

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4639-01  
Bill No.: HB 1562  
Subject: Labor and Management; Employees-Employers  
Type: Original  
Date: January 4, 2018

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Bill Summary: This proposal exempts counties of the third and fourth classification from prevailing wage laws for the construction of public works that are less than \$500,000.

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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 the proposal would exempt public works projects, for which the contract awarded is \$500,000 or less, from Sections 290.220 through 290.340. The DOLIR assumes this would reduce the number of public works projects that are subject to the prevailing wage requirement and thus, reduce the number of complaints received regarding prevailing wage issues.

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. In order to assure that employers are able to comply with the law, the DOLIR has redirected some existing resources so that a new prevailing wage order can be issued by the March 2018 deadline.

Though the number of prevailing wage complaints is expected to decrease as a result of this legislation, current resources are inadequate to address any complaints received. DOLIR anticipates that, should this bill be approved, it would pursue additional resources via the appropriations process.

Officials from the **Office of Administration-Facilities Management, Design and Construction (OA-FMDC)** assume the proposal provides that "counties of the third and fourth classification shall be exempt from subsection 1 of this section for the construction of public works for which the contract awarded is in the amount of less than five hundred thousand dollars." It is unclear whether this is intended to exempt all projects where the work is performed in a third or fourth class county or only projects that are performed on behalf of the government of a third or fourth class county. Assuming that the first interpretation is intended, this proposal could potentially impact OA-FMDC. However, FMDC cannot calculate the impact for the reasons set forth below.

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 FMDC's cost savings, if any, from this proposal, 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 proposal could potentially affect the rental rates for future leases and improvements at

ASSUMPTION (continued)

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.

**Oversight** assumes this proposal exempts counties of the third and fourth classification from the prevailing wage laws for the construction of public works that are less than \$500,000 therefore, Oversight will reflect a \$0 or unknown savings to the local political subdivisions.

Officials from the **Office of Administration-Personnel** and **Office of Administration-Administrative Hearing Commission** assume the proposal will have no fiscal impact on their respective organizations.

Officials from the following **3<sup>rd</sup> classification counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Carroll, Cooper, Davies, Dekalb, Dent, Holt, Knox, Laclede, Lawrence, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Phelps, Pulaski, Scott, Wayne, Webster and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following **4<sup>th</sup> classification counties**: Johnson and Pettis did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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**LOCAL POLITICAL SUBDIVISIONS**

<u>Savings</u> - Repeals prevailing wage in certain counties for projects under \$500,000	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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**ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISIONS**

\$0 or Unknown \$0 or Unknown \$0 or Unknown

FISCAL IMPACT - Small Business

There could be fiscal impact to contractors and subcontractors who bid on public works projects, as a result of this proposal.

FISCAL DESCRIPTION

This proposal exempts counties of the third and fourth classification from the provisions regarding prevailing wages for the construction of public works projects for which the awarded contract is less than \$500,000.

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

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SOURCES OF INFORMATION

Department of Labor and Industrial Relations  
Office of Administration-Facilities Management, Design and Construction  
Office of Administration-Personnel  
Office of Administration-Administrative Hearing Commission

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director  
January 4, 2018