Stewartsville C-2, Sullivan, Sweet Springs, Trenton R-1x, Valley Park, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Warsaw R-IX, Waynesville, Webster Groves, Wentzville R-IV, West Plains R-VII, Westran R-1, Westview C-6, Willard R-2 and the Wright City R-2 School District did not respond to **Oversight's** request for fiscal impact.

| <u>FISCAL IMPACT - State Government</u>                      | FY 2019<br>(10 Mo.)          | FY 2020                      | FY 2021                      |
|--|------------------------------|------------------------------|------------------------------|
| <b>GENERAL REVENUE FUND</b>                                  |                              |                              |                              |
| <u>Savings</u>   | <u>\$0 or Unknown</u>        | <u>\$0 or Unknown</u>        | <u>\$0 or Unknown</u>        |
| Repeals prevailing wage                                      |                              |                              |                              |
| <b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE FUND</b>      | <b><u>\$0 or Unknown</u></b> | <b><u>\$0 or Unknown</u></b> | <b><u>\$0 or Unknown</u></b> |
| <b>OTHER STATE FUNDS</b>                                     |                              |                              |                              |
| <u>Savings</u>   | <u>\$0 or Unknown</u>        | <u>\$0 or Unknown</u>        | <u>\$0 or Unknown</u>        |
| Repeals prevailing wage                                      |                              |                              |                              |
| <b>ESTIMATED NET EFFECT ON<br/>VARIOUS OTHER STATE FUNDS</b> | <b><u>\$0 or Unknown</u></b> | <b><u>\$0 or Unknown</u></b> | <b><u>\$0 or Unknown</u></b> |

FISCAL IMPACT - Local Government

FY 2019  
(10 Mo.)

FY 2020

FY 2021

**LOCAL POLITICAL SUBDIVISIONS**

Savings

Repeals prevailing wage

\$0 or Unknown

\$0 or Unknown

\$0 or Unknown

**ESTIMATED EFFECT ON LOCAL  
POLITICAL SUBDIVISIONS**

**\$0 or Unknown**

**\$0 or Unknown**

**\$0 or Unknown**

FISCAL IMPACT - Small Business

There could be a fiscal impact to contractors and subcontractors who bid on public works projects.

FISCAL DESCRIPTION

This proposal repeals Missouri's prevailing wage law. Currently, contractors and subcontractors working on public works projects are required to pay employees the prevailing wage for the particular locality in which the project is being completed. This proposal changes the law to require contractors and subcontractors to pay employees state or federal minimum wage, whichever is higher.

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 Labor and Industrial Relations  
Office of Administration-Facilities Management, Design and Construction  
Missouri Department of Conservation  
Callaway County Commission  
Boone County  
City of Columbia  
Missouri State University  
State Technical College of Missouri  
Wellsville-Middletown R-1  
Bakersfield R-IV School District  
Kirksville R-III School District  
Summersville R2 School District  
Department of Transportation  
Office of Administration-Personnel  
Office of Administration-Purchasing  
Jackson County Board of Election Commissioners  
St. Louis County  
St. Louis County Board of Election Commissioners  
City of Kansas City  
University of Central Missouri  
University of Missouri

Ross Strobe



Acting Director  
February 1, 2018