The Basics:

Almost all Florida Department of Transportation (FDOT) construction projects having Federal funds require payment of "prevailing wages" and limit or regulate deductions from employee pay.

These requirements are based in Federal law; specifically, the Davis-Bacon Act and the Copeland Act.





The Basics:

This training will cover the following topics related to the Federal payroll requirements:

- ➤ The Davis-Bacon Act (and Davis-Bacon Related Acts)
- > The Copeland Act
- ➤ How to Identify if These Acts Apply to your Contract
- > The Employees to Whom These Acts Apply
- > Important Compliance Requirements
- > Application of Multiple Wage Rate Tables
- Obtaining Additional Classifications/Wage Rates
- Recordkeeping and Reporting Requirements
- Payroll Deductions
- > How to Obtain Additional Information

The Davis-Bacon Act (DBA) was enacted in 1931 and amended in 1935 and 1964. The intent of the Act is to protect communities and workers from the economic disruption caused by competition arising from non-local contractors coming into an area and obtaining federal construction contracts by underbidding local wage levels. The Act is administered by the US Department of Labor (DOL).

The DBA applies to contracts for construction, alteration or repair of public works, where Federal funding is used and the contract is in excess of \$2000. While the DBA does not apply directly to the FDOT contracts, Congress has extended it's application to FHWA funding through the Davis-Bacon Related Acts (a minor technicality – for all practical purposes, we must abide by the DBA requirements).

The Davis-Bacon Act requires contractors and subcontractors to pay "all laborers and mechanics employed directly upon the site of the work, unconditionally not less often than once a week, and without subsequent deduction or rebate on any account the full amount accrued at the time of payment, computed at wage rates not less than those in the advertised specifications..."

These requirements apply, "...regardless of any contractual obligation which may be alleged to exist between the contractor or subcontractor and such laborers and mechanics."

The Copeland Act is also called the Copeland "Anti-Kickback" Act. It was created to:

- Prohibit "kickbacks" of wages and back wages
- Require contractors on covered projects to submit weekly a "Statement of Compliance" (i.e., certifying that the contractor has paid the required wages)
- Regulate payroll deductions from wages
- Specify methods of payment of wages

The most commonly encountered aspects of this regulation for our contractors are the requirements that certified payrolls be submitted and that DOL approval be obtained for the contractor to make payroll deductions for uniforms, cell phones, and certain other items opted for by the employee.

Determining Applicability

The payroll requirements are contractual obligations – the FDOT "Standard Specifications" include the following:

7-16 Wage Rates for Federal-Aid Projects.

For all projects that include Federal-aid participation, the Special Provisions contain requirements with regard to payment of predetermined minimum wages. Predetermined Wage Rate Decisions (U.S. Department of Labor provided Wage Rate Tables) exist for Heavy, Highway, and Building Construction Projects.

As indicated in this specification, a Special Provision will be included in the Specifications Package when the payroll requirements apply to the contract.

An example of this Special Provision appears on the following page...

Determining Applicability (continued...)

WAGE RATES FOR FEDERAL-AID PROJECTS. (REV 1-3-03) (FA 5-16-03) (1-04)

ARTICLE 7-16 (Page 76) is expanded by the following:

For this Contract, payment of predetermined minimum wages applies.

The U.S. Department of Labor Wage Rates applicable to this Contract are listed in Wage Rate Decision Number(s) FL42, as modified up through ten days prior to the opening of bids.

Obtain the applicable General Decision(s) (Wage Tables) through the Department's website and ensure that employees receive the minimum wages applicable. Review the General Decisions for all classifications necessary to complete the project. Request additional classifications through the Engineer's office when needed.

When multiple wage tables are assigned to a Contract, general guidance of their use and examples of construction applicability is available on the Department's website. Contact the Department's Wage Rate Coordinator before bidding if there are still questions concerning the applicability of multiple wage tables. The URL for obtaining the Wage Rate Decisions is www.dot.state.fl.us/construction/wage.htm.

Contact the Department's Wage Rate Coordinator at (850) 414-4251 if the Department's website cannot be accessed or there are questions.

Determining Applicability (continued...)

