

MDOTs 34th Annual DBE Small Business Conference

Understanding Wage & Labor Rates

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Prevailing Wage Components

“Prevailing Wage” is made up of two interchangeable components

- Base Hourly Rate (BHR)
- Fringe Benefit Value (FB)
- The total dollar value of the two components comprise the “prevailing wage” requirement. (29 CFR 5.23)

CARP0004-004 06/01/2007

LIVINGSTON COUNTY (Townships of Brighton, Deerfield, Genoa, Hartland, Osceola and Tyrone); MACOMB, MONROE, OAKLAND, SANILAC, ST. CLAIR AND WAYNE COUNTIES:

	Rates	Fringes
CARPENTER (Piledriver).....	\$ 28.88	15.48

The goal is to ensure compliance with the Federal Davis-Bacon Act.

Prevailing Wage

- ⦿ The total including the value of the fringe benefits may be paid entirely as wages.
- ⦿ Or as a combination of wages and “bona fide” fringe benefits used together to meet the total required prevailing wage.
 - **Base Hourly Rate + Fringe Benefit value = Total Prevailing Wage**

Prevailing Wage

Examples of bona fide benefits

- ⦿ Training and Apprentices Programs (29 CFR 5.16)
- ⦿ Pension Plans; 401k plans (29 CFR 5.26)
- ⦿ Vacation and Holiday (29 CFR 5.28)
- ⦿ Health Insurance (29 CFR 5.29)
- ⦿ Prevailing wage supplemental benefit plans
 - Might have to be approved by USDOL

Prevailing Wage

NOT a “bona fide” benefit

- ⦿ Company trucks (including a gas allowance)
- ⦿ Paid lodging
- ⦿ Tools
- ⦿ Cell phones
- ⦿ Loan payments
- ⦿ Uniforms

Prevailing Wage Example

Base Hourly Rate Package	+	Fringe	=	Total
\$22.00		\$8.00		\$30.00

The contractor can comply by paying: (29 CFR 5.31)

1. \$30.00 in wages
2. \$22.00 plus, \$5.00 in health insurance benefits, and \$3.00 contributions in a 401k account
3. \$19.00 plus \$11 in 401k contributions or any other “bona fide” fringe benefit that would have a value of \$11

Minimum Prevailing Wage

Apprentice

- ⦿ Apprentice wages are figured according to the Apprentice Agreement registered with USDOL. (29 CFR 5.2 and 5.5)
- ⦿ The published base and fringe wages are to be used when figuring the minimum prevailing wage due for the apprentice percentage.

Minimum Prevailing Wage

Apprentice / OJT

Base Hourly Rate	+	Fringe	=	Total Package
\$22.00		\$8.00		\$30.00

Minimum Prevailing Wage due
an Apprentice at 50%

Base Hourly Rate	+	Fringe	=	Total Package
(50% x \$22.00)		\$8.00		\$19.00
\$11.00				

NOT Prevailing: 50% x \$30.00(total package) = \$15.00

Overtime and Fringe Benefits

- When computing overtime wages, the total wages paid must meet or exceed the “total package” listed in the wage decision (29 CFR 5.32) :

$$\begin{array}{rclcl} 1.5 \times \text{Base Hourly Rate} & + & \text{Fringe} & = & \text{Total} \\ \text{Package} & & & & \\ (1.5 \times \$22.00) & + & \$8.00 & = & \$41.00 \end{array}$$

- Once the total package is determined it may be paid in any combination as long as it equals the total package.

Hourly Credit Example

Fringe Benefit Credit

Example:

<u>Benefit</u>	<u>Paid</u>	<u>Total</u>
Vacation	40 hours X \$20/hr	\$800/yr
Blue Cross	yearly premium	\$10,800/yr
401K	Employer Contribution of \$3.00/hr	\$3.00/hr

To calculate the Fringe Credit:

<u>Benefit</u>	<u>Calculation</u>	<u>Total</u>
Vacation	40 hours X \$20/hr= \$800/2080hrs	\$.38
Blue Cross	\$10,800/2080hrs	\$5.19
401K	\$3.00 per hour	<u>\$3.00</u>
		\$8.57 Credit

* *Note: this example assumes the employee worked a full year and accrued 2080 hours. Seasonal workers may work less than 2080 hours. In these cases the actual total hours accrued would be used instead of 2080 hours.*

Hourly Credit Example

Examples:

Assume Health Insurance costs \$10,800 for a 12 month premium. The insurance is provided to the employee year-round even though the employee worked 1,200 hours in a year. In this case the Davis-Bacon credit would be $\$10,800/1,200\text{hours} = \$9.00/\text{hr}$.

