

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0736H.01I
Bill No.: HB 89
Subject: Labor And Management; Employees - Employers; Salaries; Contracts And
Contractors; State Employees; Labor And Industrial Relations, Department Of
Type: Original
Date: January 22, 2021

Bill Summary: Repeals main provisions relating to wage rates on public works and modifies certain related provisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund*	\$0 or \$6,300,000	\$0 or \$6,300,000	\$0 or \$6,300,000
Total Estimated Net Effect on General Revenue	\$0 or \$6,300,000	\$0 or \$6,300,000	\$0 or \$6,300,000

*Potential savings from reduced construction costs.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Various other State Funds*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*Potential savings from reduced construction costs.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds			

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Political Subdivisions	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (OA)** assume the proposal would repeal the statutes requiring payment of prevailing wage or the public works contracting minimum wage (jointly called “prevailing wage”) on public works projects, including those performed by OA-FDMC. It is anticipated that this repeal would reduce paperwork, streamline processes, and reduce administrative costs for FMDC by approximately 100 hours of combined clerical and project management time per year. Using an average of \$30 per hour, the savings estimate including fringe would be \$4,500 per year.

This bill could also potentially reduce FMDC’s project costs, although the amount of such impact is unclear. Sources differ on the impact of repealing prevailing wage statutes on construction costs, but generally show a fairly flat impact. Any cost savings would depend upon a number of factors, such as the local labor market and union agreements. Many contractors pay their employees prevailing wage by union labor agreement and would not be able to reduce wages. And, projects using federal funding would also still require payment of federal prevailing wage. The trades that would most likely be impacted by a repeal of prevailing wage are roofing contractors and smaller contracts.

At most, FMDC anticipates repealing prevailing wage would reduce project costs by 5%. In general, construction projects are 50% labor and 50% material. Therefore, reduction in prevailing wage would only impact 50% of a project’s cost. As of October 2020, FMDC had an approximately \$126,000,000 project profile. Approximately \$64,000,000 of those project costs are federal, reducing the costs impacted by repeal of prevailing wage to around 25%. It is assumed that approximately \$45M of FMDC project profile would not be impacted due to union agreements, reducing the impact to about 10%. Assuming that the other trade salaries would, at most, be cut by 50% due to repeal of prevailing wage, the maximum overall reduction in project cost would be approximately 5%.

Therefore, the impact of this bill is a positive \$0 to \$6.3 million.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal would have an “Unknown” fiscal impact. However, as written, the bill has the potential to reduce labor costs on MDC contracted construction projects by greater than \$100,000 annually. Cost savings would be from reduced direct costs for project labor as well as reduced cost of compliance with paperwork associated with current prevailing wage requirements.

Oversight notes that the OA and MDC both have stated the proposal would have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will range the impact from \$0 or could exceed \$6.3 Million in savings on the fiscal note to the GR, and \$0 or Unknown savings to Other State Funds.

Officials from the **City of Hale** assume the proposal would have direct fiscal impact on their organization.

Officials from the **City of Hale Water / Wastewater** and **Stone County Public Water Supply** both assume the proposal would have positive direct fiscal impact on their respective organizations.

Officials from the **City Of Springfield Utilities** assume if this bill would be become law City Utilities would save a considerable amount of money on construction each year. The amounts would vary based upon the type and cost of the public improvements that year.

Officials from **Missouri State University** and **State Technical College of Missouri** both assume the proposal could have positive fiscal impact; however, the amount cannot be estimated.

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 Colleges, Universities, and Local Governments.

Officials from the **Missouri Department of Transportation and Department of Labor and Industrial Relations** both assume the proposal would have no direct fiscal impact on their respective organization.

Officials from the **City of Ballwin, Corder, Kansas City, O'Fallon, and Springfield** each assume the proposal would have no direct fiscal impact on their respective Local Government.

Officials from the **Cass County Public Water Supply District #2, Corder Water & Wastewater, Lexington Water & Wastewater, Little Blue Valley Sewer District 7B, Metropolitan Saint Louis Sewer District 7B, Platte County Public Water Supply District #6, South River Drainage District 7D Levee, and Wayne County Public Water Supply District #2** each assume the proposal would have no direct fiscal impact on their respective Local Public Works.

Officials from the **University Of Central Missouri** assume the proposal would have no direct fiscal impact on their respective organization.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges, universities, and local governments were requested to respond to this proposed legislation but did not.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
Savings Repeals prevailing wage	<u>\$0 or \$6,300,000</u>	<u>\$0 or \$6,300,000</u>	<u>\$0 or \$6,300,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or \$6,300,000</u>	<u>\$0 or \$6,300,000</u>	<u>\$0 or \$6,300,000</u>
OTHER STATE FUNDS			
Savings Repeals prevailing wage	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Savings Repeals prevailing wage	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

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 bill repeals such prevailing wage laws.

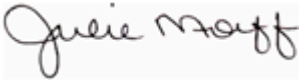
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

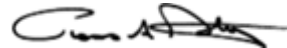
Office of Administration
Missouri Department of Conservation
Department of Labor and Industrial Relations
Missouri Department of Transportation
City of Hale
City of Springfield
City of Ballwin
City of Corder
City of Kansas City
City of O'Fallon
City of Hale Water / Wastewater
Stone County Public Water Supply
City Of Springfield Utilities
Cass County Public Water Supply District #2
Corder Water & Wastewater
Lexington Water & Wastewater
Little Blue Valley Sewer District 7B
Metropolitan Saint Louis Sewer District 7B
Platte County Public Water Supply District #6
South River Drainage District 7D Levee
Wayne County Public Water Supply District #2

SOURCES OF INFORMATION (continued)

Missouri State University
State Technical College of Missouri
University Of Central Missouri



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January 22, 2021



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Assistant Director
January 22, 2021