

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0738-01
Bill No.: HB 476
Subject: Labor and Management; Political Subdivisions
Type: Original
Date: January 30, 2017

Bill Summary: This proposal exempts counties of the third and fourth classification from the prevailing wage laws.

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 \$500,000	Could exceed \$500,000	Could exceed \$500,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Facilities Management, Design and Construction (OA-FMDC)** assume this proposal would not have an impact on their organization based on the following information.

OA-FMDC contracts for maintenance and construction services throughout the state, including in counties of the third and fourth classification. Contractors on OA-FMDC projects are currently required to pay their employees prevailing wage. Therefore, this bill would impact a number of FMDC's contracts.

It is unclear whether this bill is intended to exempt third and fourth class counties from the public bodies to whom the prevailing wage law applies, or if this bill is intended to exempt projects that are located in third and fourth class counties. If the first interpretation is intended, this bill would have no impact on OA-Facilities Management, Design and Construction (FMDC). If the second interpretation is intended, this bill could possibly have some positive fiscal impact on OA-FMDC by reducing the overall cost of its projects in third and fourth class counties.

If FMDC's contractors were not required to pay prevailing wage on projects in third and fourth class counties, it appears that the contractors' labor costs for those projects would decrease. *See Daniel P. Kessler and Lawrence F. Katz, Prevailing Wage Laws and Construction Labor Markets, Industrial and Labor Relations Review, Vol. 54, No. 2 (Jan., 2001), pp. 259-27*(Finding that repeal of prevailing wage laws leads to slight decreases in the relative wage levels of construction workers.)

However, OA-FMDC cannot calculate the extent to which its contractors' labor costs would decrease because the amount contractors would pay their workers in the absence of prevailing wage requirements would depend upon a number of factors, such as the local labor market. Furthermore, OA-FMDC cannot calculate the impact that this bill will have on its overall expenditures for construction because it is unknown whether this would result in the contractor charging OA-FMDC less or if contractors would retain any cost savings that this bill generates.

Therefore, OA-Facilities Management, Design and Construction assumes any savings will be used to decrease other deferred maintenance projects. **Oversight** will not show an impact to OA-FMDC based on the information they provided and their assumptions.

Officials at the **Office of Administration - Budget and Planning** and **Department of Revenue** defer to Office of Administration - Facilities Management, Design and Construction for fiscal impact.

ASSUMPTION (continued)

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

Officials at the school district of **West Plains R-VII** assume this proposal would have a positive fiscal impact estimated at \$25,0000 to \$150,0000.

In response to a similar proposal from this session (HB 475), officials at the school district of **Chillicothe R-II** assumed the proposal could have a positive fiscal impact estimated at \$100,000 related to two projects currently being constructed.

In response to a similar proposal from this session (HB 475), officials at the at school district of **Forsyth R-III** assumed the proposal could have an unknown positive fiscal impact on their organization.

Officials at the school district of **Kirksville R-III** were unable to determine the fiscal impact of the proposal to their organization.

Officials at the school districts of **Kansas City** and **Pettis R-XII** each assume this proposal will not have a fiscal impact on their respective organizations.

Oversight will show a fiscal impact to local political subdivisions as could exceed \$500,000 in reduced costs for public works projects based on the combined estimates provided.

Officials at the **Department of Labor and Industrial Relations** assume this proposal would not have a fiscal impact on their organization.

Officials at the **City of Kansas City** assume this proposal would not have a fiscal impact on their organization.

Officials at the **Callaway County** assume this proposal would not have a fiscal impact on their organization.

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

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,

ASSUMPTION (continued)

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, Richmond, 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, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, and Three Rivers Community College 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, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, 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, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kearney R-1, 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, Malta Bend, Mehville, Mexico, Middle Grove C-1, 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, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, 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, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Slater, Smithville R-2, Special School District of St. Louis County, 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, Westview C-6 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 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>\$500,000</u>	Could exceed <u>\$500,000</u>	Could exceed <u>\$500,000</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed <u>\$500,000</u>	Could exceed <u>\$500,000</u>	Could exceed <u>\$500,000</u>
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FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal, if they are not required to pay prevailing wages.

FISCAL DESCRIPTION

This bill exempts counties of the third and fourth classification from the provisions regarding prevailing wages for the construction of public works projects.

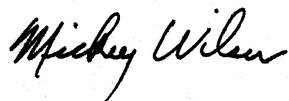
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

- Office of Administration - Facilities Management, Design and Construction
- Office of Administration - Budget and Planning
- Department of Labor and Industrial Relations
- Department of Revenue
- City of Kansas City
- Callaway County
- School Districts of:
 - Bakersfield R-IV
 - West Plains R-VII
 - Kansas City
 - Kirksville R-III
 - Petitis R-XII

SOURCES OF INFORMATION (continued)

Missouri State University
Northwest Missouri State University
State Technical College of Missouri
Truman State University
University of Central Missouri
University of Missouri



Mickey Wilson, CPA
Director
January 30, 2017

Ross Strope
Assistant Director
January 30, 2017