



Highlights of [GAO-10-421](#), a report to the Senate Republican Leader

### Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) has the broad purpose of stimulating the economy. It includes substantial appropriations for construction projects that, under the act's prevailing wage provision, are subject to Davis-Bacon Act requirements. That is, contractors must pay laborers and mechanics who work on those projects at least the prevailing wage rates set for their local area by the Secretary of Labor. In addition, contractors must submit certified payrolls and pay their workers weekly.

Prior to the Recovery Act, some federal programs with construction projects were already subject to Davis-Bacon Act requirements. Others, however, are subject to the requirements for the first time because the Recovery Act extended the requirements to all construction projects supported by the act.

GAO was asked to (1) identify the programs that are newly affected by the Recovery Act's prevailing wage provision and (2) examine the extent to which that provision is expected to affect each of those newly affected programs. GAO obtained data from 27 agencies and spoke with federal, state, and local officials as well as contractors involved with the newly affected programs.

Although GAO is not making recommendations in this report, these findings may be helpful in considering and designing legislation with similar objectives.

View [GAO-10-421](#) or [key components](#). For more information, contact Patricia A. Dalton at (202) 512-3841 or [daltonp@gao.gov](mailto:daltonp@gao.gov).

## RECOVERY ACT

### Officials' Views Vary on Impacts of Davis-Bacon Act Prevailing Wage Provision

#### What GAO Found

Forty programs are newly subject to Davis-Bacon requirements as a result of the Recovery Act's prevailing wage provision, according to federal agency officials. Of these, 33 programs existed prior to the Recovery Act and are subject to Davis-Bacon requirements for the first time under the act, while 7 are newly created programs. Together, the 40 programs account for about \$102 billion of the \$309 billion that was appropriated by the Recovery Act for projects and activities. However, a smaller amount of these funds will be subject to Davis-Bacon requirements because not all of the funds will be used for construction activities and only a portion of those funds will be used to pay labor wages.

**Expected Impact of Davis-Bacon Requirements on Program Costs and Goals as Reported by Federal Officials Responsible for 40 Programs Newly Subject to those Requirements**

Expected impact of:	Little to no impact	Moderate impact	Large impact	Other <sup>a</sup>	Total
Prevailing wage requirement on program costs	23	4	4	9	40
Administrative requirements on program costs	18	6	7	9	40
Davis-Bacon requirements on program goals	27	5	1	7	40
Davis-Bacon requirements on Recovery Act goal of preserving or creating new jobs	26	3	4	7	40

Source: GAO analysis of information from interviews and correspondence with federal officials.

<sup>a</sup>This category includes those that responded do not know, unclear, too soon to tell, or mixed impact.

For those programs that are newly subject to Davis-Bacon requirements, officials had mixed views on the impact of these requirements on program costs and goal achievement. In some cases, officials said Davis-Bacon requirements would have little or no impact on program costs for a few reasons, such as (1) the program having a small amount of construction activities, (2) prevailing wage rates that were in line with expectations, and (3) companies' previous experience with weekly payrolls. In other cases, officials said the requirements would have a moderate to large impact on program costs and/or goals. For example, officials from the Department of Energy's (DOE) Energy Efficiency and Conservation Block Grants program anticipated a potentially large cost impact as a result of the significant amount of funds to be spent on construction labor wages. Officials from DOE's Weatherization Assistance Program reported that weatherization projects in buildings taller than four stories will require workers to be paid a commercial prevailing wage rate under the Davis-Bacon Act that is higher than what would otherwise be used and could potentially reduce the number of homes weatherized. Additionally, weatherization officials said that Davis-Bacon requirements affected the program's timing because prevailing wage rates for weatherization workers were not fully available until September 2009. Further, officials from the Department of Housing and Urban Development's Lead Hazard Reduction Program noted that Davis-Bacon requirements would require a more detailed payroll tracking system that could be particularly burdensome for small companies. Those officials also explained that because administrative costs are likely to increase, the department is in the process of increasing the cap on how much recipients can spend on administrative costs.