

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0386-01
Bill No.: HB 79
Subject: Labor and Industrial Relations Department; Labor and Management; Elementary and Secondary Education Department
Type: Original
Date: January 5, 2017

Bill Summary: This proposal establishes the School Construction Act, which exempts construction and maintenance work done for certain school districts from the prevailing wage requirement upon the school board's approval.

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 7 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 Elementary and Secondary Education (DESE)** assume there is no fiscal impact to the Department from this proposal. This proposal would require zero increase in state costs and has the added benefit of reducing public school district facility construction costs significantly. DESE is unable to estimate a savings to the school districts.

Officials at the **Department of Labor and Industrial Relations** assume there is no fiscal impact from this proposal.

Officials at the **Concordia R-II School District** assume this could have substantial fiscal impact on their school district. During our last bond project we had local vendors who were willing to not bid prevailing wage on projects from painting to carpeting. The district was told that it could save up to 1/3 on some projects if prevailing wage was not required. The carpeting/tiling project was \$41,810.99, which could have saved \$13,935.61. The painting bid was \$28,434, which could have saved \$9,477.06. Between the summer of 2012 and 2014, we had approximately \$2,000,000 in bond projects completed including things like: roofs, HVAC units, security upgrades, lighting, ventilation, playground construction, fencing, new doors. If the district was able to save 1/3 on even half the projects that could have saved the district and our tax-payers \$666,600.

Officials at the **Warren County R-II School District** assume that on a particular project, 2/3 of the total is made up of materials and the remaining 1/3 is labor. Of that labor, the district estimates somewhere between 20% to 40% can be attributed to prevailing wage, depending on the type of project undertaken. From an overall project standpoint, that translates between 7% and 13%.

Officials at the **West Plains School District** assume this proposal would result in annual savings related to small scale capital improvements and some maintenance items that currently require prevailing wage. Estimated Savings: \$50,000 - \$150,000 annually. In addition, it would result in significant savings from major capital improvements. Our school district is considering a ballot issue with projected cost of \$22 million. This proposal would have an estimated projected savings from architect: \$1 million - \$2.5 million.

Officials at the **St. Elizabeth R-IV School District** assume the impact would vary but an estimate could be close to a 35% - 45% savings in some cases if we were relieved from paying prevailing wage. Here are some examples.

ASSUMPTION (continued)

For 2016 prevailing wage rate for a carpenter runs \$24.75 per hour in Miller County versus a local carpenter that charges the public \$15.00 (per information given over the phone from a local carpenter). So, as you can see, the savings and value could be quite large.

Or our custodian receives a fair wage of \$14.80 for general labor duties. Under prevailing wage, we would have to pay a general labor hired by another company \$27.36 an hour for the same type of work.

Officials at the **Eldon School District** assume savings based on previous project:

Eldon Fine Arts Prevailing Wage	Non Prevailing Wage Rates
Carpenter \$39.41	\$25
Laborer \$33.50	\$23
Cement \$37.83	\$25
Steel \$54.85	\$25

Officials at the **Meramec Valley R-III School District** assume a savings of \$240,000 which is based on a savings rate of .006% of their current \$40 million budget.

Officials at the **Reed Springs School District** assume that based on their last construction project, had this proposal been in place, it would have saved the district \$4 million.

Officials at the **Bowling Green School District** assume a construction cost savings of 25%.

Officials at the **Everton School District** assume a savings of 30% in construction costs.

Officials at the **Seymour R-II School District** assume a savings in labor expenses of 50% on future projects.

Officials at the **Cole R-I, Chilhowee and Pettis County R-XII** school districts each assume this would save money on future projects.

Officials at the **Bakersfield School District** assume this would save \$500,000.

Officials at the **Kansas City Public Schools and Malta Bend School District** each assume this could have a positive fiscal impact.

Officials at the **Campbell R-II, Forsyth R-III** and the **Renick R-V** school districts each assume an unknown savings.

ASSUMPTION (continued)

Officials at the **Wright City R-II School District** assume there is no cost from this proposal.

Officials at the **Kirksville R-III** and **Middle Grove** school districts each responded to Oversight's request but did not indicate a fiscal impact.

Oversight notes this proposal would allow a school district, with school board approval to exempt itself from the prevailing wage laws. Schools in counties with a charter form of government, including Jackson County, St. Charles County, St. Louis County and Jefferson County would not be allowed to opt out of the prevailing wage requirement. Oversight assumes this would be a savings to school districts that chose to participate. However, the exact savings can not be calculated as it is unknown how many districts would have projects that could be exempt. Oversight will show the savings as Could exceed \$1 million annually.

Officials at the following school districts: Arcadia Valley R-2, Avilla R-13, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Bolivar R-I, Branson, Bronaugh R-7, Carrollton R-7, Caruthersville, Central R-III, Chillicothe R-II, Clarkton C-4, Columbia, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, Fair Play, Fayette R-3, Fredericktown R-I, Fulton, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hollister R-5, Humansville R-4, Hurley R-1, Jefferson City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Leeton R-10, Lewis County C-1, Lincoln R-II, Lonedell R-14, Macon County R-1, Mexico, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North Kansas City, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osborn R-0, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Republic R-III, Richards R-V, Richland R-1, Richmond R-XVI, Salisbury R-4, Sarcoxie R-2, Sedalia, Shell Knob #78, Sikeston, Silex, Smithville R-2, Spickard R-II, Springfield, St Joseph, St Louis, Sullivan, Valley R-6, Verona R-7, Warrensburg R-6, Waynesville and the Westview C-6 school districts 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
LOCAL SCHOOL DISTRICTS			
<u>Savings</u> - school district's 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 SCHOOL DISTRICTS	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 could impact small businesses that are contracted to do maintenance, renovations or construction projects at school districts.

FISCAL DESCRIPTION

This bill establishes the School Construction Act which exempts construction and maintenance work done for certain school districts from the prevailing wage requirement upon majority vote of the district's school board. The school district must notify the Division of Labor Standards within the Department of Labor and Industrial Relations of the exemption. This provision does not apply to school districts in Jackson, St. Charles, St. Louis, or Jefferson counties.

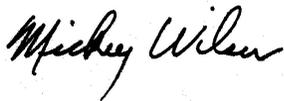
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

- Bakersfield R-IV School District
- Bowling Green School District
- Campbell R-II School District
- Chilhowee School District
- Cole County R-I School District
- Concordia R-II School District
- Department of Elementary and Secondary Education
- Department of Labor and Industrial Relations
- Eldon School District
- Everton R-III School District
- Forsyth R-III School District

SOURCES OF INFORMATION (continued)

Kansas City Public Schools
Kirksville R-III School District
Malta Bend School District
Meramec Valley R-III School District
Middle Grove School District
Pettis County R-XII School District
Reed Spring School District
Renick R-V School District
Seymour R-II School District
St. Elizabeth School District
Warren County R-III School District
West Plains School District
Wright City R-II School District



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