In addition to the preceding Special Provision, the Federal Aid contracts will include the following (or similar) Special Provision:

EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENTS FOR FEDERAL JOBS. (REV 5-13-04) (FA 5-20-04) (1-05)

SUBARTICLE 7-1.1 (Pages 60 and 61) is expanded by the following:

The FHWA-1273 Electronic version, dated March 10, 1994 is posted on the Department's website at the following URL address www2.dot.state.fl.us/specificationsestimates/federal/df1273.pdf. Take responsibility to obtain this information and comply with all requirements posted on this website up through five calendar days before the opening of bids.

Comply with the provisions contained in FHWA-1273 and certify monthly compliance with the EEO provisions of FHWA-1273 (Section II. Nondiscrimination and Section III. Nonsegregated Facilities).

If the Department's website cannot be accessed, contact the Department's Specifications Office Web Coordinator at (850) 414-4113.

Determining Applicability (continued...)

The FHWA-1273 applies to areas other than Equal Employment Opportunity – it includes requirements for:

- > Payment of Predetermined Minimum Wage
- ➤ Statements and Payrolls (Submission of Certified Payrolls)
- ➤ Subletting or Assigning the Contract (Requires that the subcontract be in writing and that it contain all pertinent provisions and requirements of the Prime Contract which includes these payroll requirements)

The FHWA-1273 includes important requirements other than EEO and payroll. It includes requirements regarding safety, false statements, environmental issues, and contractor certification of contracting eligibility and use of funds.

Determining Applicability (continued...)

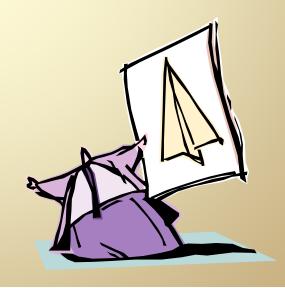
The FHWA has determined that warranty work performed on a project that was Federally-funded and included the Davis-Bacon provisions in the original contract is also subject to the prevailing wage requirements. For the warranty work, the wage tables that applied to the original contract (General Decision No. and date) will apply to the subsequent repair work. Work with the FDOT District Contract Compliance Manager to establish the proper reporting process since the compliance office and staff from the original contract may well have moved on to their next assignment.

Covered Employees:

There are some subtle but important distinctions applying to the language within the Davis-Bacon Act. These are important factors as they determine the applicability of the Act to specific employees or groups of employees. Specifically, the meaning and interpretation of the following are critical to determining applicability:

- ► Laborers and Mechanics
- ➤ Directly Upon the Site of Work





Covered Employees (continued)

The term "laborer and mechanic" includes those workers whose duties are manual or physical in nature (including those workers who use tools or who are performing the work of a trade), as distinguished from mental or managerial duties. The term includes apprentices, trainees, and helpers (although, if properly enrolled in a bona fide apprentice program, apprentices may be paid a rate less than the specified prevailing rate).

The term laborer or mechanic does <u>not</u> include workers whose duties are primarily administrative, executive, or clerical, rather than manual. If not performing any manual or physical work on the project, the following are <u>not</u> considered to be laborers or mechanics: Architects and Engineers, Timekeepers, Inspectors.

Payroll Requirements on Federal-Aid Projects What Contractors Need to Know Covered Employees...

Laborers and Mechanics - Continued...

Working foremen who devote more than 20% of their time during a workweek to mechanic or laborer duties are generally considered to be laborers or mechanics for the time so spent (and must be paid the specified prevailing wage for at least that portion of their time). Those employed in a bona fide executive, administrative, or professional capacity (as defined in the rules) are considered exempt.

Owners of subcontractor firms who are themselves performing the work of laborers and mechanics are entitled to the applicable prevailing wage rate for the classification of work performed (although, if the subcontract price covers the applicable prevailing wage for the number of hours worked, the DOL considers this to be in compliance).

Laborers and Mechanics - Continued...

The following occupations have been deemed by DOL as <u>not</u> being within the meaning of laborer or mechanic:

- ➤ Engineers and Architects
- **≻**Inspectors
- ➤ Surveyors and Survey Crews
- **▶** Boat Captains
- ➤ Bridge Tenders
- **≻**Timekeepers
- ➤ Bona fide executives and administrators



Laborers and Mechanics - Continued...

- "Helpers" are sometimes included on the wage tables and are sometimes approved by DOL as an additional classification. The DOL may approve a helper classification only when <u>all</u> of the following conditions are met:
- The duties of the helper are clearly defined and distinct from those of any other classification on the wage determination
- The use of such helpers is an established, prevailing practice in the area; and,
- The helper is not employed as a trainee in an informal training program.
 - The "helper" classification will be added only where the work to be performed by the helper is <u>not</u> performed by a classification in the wage determination.

