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Health, Education and Human Services Division

B-272365

July 17, 1996

The Honorable Pete Hoekstra  
Chairman, Subcommittee on Oversight  
and Investigations  
Committee on Economic and Educational  
Opportunities  
House of Representatives

Dear Mr. Chairman:

On June 19, 1996, you requested information related to Labor's process for determining wages on federal construction projects under the Davis-Bacon Act to supplement information in our recent report.<sup>1</sup> Specifically, you were interested in knowing how many counties in the United States had at least one construction project that received more than \$2,000 in federal funds (the dollar threshold for being covered by the Davis-Bacon Act) in fiscal year 1995. You also asked that we identify the number of counties that had current prevailing wage determinations in fiscal year 1995 for each of the four types of construction covered by the Davis-Bacon Act. We define a current wage determination as one that Labor issued in fiscal year 1995 based on data obtained or surveys completed in that year or a wage determination that is based on a collective bargaining agreement that is still applicable.

To respond to your request, we obtained and analyzed data from Labor's Wage and Hour Division on the number and dollar value of active construction projects in fiscal year 1995 by county and type of construction. We also obtained from Labor officials the number of wage determinations based on survey data and an estimate of the number that were based on wage data from collective bargaining agreements in fiscal year 1995. We conducted our review in

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<sup>1</sup>See Davis-Bacon Act: Process Changes Could Raise Confidence That Wage Rates Are Based on Accurate Data (GAO/HEHS-96-130, May 31, 1996); also Davis-Bacon Act: Process Changes Could Address Vulnerability to Use of Inaccurate Data in Setting Prevailing Wage Rates (GAO/T-HEHS-96-166, June 20, 1996).

accordance with generally accepted government auditing standards.

In summary, our analysis of the data Labor provided<sup>2</sup> indicates that almost all counties (3,091 out of 3,100) had at least one project that received \$2,000 or more in federal funds (either through direct federal appropriation or through a federal assistance program) in fiscal year 1995 in at least one of the four types of construction covered by the Davis-Bacon Act. In total, of the 12,400 county-construction combinations--3,100 counties multiplied by 4 types of construction--9,682 (78 percent) had construction projects above the \$2,000 threshold. During fiscal year 1995, about 4,000 county-construction combinations had current wage determinations, with about 3,600 of them based on collective bargaining agreements.

#### BACKGROUND

The Davis-Bacon Act requires workers on federal construction projects valued in excess of \$2,000 to be paid, at a minimum, wages (including fringe benefits) that the Secretary of Labor determines to be prevailing<sup>3</sup> for corresponding classes of workers in the locality where the contract is to be performed. The act covers every contract to which the United States or the District of Columbia is a party for construction, alteration, or repair of public buildings or public works.

To determine the prevailing wages and fringe benefits in various areas throughout the United States, Labor periodically surveys wages and fringe benefits paid to workers in four basic types of construction (building, residential, highway, and heavy). Labor has designated the county as the basic geographic unit for data collection, although Labor also conducts some surveys that result in wage determinations for groups of counties. Because there

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<sup>2</sup>Labor obtains these data from the F.W. Dodge Division of McGraw Hill.

<sup>3</sup>Labor regulations define the prevailing wage as the wage paid to the majority (more than 50 percent) of the workers in the job classification on similar projects in the area during the period in question. If the same wage is not paid to a majority of those employed in the classification, the prevailing wage will be the average of the wages paid, weighted by the total employed in the classification.

are 3,100 counties in the United States, Labor has to determine prevailing wages for up to 12,400 county-construction combinations. Labor does not, however, rely on new surveys to update wage determinations in all of these county-construction combinations. In those areas where Labor has determined that collectively bargained rates prevail, it automatically updates wage determinations based on those collective bargaining agreements, unless Labor has an indication that the situation has changed so that fewer than 50 percent of the workers in a type of construction in a county are now covered under collective bargaining agreements.

ALMOST ALL COUNTIES HAD PROJECTS WITH AT LEAST \$2,000 IN FEDERAL CONSTRUCTION FUNDS IN FISCAL YEAR 1995

Our analysis of Labor's data shows that 3,091 out of 3,100 counties had one or more construction projects that received at least \$2,000 in federal funds. As shown in table 1, the number of counties with projects meeting the \$2,000 threshold differed by construction type, ranging from 911 residential construction projects to 3,021 highway construction projects. In total, 9,682 county-construction combinations had projects with \$2,000 or more in federal construction funding during fiscal year 1995.

Table 1: Counties With Construction Projects Covered by the Davis-Bacon Act, Fiscal Year 1995

Type of construction	Number of counties with projects that received \$2,000 or more in federal funds
Residential	911
Building	2,796
Heavy	2,954
Highway	3,021
<b>Total</b>	<b>9,682<sup>a</sup></b>

<sup>a</sup>The total exceeds the number of counties because each county could have projects in each of the four types of construction.

ABOUT 4,000 COUNTY-CONSTRUCTION  
COMBINATIONS HAD CURRENT WAGE  
DETERMINATIONS IN FISCAL YEAR 1995

During fiscal year 1995, wage determinations for about 4,000 county-construction combinations were current. The 104 wage surveys that Labor completed in fiscal year 1995 provided data for wage determinations in 408 county-construction combinations. We estimate that wage determinations in an additional 3,600 county-construction combinations were current because they were based on collective bargaining agreements. According to Labor, wage determinations in 29 percent of the county-construction combinations were set using wage rates in collective bargaining agreements. Because it updates the wage determinations based on collective bargaining agreements whenever new agreements are reached, Labor concluded that all of those wage determinations were current in fiscal year 1995. Applying the 29 percent to the 12,400 county-construction combinations yields an estimate of about 3,600 current wage determinations in those counties.

AGENCY COMMENTS

Labor officials agreed with the information and findings presented in this correspondence. However, they provided some technical clarifications, which we incorporated where appropriate.

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We are sending copies of this correspondence to the appropriate congressional committees, the Secretary of Labor, and the Assistant Secretary of the Employment Standards Administration. We will also make copies available to others on request. If you have any questions, please feel free to contact me at (202) 512-7014. Major

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contributors to this correspondence include Charles A. Jeszeck, Assistant Director; Linda W. Stokes, Evaluator-in-Charge; and Sheila A. Nicholson, Evaluator.

Sincerely yours,

A handwritten signature in cursive script that reads "Carlotta Joyner". The signature is written in black ink and is positioned above the typed name and title.

Carlotta C. Joyner  
Director, Education and  
Employment Issues

(205331)



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