

SF747 - 1E - Prevailing Wage Agreements; Renewable Development

Chief Author: **John Hoffman**  
 Committee: **Labor**  
 Date Completed: **2/27/2023 8:41:06 AM**  
 Lead Agency: **Labor and Industry Dept**  
 Other Agencies:  
     Public Utilities Commission

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Labor and Industry Dept</b>						
General Fund	-	(1)	(1)	(1)	(1)	(1)
Workforce Development	-	64	69	69	69	69
<b>State Total</b>						
General Fund	-	(1)	(1)	(1)	(1)	(1)
Workforce Development	-	64	69	69	69	69
<b>Total</b>	<b>-</b>	<b>63</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>
<b>Biennial Total</b>			<b>131</b>			<b>136</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Labor and Industry Dept</b>					
General Fund	-	-	-	-	-
Workforce Development	-	.5	.5	.5	.5
<b>Total</b>	<b>-</b>	<b>.5</b>	<b>.5</b>	<b>.5</b>	<b>.5</b>

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson      **Date:** 2/27/2023 8:41:06 AM  
**Phone:** 651-284-6436      **Email:** christian.larson@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
<b>Labor and Industry Dept</b>						
General Fund	-	(1)	(1)	(1)	(1)	(1)
Workforce Development	-	64	69	69	69	69
<b>Total</b>	<b>-</b>	<b>63</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>
	<b>Biennial Total</b>		<b>131</b>		<b>136</b>	<b>136</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Labor and Industry Dept</b>						
General Fund	-	-	-	-	-	-
Workforce Development	-	64	69	69	69	69
<b>Total</b>	<b>-</b>	<b>64</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>
	<b>Biennial Total</b>		<b>133</b>		<b>138</b>	<b>138</b>
<b>2 - Revenues, Transfers In*</b>						
<b>Labor and Industry Dept</b>						
General Fund	-	1	1	1	1	1
Workforce Development	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
	<b>Biennial Total</b>		<b>2</b>		<b>2</b>	<b>2</b>

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State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
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Workforce Development	-	64	69	69	69	69
<b>Total</b>	-	<b>63</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>
<b>Biennial Total</b>			<b>131</b>			<b>136</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Workforce Development	-	.5	.5	.5	.5
<b>Total</b>	-	<b>.5</b>	<b>.5</b>	<b>.5</b>	<b>.5</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 2/25/2023 2:41:57 PM  
**Phone:** 651-284-6436    **Email:** christian.larson@lbo.mn.gov

**State Cost (Savings) Calculation Details**

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\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	
General Fund	-	(1)	(1)	(1)	(1)	(1)
Workforce Development	-	64	69	69	69	69
<b>Total</b>	<b>-</b>	<b>63</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>68</b>
	<b>Biennial Total</b>		<b>131</b>			<b>136</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	-	-	-	-
Workforce Development	-	64	69	69	69	69
<b>Total</b>	<b>-</b>	<b>64</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>
	<b>Biennial Total</b>		<b>133</b>			<b>138</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	1	1	1	1	1
Workforce Development	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
	<b>Biennial Total</b>		<b>2</b>			<b>2</b>

**Bill Description**

This bill amends MN Statute 116C.779, Subd. 1(v). The amendment states that a construction project financed in whole or in part with a grant under section 116C.779 (renewable development) is subject to the payment of prevailing wage as defined in section 177.42. Further, construction projects funded in whole or part with renewable development account funds must comply with prevailing wage requirements and enforcement provisions in sections 177.27, 177.30, 177.32, 177.41 to 177.435, and 177.45.

**Assumptions**

MN Statutes 177.41 to 177.45 requires contracts for state projects ensure that workers employed directly on the project work are paid no less than the prevailing wage rate in the area. MN Statute 177.27 gives the Commissioner authority to examine records of employers and sections 177.30 and 177.32 detail recordkeeping requirements and penalties for employer’s failure to keep and maintain records.