Covered Employees (continued)

Site of the Work:

Another important aspect of the DBA language is that it applies only to those, "... employed or working upon the site of work...". This is interpreted to mean the physical place or places where the work called for in the contract will remain, and any other site where a significant portion of the work is constructed, provided that such site is established specifically for the performance of the contract or project. Batch plants, borrow pits, casting yards, job headquarters, and tool yards are part of the "site", provided they are dedicated exclusively, or nearly so, to the contract or project, and are adjacent or virtually adjacent to the site of work.

Covered Employees (continued)

Site of the Work (continued):

Not included in the "site of work" are permanent home offices, branch plant establishments, fabrication plants and tool yards of a contractor or subcontractor whose location and continuance of operation are determined wholly without regard to a particular federal or federally assisted project. Also excluded are fabrication plants, batch plants, borrow pits, job headquarters, tool yards, etc., of a commercial or material supplier which are established by a supplier of materials for the project before opening of bids and not on the site of work (even where such operations for a period of time may be dedicated exclusively, or nearly so, to the performance of a contract).

Covered Employees (continued)

Site of the Work - Truck Drivers:

Because of the transitory nature of the truck driver's work location, they are accorded unique treatment with regard to determining the application of DBA requirements. Generally, drivers of a contractor or subcontractor are covered for time spent working on the site of work. However, drivers whose time spent on the site of work is de minimus, such as only a few minutes at a time merely to pick up or drop off materials or supplies are not covered. This has generally been interpreted to include truck drivers loading and transporting away the milled asphalt and those delivering hot mix asphalt from an asphalt plant (one that is not dedicated exclusively or nearly so and adjacent or virtually adjacent...).

Covered Employees (continued)

Truck Drivers – Owner-Operators:

Another special consideration is accorded to bona fide owneroperators of trucks who own and drive their own truck. When these drivers are operating their trucks in a manner that the prior guidance indicates that they are covered by DBA, certified payrolls must be submitted including their names, but they need only show the notation "owner-operator". They need not show hours worked or rates paid. These certifications may be submitted by the firm that engages the owner-operator if the certifying entity maintains documentation of the truck ownership (copy of registration) and the agreement provides that only the owner will operate the truck. This special "enforcement position" adopted by DOL does not apply to owner-operators of other equipment such as bulldozers, backhoes, cranes, welding machines, etc.

Compliance Requirements:

Employers (contractors, subcontractors, lower tier subcontractors, staffing firms) having employees subject to the DBA requirements must do all of the following:

- Assure that those covered employees are paid at least the prescribed wage rates as shown in the applicable wage decision (including any required fringe benefits)
- Request additional classifications if the wage determination does not include appropriate classes of laborers or mechanics
- ➤ Pay covered employees not less often than weekly
- Submit certified payrolls within 7 days (prime collects and submits all payrolls for the job)
- Assure that deductions are properly shown on the payroll and approved by DOL if so required

Compliance Requirements (Wage Decisions):

The Special Provision titled "Wage Rates for Federal-Aid Projects" includes the designation of a specific wage rate schedule (applying to the type of work and geographic location of the work). More than one wage table might be specified if there is more than one type of work (building, highway, or heavy – i.e., major bridge) or if the work is in more than one county (having different tables).

In the example shown previously, the specified wage table is "FL 42". The date of the applicable table is the one in effect 10 days prior to the letting date. All of the Florida wage tables may be found on the State Construction Office web site at the following web address:

http://infonet.dot.state.fl.us/tlconstruction/

Compliance Requirements (Wage Decisions):

Employees who perform work in more than one classification can either be reported entirely in the "higher" classification or can be reported for the actual hours worked in each classification.

Likewise, where more than one wage table is specified, the contractor may choose to segregate and report separately an employee's work under each table (for instance, working on a bridge under the "Heavy" table and on the roadway under the "highway" table). Alternatively, the contractor may determine the higher of the required rates and assure that covered employees are paid at least as much as required by the higher rate.

Compliance Requirements (Wage Decisions):

Below is an excerpt of the FL 42 wage table dated February 8,

2008:

On this job, electricians must be paid a wage of at least \$9.50 per hour. A worker classified as an Electrician would be allowed to perform the duties of any of the other shown classifications except Ironworker, Reinforcing. Even if the electrician is paid \$12.00 per hour, they are not allowed to work in a higher class – they would need to be classified in that class.