Assume Health Insurance premium is paid on a monthly basis and only provided during the work season. Assume the premium is \$900 per month. Under Davis-Bacon the employer can break down the costs based on the hours worked during the month. Assume the worker accrued 175 hours during the month. The Davis-Bacon credit would be $\$900/175\text{hours} = \5.14 . Davis-Bacon also allows the calculations to be based on the previous month's hours.

THE CONTRACTOR CANNOT TAKE MORE OF A CREDIT THAN THE ACTUAL COST OF THE BENEFIT:

Once the yearly premium is paid, the credit cannot be used for health insurance, it must be converted to another "bona fide" credit or paid as base hourly rate (wage).

Wage Decisions

Davis-Bacon

- According to the USDOL, wage decisions for construction projects are generally classified as either:

- **Highway (MI1)** formerly MI7
- **Heavy**
- Building
- Residential

General Decision Number: MI140001 03/21/2014 MI1

Superseded General Decision Number: MI20130001

State: Michigan

Construction Types: Highway (Highway, Airport & Bridge xxxxx
and Sewer/Incid. to Hwy.)

Counties: Michigan Statewide.

Modification Number	Publication Date
0	01/03/2014
1	01/24/2014
2	02/07/2014
3	02/14/2014
4	02/28/2014
5	03/21/2014

CARP0004-004 06/01/2012

REMAINDER OF STATE

	Rates	Fringes
CARPENTER (Piledriver).....	\$ 24.94	16.87

CARP0004-005 06/01/2012

LIVINGSTON (Townships of Brighton, Deerfield, Genoa, Hartland,
Oceola & Tyrone), MACOMB, MONROE, OAKLAND, SANILAC, ST. CLAIR
AND WAYNE COUNTIES

Wage Decisions

Davis-Bacon

The body of each wage determination lists the classification and wage rates that have been found to be prevailing for the cited type(s) of construction in the area covered by the wage determination. The classifications are listed in alphabetical order of "identifiers" that indicate whether the particular rate is union or non-union.

Wage Decisions

Davis-Bacon

Union Identifiers

An identifier enclosed in dotted lines beginning with characters other than "SU" denotes that the union classification and rate have found to be prevailing for that classification. Example: PLUM0198-005 07/01/2011. The first four letters, PLUM, indicate the international union and the four-digit number, 0198, that follows indicates the local union number or district council number where applicable, i.e., Plumbers Local 0198. The next number, 005 in the example, is an internal number used in processing the wage determination. The date, 07/01/2011, following these characters is the effective date of the most current negotiated rate/collective bargaining agreement which would be July 1, 2011 in the above example.

Union prevailing wage rates will be updated to reflect any changes in the collective bargaining agreements governing the rate.

Wage Decisions

Davis-Bacon

WELDERS - Receive rate prescribed for craft performing operation to which welding is incidental.
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Unlisted classifications needed for work not included within the scope of the classifications listed may be added after award only as provided in the labor standards contract clauses (29CFR 5.5 (a) (1) (ii)).

Worker Classification

- ⦿ The MDOT contract worker classifications are based on the “type of work” being performed, which often is different than the title his/her employer may assign to them on private work.
- ⦿ Some worker’s may be classified as “apprentices” which allows for a lower prevailing wage rate. Apprentices are allowed, however, they must be enrolled in a program registered with the Bureau of Apprenticeship Training (BAT), US Department of Labor.

