

Fiscal Estimate Narratives
DWD 6/8/2005

LRB Number	05-2925/1	Introduction Number	SB-220	Estimate Type	Original
Subject					
Prevailing wage rate; require separate determinations for wages and fringe benefits					

Assumptions Used in Arriving at Fiscal Estimate

The department anticipates passage of this legislation will not necessitate any annualized increased expenditures to conduct the annual prevailing wage survey or enforce the prevailing wage law.

Passage of this legislation will force the department to update the computer system used to calculate the rates and display the survey information for the public and contractor review. The updating of the computer system will involve approximately 5,000 hours of programming time at a cost of \$64.00 per hour for a total cost of \$320,000. The department will also incur \$8,000 in cost to notify approximately 16,000 contractors who perform work on public works projects of the impact of this legislation on how the contractors will need to compensate their employees on public works projects. Additionally the department will spend approximately \$1,500 to update the department's administrative regulations to reflect the changes contained in this bill.

Local government entities and state government agencies will incur an unspecified amount of increased costs for public works projects due to passage of this bill. Part of the increased costs will be necessitated by incorporating future hourly rate increases in the calculation of overtime premium pay for public construction projects. It is not possible to predict how many overtime hours will be involved or the level of future increases that will need to be incorporated in the overtime premium rate.

Another factor increasing costs will be the fact contractors will be limited in receiving credit for fringe benefits provided to workers to the fringe benefit rate set as the prevailing wage. Under current law an employer may claim credit for all fringe benefits provided to a worker toward fulfilling their prevailing wage obligation. Contractors will have to pay the full prevailing wage rate as wages. This will result in increased wage costs and more taxes paid on wages paid [fringe benefits normally aren't taxed under social security or unemployment taxes]. The department believes contractors will reflect these increased costs in higher bids on public works projects.

Long-Range Fiscal Implications

None for the department. State agencies and local government, however, will continue to experience the increased costs of paying overtime wages on public works projects and higher bids on projects due to the inability of contractors to claim full credit for fringe benefits offered to workers for work on public works projects.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject		
Prevailing wage rate; require separate determinations for wages and fringe benefits		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
<p>Passage of this legislation will force the department to update the computer system used to calculate the rates and display the survey information for the public and contractor review. The updating of the computer system will involve approximately 5,000 hours of programming time at a cost of \$64.00 per hour for a total cost of \$320,000. The department will also incur \$8,000 in cost to notify approximately 16,000 contractors who perform work on public works projects of the impact of this legislation on how the contractors will need to compensate their employees on public works projects. Additionally the department will spend approximately \$1,500 to update the department's administrative regulations to reflect the changes contained in this bill.</p>		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$0	0
(FTE Position Changes)	(0.0 FTE)	(0.0 FTE)
State Operations - Other Costs	0	0
Local Assistance	0	0
Aids to Individuals or Organizations	0	0
TOTAL State Costs by Category	\$0	\$0
B. State Costs by Source of Funds		
GPR	0	0
FED	0	0
PRO/PRS	0	0
SEG/SEG-S	0	0
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$0	\$0
GPR Earned	0	0
FED	0	0
PRO/PRS	0	0
SEG/SEG-S	0	0
TOTAL State Revenues	\$0	\$0
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$0	\$
NET CHANGE IN REVENUE	\$0	\$

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Date

6/7/2005