Electrician\$ 9.50
Fence Erector\$ 6.25
Form Setter \$ 7.26
Ironworker, Reinforcing\$ 11.64
Laborers: Asphalt Raker\$ 6.50 Unskilled\$ 5.85
Painters: Blaster\$ 6.50
Pipelayer \$ 6.50
Power equipment operators: Asphalt Distributor\$ 6.62 Asphalt Paving Machine\$ 6.31 Asphalt Screed\$ 6.50 Backhoe\$ 7.25 Boom-Auger\$ 9.00 Bulldozer\$ 6.65 Concrete Groover/Grinder\$ 8.00 Concrete Joint Saw\$ 7.25 Concrete Paving Finish
Machine\$ 6.50

Compliance Requirements (Wage Decisions):

Note that in the example above, the Laborer – Unskilled is shown at a minimum prescribed wage of \$5.85 per hour (the Federal minimum wage). While this constitutes the DBA minimum wage, Florida's minimum wage as of January 1, 2008 is \$6.79 per hour. Florida's minimum wage requirement will prevail in this instance (per Standard Specification 7-1.1, the contractor must comply with all Federal, State, county and city laws, bylaws, ordinances and regulations...).

Compliance Requirements (Wage Decisions):

Some wage tables will include a fringe benefit rate in addition to a wage rate (see the example below from the FL 1 wage table):

		Rates	Fringes
Alarm Ins Elects include are or	rical contracts ding mateials that ver \$2,000,000	\$ 26.46	6.05+8%
inclu	rical contracts ding materials that nder \$2,000,000	\$ 24.00	6.05+8%

Fringes may be paid in cash or in benefits such as health insurance, retirement, etc. In the above instance, the benefit amount must be at least \$6.05 per hour plus an additional 8% of the actual wage rate paid.

Compliance Requirements (Additional Classifications):

The wage tables referenced in the contract frequently do not include all classifications needed to complete the contract work. In such instances, additional classification(s) must be requested for each contract on which a classification is needed but not on the wage table. A subsequent section of this training provides details of the process to obtain additional classifications.

The wage rates applicable to the project (the specified wage table(s) and all additional classifications) must be posted on the job site bulletin board.

The Davis-Bacon Act requires that "all laborers and mechanics" be paid unconditionally not less often than once a week. The companion Copeland Act requires that the contractor and subcontractors submit certified payrolls within 7 days of the Payroll date. The certified payroll may be submitted on the form prescribed or on the company's regular payroll form, so long as all required information is included. The payroll must be accompanied by a "Statement of Compliance" with an original signature.

The information required to be included on the payroll for each employee is:

- 1. Name
- 2. Social Security Number
- 3. Address
- 4. Correct Classification
- Hourly Rates of Wages Paid (Including any Fringe Benefits)
- 6. Daily and Weekly Number of Hours Worked
- 7. Project and Weekly Gross Wages
- 8. Deductions Made
- 9. Actual Wages Paid

In addition, FDOT requires race and gender to be shown for each employee (failure to show this on the payroll will result in a separate report being required from the employer).

All payrolls are to be submitted through the prime and it is the prime's responsibility to obtain all required payrolls. Failure to obtain and submit all required payrolls, or submission of nonconforming payrolls can result in the withholding of contract payments to the prime.

The deductions from employee pay must be described in sufficient detail to identify the specific purpose of each deduction. Payrolls may reference deduction codes if the employer provides a reference table to interpret the code. General descriptions such as "Insurance" are unacceptable – the description must be specific (i.e., life, health, dental, auto, homeowners). Employers are required to obtain and retain employee authorizations for voluntary deductions and USDOL permission is required in some instances.

Deductions for Social Security, income tax withholding and court-ordered payments may be made without employee consent (the court order is to be retained in the files, where applicable). The following deductions may be made with the consent of the employee without USDOL permission: Contributions to fringe benefit plans; purchase of U.S. Savings Bonds; contributions to charitable organizations; repayment of loans or purchasing shares in credit union; bona fide repayment of advanced wages; union dues and membership fees (provided that the collective bargaining agreement provides for such deductions).

The following deductions are allowed with employee consent and without USDOL approval, but include certain limitations that should be strictly observed: Reasonable cost of board, lodging or other facilities meeting the requirements of section 3(m) of the Fair Labor Standards Act (FLSA); Cost of safety equipment purchased by the employee, if such equipment is not required by law to be furnished by the employer and the deduction is not prohibited by the FSLA.