Worker Classification (continued)

- ⦿ Some workers may have multiple duties. They may be using a hand rake for several hours a day, and then using a front end loader for the remainder of the day.
 - Under this scenario, the employer must split up the employee's time into two categories (Laborer and Operator). Both have different hourly wages and benefits, and the employer should be aware of the amount of time spent conducting each activity within practical reason.
- ⦿ An employee must be paid for all “principal” activities as well as “activities” which are an integral part of a “principal activity”.
 - For example, these include wait time and standby time while sitting “idle” until the next gravel truck arrives for a reload.

Worker Classification (continued)

⦿ Working Foreman

- Foremen or supervisors that regularly spend more than 20 percent of their time performing construction work are covered under prevailing wage for the time spent performing construction work.

⦿ Exclusions

- People whose duties are primarily administrative, executive or clerical are not laborers or mechanics.
 - Examples include superintendents, office staff, timekeepers, messengers, etc.

Multiple Wage Decision

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Why is there more than one decision in a contract?

- The U.S. Dept. of Labor (USDOL) requires that multiple wage decisions be placed into contracts when the following occurs:
 - When items are substantial in relation to the project cost – more than 20 percent of the Engineer Estimate
 - When a project is very large, items of work of a different character may be sufficiently substantial to warrant a separate decision even though these items of work do not specifically amount to 20 percent of the total project cost (\$1,000,000 or more)

Multiple Wage Decision

Davis-Bacon

- Most frequently for MDOT work, the Heavy Decision applies to the:

sewer and watermain work

- All other work performed on the project will be covered by the “AIRPORT & BRIDGE, HIGHWAY, SEWER/INCID. TO HWY” wage decision (M11 Highway)

Highway (MI1)

Heavy

General Decision Number: MI120001 02/03/2012 MI1

Superseded General Decision Number: MI20100007

State: Michigan

Construction Types: Highway (Highway, Airport & Bridge xxxxx and Sewer/Incl. to Hwy.)

Counties: Michigan Statewide.

Modification Number	Publication Date
0	01/06/2012
1	02/03/2012

CARP0004-004 06/01/2011

REMAINDER OF STATE

	Rates	Fringes
CARPENTER (Piledriver).....	\$ 25.34	15.42

CARP0004-005 06/01/2011

LIVINGSTON (Townships of Brighton, Deerfield, Genoa, Hartland, Oceola & Tyrone), MACOMB, MONROE, OAKLAND, SANILAC, ST. CLAIR AND WAYNE COUNTIES

	Rates	Fringes
CARPENTER (Piledriver).....	\$ 26.33	21.37

* ELEC0017-005 05/29/2011

HURON COUNTY; INGHAM COUNTY (Townships of Leroy, Locke, Wheatfield, White Oak and Williamson); LAPEER COUNTY; LENAWEE COUNTY (Townships of Clinton and Macon); LIVINGSTON COUNTY (Townships of Brighton, Conway, Genoa, Green Oak, Hamburg, Handy, Hartland, Howell, Iosco, Marion, Oceola and Putnam); MACOMB COUNTY; MONROE COUNTY (Townships of Ash, Berlin, Dundee, Exeter, Frenchtown, Ida, London, Milan, Monroe, Raisinville and Summerfield); OAKLAND, ST. CLAIR, SANILAC AND TUSCOLA COUNTIES; WASHTENAW COUNTY (Townships of Ann Arbor, Augusta, Bridgewater, Dexter, Freedom, Lima, Lodi, Northfield, Pittsfield, Salem, Saline, Scio, Superior, Webster, York and Ypsilanti); AND WAYNE COUNTY:

	Rates	Fringes
Line Construction		
Groundman/Driver.....	\$ 25.65	11.40
Journeyman Signal Tech, Communications Tech, Tower Tech & Fiber Optic Splicers.	\$ 34.81	13.76
Journeyman Specialist.....	\$ 40.03	15.11
Operator A.....	\$ 29.50	12.40

General Decision Number: MI120075 07/06/2012 MI75

Superseded General Decision Number: MI20100179

State: Michigan

Construction Type: Heavy

County: Wayne County in Michigan.