**Training and Outreach**

DLI currently provides training and outreach to contractors and contracting authorities under section 177.43. DLI assumes additional training and outreach efforts relating to this bill to be immaterial and handled by existing staff because prevailing wage training and outreach information is already available.

**Enforcement**

DLI enforces Minnesota’s Prevailing Wage Act (MS 177.41 177.45) for projects financed in whole or part with state funds. Enforcement activity is initiated when a complaint is filed with DLI. Currently the Department has three prevailing wage investigators responsible for state-wide enforcement (except for MN Department of Transportation (MnDOT) highway contracts under section 177.44). Over the last several years, DLI has received on average of 35 complaints annually.

DLI estimates that an average prevailing wage investigation of a renewable development project would be consistent with other utility project investigations. Based upon the Department’s experience, an investigation requires an average of 240 hours. Investigatory records would include construction bids and contracts; project schedules; certified payroll reports; fringe benefit plan documents and statements; apprenticeship agreements, time records; earning statements and worker interviews.

DLI assumes with current and future renewable development projects funded in whole or in part with state funds, DLI will receive and respond to four additional complaint investigations each year.

4 investigations X 240 hours = 960 hours (0.50 FTE / MAPE 12L Labor Investigator Sr).

Per historical averages, the prevailing wage unit collects \$226 in penalty revenue per investigation.

DLI assumes \$904 in penalty revenue collected each year related to this bill (4 x \$226 = \$904).

**Expenditure and/or Revenue Formula**

Labor Investigator Sr - MAPE 12L	2024	2025	2026	2027
FTE	0.5	0.5	0.5	0.5
Salary per FTE (midpoint)	71,268	75,607	75,607	75,607
Fringe Benefits (35% of Salary)	24,944	26,462	26,462	26,462
Indirect (22.89% of Salary/Fringe)	22,023	23,364	23,364	23,364
Salary/Fringe/Indirect	59,118	62,716	62,716	62,716
Non-Personnel Services	5,306	6,681	6,681	6,681
<b>Cumulative Costs</b>	<b>64,423</b>	<b>69,397</b>	<b>69,397</b>	<b>69,397</b>

Penalty Revenue	2024	2025	2026	2027
Annual Number of Investigatons	4	4	4	4
Average Revenue per Investigation	226	226	226	226
<b>Total Revenue</b>	<b>904</b>	<b>904</b>	<b>904</b>	<b>904</b>

**Long-Term Fiscal Considerations**

NA

**Local Fiscal Impact**

NA

**References/Sources**

Agency Staff

**Agency Contact:** Karen Bugar 651-284-5658

**Agency Fiscal Note Coordinator Signature:** Jacob Gaub

**Phone:** 652-284-5812

**Date:** 2/24/2023 11:16:39 AM

**Email:** jacob.gaub@state.mn.us

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 Committee: **Labor**  
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 Agency: **Public Utilities Commission**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 2/23/2023 6:11:44 AM  
**Phone:** 651-284-6436    **Email:** christian.larson@lbo.mn.gov

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<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This bill modifies section 116C.779, subdivision 1, which establishes the Renewable Development Account (RDA). Funds in the account may be spent for, among other things, projects that encourage grid modernization by implementing electricity storage, load control, and smart meter technology, and other energy projects that reduce demand and increase system efficiency and flexibility.

This bill adds a requirement that any construction projects receiving funds from the RDA must comply with the prevailing wage requirements in sections 177.27, 177.30, 177.32, 177.41 to 177.435, and 177.45.

**Assumptions**

The Public Utilities Commission (PUC) has permitting jurisdiction over certain types of utility projects that could potentially be financed through the RDA. In recent permits, the Commission has required the Permittee to report on the use of Minnesota workers and other labor-related information. The PUC assumes that if it were to include a prevailing wage requirement in a permit pursuant to the requirement in this bill, it would use a similar reporting requirement to monitor compliance. Therefore, we assume no fiscal impact on the PUC.

**Expenditure and/or Revenue Formula**

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Kay Urquhart

**Phone:** 651-201-2222

**Date:** 2/21/2023 2:23:36 PM

**Email:** kay.urquhart@state.mn.us