HEAVY CONSTRUCTION PROJECTS

Modification Number	Publication Date
0	01/06/2012
1	03/02/2012
2	03/23/2012
3	05/04/2012
4	06/01/2012
5	07/06/2012

BOIL0169-003 01/01/2012

	Rates	Fringes
BOILERMAKER.....	\$ 31.88	25.89

CARP0687-008 06/01/2011

	Rates	Fringes
CARPENTER, Includes Form Work....	\$ 29.41	21.71
PILEDRIVERMAN.....	\$ 29.41	21.71

ELEC0017-003 12/05/2011

	Rates	Fringes
LINE CONSTRUCTION: Linemen/Cable Splicer.....	\$ 37.00	15.26

ELEC0058-007 10/24/2010

	Rates	Fringes
ELECTRICIAN.....	\$ 34.21	21.99

* ENG10326-008 06/01/2012

	Rates	Fringes
OPERATOR: Power Equipment		
GROUP 1.....	\$ 38.59	20.30
GROUP 2.....	\$ 37.09	20.30
GROUP 3.....	\$ 35.59	20.30
GROUP 4.....	\$ 35.29	20.30
GROUP 5.....	\$ 34.47	20.30
GROUP 6.....	\$ 33.61	20.30
GROUP 7.....	\$ 32.64	20.30
GROUP 8.....	\$ 30.93	20.30
GROUP 9.....	\$ 22.59	20.30

Sewer / Incid. To Hwy???

General Decision Number: MI120001 02/03/2012 MI1

Superseded General Decision Number: MI20100007

State: Michigan

Construction Types: Highway (Highway, Airport & Bridge ~~xxxxx~~
and Sewer/Incid. to Hwy.)

Counties: Michigan Statewide.

Modification Number	Publication Date
0	01/06/2012
1	02/03/2012

CARP0004-004 06/01/2011

REMAINDER OF STATE

General Decision Number: MI120075 07/06/2012 MI75

Superseded General Decision Number: MI20100179

State: Michigan

Construction Type: Heavy

County: Wayne County in Michigan.

HEAVY CONSTRUCTION PROJECTS

Modification Number	Publication Date
0	01/06/2012
1	03/02/2012
2	03/23/2012
3	05/04/2012
4	06/01/2012
5	07/06/2012

When are sewer items considered to be

“Sewer / Incid. To Hwy”

within the Highway (MI7) decision

- ⦿ When the substantial items are less than 20% of the Engineer Estimate in relation to the project cost
- ⦿ It is **NOT** considered Incid. because it is part of the highway construction project

One location to help know what items are covered under the “Heavy Decision”

MDOT Michigan Department of Transportation

MDOT ENGLISH

Warranty
 Preventative Maintenance

MDOT Oversight
NHS: Y
 DBE/Percent

ITEM NUMBER: **0906 616**

STATE OF MICHIGAN DEPARTMENT OF TRANSPORTATION PROPOSAL

0.63 mi of road realignments, hot mix asphalt resurfacing, sanitary and watermain removal and replacement, cul-de-sac construction, minor drainage improvements, and security berm construction on Gratiot Avenue, State Street, Forest Street, Armour Street, and State Street in the city of Port Huron, St. Clair County. Portions of this project are funded with American Recovery and Reinvestment Act funds.

BIDS WILL BE ELECTRONICALLY DOWNLOADED AT 10:30 A.M. LOCAL TIME, ON 6/25/2009

AT: VANWAGONER BLDG, 1ST FLR ONE WEST CONF, 425 W. OTTAWA ST., LANSING, MI 48933

CONTRACT ID	CONTROL SECTION	PROJECT	FEDERAL NO.	FED. ITEM
77111-103238	MX 77111	103238A	N/A	N/A
	AR1 77111	106056A	ARRA 0977(015)	JJ3344



The bidder has examined the plans, specifications, special provisions, and related materials in the proposal, as well as the location the work described in the proposal for this project, and has obtained all addenda issued for this project, and is fully informed as to nature of the work and the conditions relating to its performance and understands that the quantities shown are approximate only and are subject to either increase or decrease.

The bidder hereby proposes to furnish all necessary machinery, tools, apparatus, and other means of construction, do all the work furnish all the materials except as otherwise specified and, for each unit price, lump sum, or one each named in the itemized bid, to complete the work in strict conformity with the plans therefore and the entire proposal which is incorporated by reference in these pages, and in strict conformity with the requirements of the 2003 Standard Specifications for Construction, Michigan Department of Transportation and such other special provisions and supplemental specifications as may be a part of the proposal for this project.

The bidder further proposes to do such extra work as may be authorized by the Department, prices for which are not included in the itemized bid. Compensation shall be made on the basis agreed upon before such extra work begins.

The bidder hereby certifies that if it is not prequalified in all classifications required by the advertisement for this project, it has taken such preparatory steps as may be necessary and will within the time specified in Subsection 102.15 of the 2003 Standard Specifications for Construction designate subcontractor(s) that is/are fully prequalified in the classification(s) to perform the work.

THE BIDDER UNDERSTANDS AND AGREES THAT THE DEPARTMENT RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS AND NO CONTRACTUAL RELATIONSHIP SHALL EXIST BETWEEN THE BIDDER AND THE DEPARTMENT FOR THE WORK DESCRIBED HEREIN UNTIL SUCH TIME AS A CONTRACT DOCUMENT FORM 1031 HAS BEEN FORMALLY EXECUTED BY BOTH THE BIDDER AND THE DEPARTMENT.

The bidder agrees upon submitting this bid that its agents, officers or employees have not directly or indirectly entered into any agreements, participation in any collusion or otherwise taken any action in restraint of the competitive bidding in connection with this proposal for the above project.

Unless the bidder gives MDOT advance written notice, MDOT may correspond directly with the insurance agencies concerning questions and problems with insurance certificates, bonds and related materials. It is the obligation of the bidder to monitor the filing of the insurance certificates, bond, and related materials with MDOT and the bidder is responsible for any failure to provide MDOT with the required materials, on a timely basis and in proper form.

Subject to Subsection 102.17 of the 2003 Standard Specifications for Construction, the bidder agrees to pay to the Michigan Department of Transportation the proposal guaranty sum of \$25,000.00 if the bidder fails to provide the required materials and/or execute the contract in accordance with Subsection 102.15 of the 2003 Standard Specifications for Construction within twenty-eight (28) days after being furnished with the necessary contract and bond forms. The Department may upon request by the bidder based on valid considerations and made prior to expiration of the twenty-eight (28) day period, extend said period of time as the Department may deem appropriate. A written request for return, or cancellation, of the proposal guaranty under Subsection 102.17 of the 2003 Standard Specifications for Construction must be filed with the Department within fifteen (15) days after mailing by the Department of notice that the proposal guaranty is being forfeited. Upon an adverse decision by the Committee or failure to file a timely request for return, or cancellation, of the proposal guaranty, payment shall be made within 20 days after the mailing by the Department of a Final Demand for Payment. If payment is not made within 20 days, the bidder hereby authorizes the Department to withhold said sum from any money which may now, or hereafter, become due and owing by the Department to the bidder.

Letting Date: June 25, 2009 Item No: 0906 616 Contract ID: 77111-103238

DESIGNATED and SPECIALTY ITEMS

DESIGNATED ITEMS:

(Cb) Plant-Mixed Hot Mix Asphalt/Bituminous Paving _____ (COMPANY NAME)
_____ (COMPANY ADDRESS)

(K) Sewers and Watermains _____ (COMPANY NAME)
_____ (COMPANY ADDRESS)
_____ (COMPANY NAME)
_____ (COMPANY ADDRESS)
_____ (COMPANY NAME)
_____ (COMPANY ADDRESS)
_____ (COMPANY NAME)
_____ (COMPANY ADDRESS)

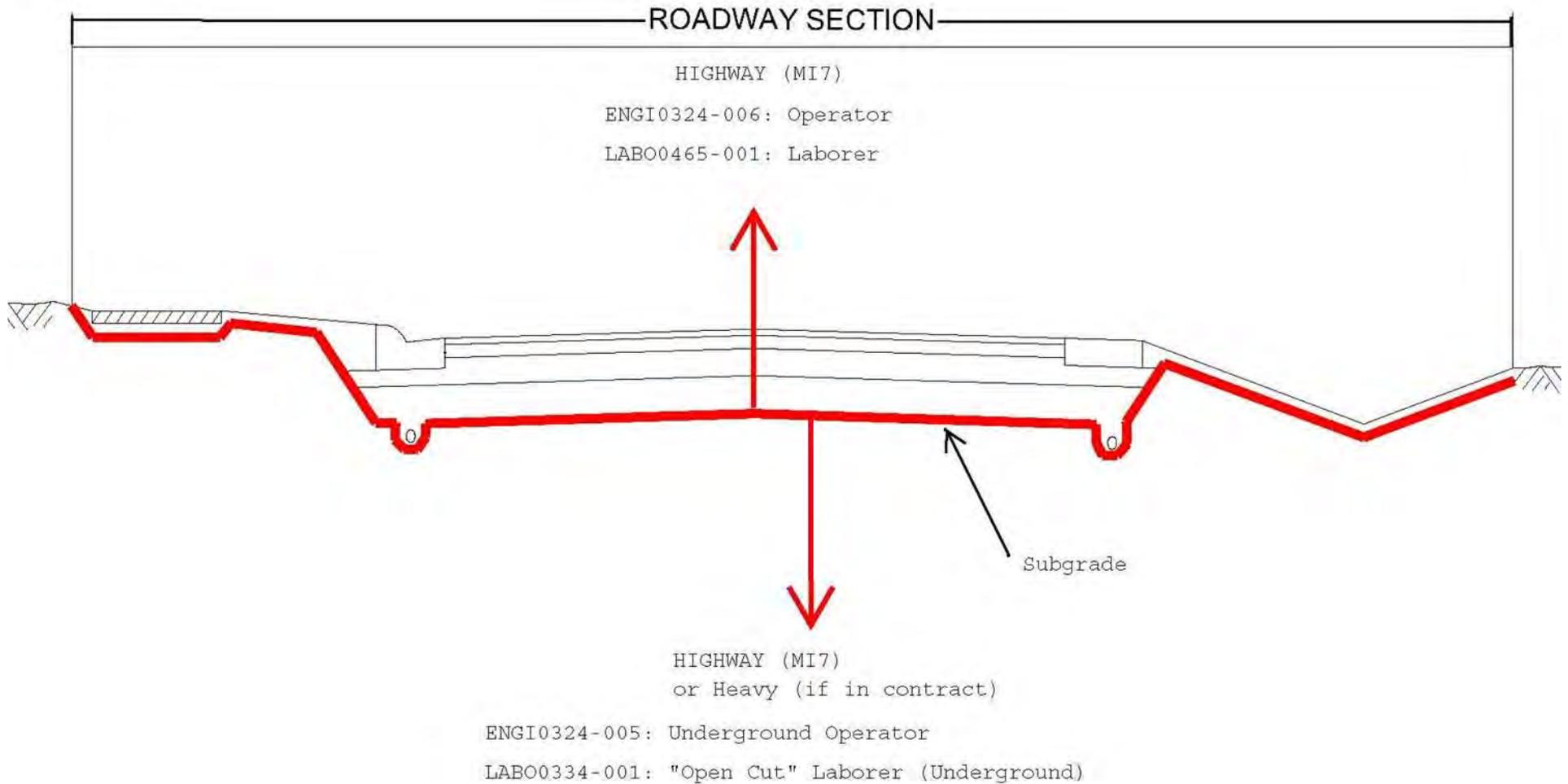
SPECIALTY ITEMS: _____ (COMPANY ADDRESS)
_____ (COMPANY NAME)
_____ (COMPANY ADDRESS)

SEE NEXT PAGE FOR INFORMATION ON COMPLETING THIS PAGE

Rev. (06/03)

NOT FOR BIDDING PURPOSES

Typical Roadway Section



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Questions?



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