Employers are not allowed to make a profit or benefit directly or indirectly from the employee deductions. The repayment of advances cannot include interest or charge a discount; commissions cannot be received on insurance provided or other benefit plans; profit markups on safety equipment or board and lodging are prohibited.





Deductions for purposes other than previously listed require the approval of the Secretary of Labor. Such deductions typically include: personal use of vehicles; personal use of cell phones and/or pagers; uniform rentals; purchase of tools; transportation costs; and personal use of credit cards. Permission to make such deductions must be obtained through USDOL and such authorizations must be renewed annually.

When applying to USDOL for approval of deductions, the employer must affirm to USDOL that the deductions will conform to the requirements of USDOL Regulations, 29 CFR, Part 3.6. Specifically,

- The contractor or any affiliated person does not make a profit or benefit directly or indirectly from the deduction;
- 2. The deduction is not otherwise prohibited by law;
- 3. The deduction is voluntarily consented to by the employee in writing and such consent is not a condition of employment or the deduction is provided for in a bona fide collective bargaining agreement, and;
- 4. The deduction serves the convenience and interest of the employee.

Requests for approval of deductions should be sent to

the following address:

Mr. Timothy J. Helm

Office of Enforcement Policy

Government Contracts Team

U.S. Department of Labor

Employment Standards Administration

Wage & Hour Division

Washington, D.C. 20210

A copy of the approval should be provided to the FDOT's Prevailing Wage Rate Coordinator.

The assigned wage tables will frequently not include all required classifications, particularly operators for equipment (Excavator Operator is not included on most Florida tables, Directional Boring Machine Operator is not listed on any Florida tables). If a classification is needed but not on the table, a Request for Additional Classification must be submitted. This form must be submitted by the prime contractor (subcontractors should work with the prime to obtain the needed classifications).

The form for requesting additional classifications is available on the FDOT site, form #700-010-07: http://formserver.dot.state.fl.us/MiscRepository/forms/70001007.pdf

The form must be fully completed including the proposed Classification Title, the proposed classification description, and the suggested hourly rate of pay. The form must be signed by the prime contractor's representative. Suggested hourly rates of pay must be comparable to other classifications on the assigned wage table(s).

Completed forms for FDOT contracts should be submitted to the FDOT for processing. The preferred method of submittal is as an attachment to an e-mail and sent to:

kim.smith@dot.state.fl.us.

If sent by US mail, requests should be sent to the following address:

Kim Smith

605 Suwannee St., MS 31

Tallahassee, FL 32399-0450

Copies of the request should be provided to the FDOT Resident Compliance Specialist.

Forms submitted to the FDOT will be processed and sent to USDOL in Washington D.C. for their decision. By rule, USDOL is to respond in 30 days with approval, disapproval or modification (rather than merely disapprove a suggested rate that falls below comparable rates on the existing table, USDOL normally states that they, "... cannot approve the requested rate but would not object to a rate of \$xx.xx.") USDOL's notification is to FDOT, and the contractor will be notified of the decision. Total time for the process is typically 45 to 60 days.

Once approved, the additional classification and the wage rate are good for the life of the contract. Please note that the additional classifications are approved by contract and are only applicable to the contract under which they were requested. A contractor holding two adjacent contracts with identical wage tables will need to submit a request for each contract if the classification is to be used on both contracts.

Payroll Requirements on Federal-Aid Projects What Contractors Need to Know (Prime Contractor Duties)

The prime contractor has significant obligations under the Davis-Bacon and Copeland Acts. All instances of noncompliance under the contract are attributed to the prime and sanctions (withholding of contract payments) are against the prime regardless of whether it was the prime or a fourth tier subcontractor whose payroll was in violation. The FDOT's contract is with the prime and we have no other recourse than with the prime. For this reason, the prime's interest is served by ensuring that all subcontractors understand and comply with the Federal requirements for wage payment and reporting.

Payroll Requirements on Federal-Aid Projects What Contractors Need to Know (Prime Contractor Duties...)

By the terms of FDOT's Federal-aid contracts, each subcontract must include the stipulations contained within the FHWA-1273. This requirement carries to all lower tier subcontracts. These required provisions must be included in their entirety (they may not be included by reference). According to the terms of the FHWA-1273 document, the prime contractor is responsible for compliance by any subcontractor or lower tier subcontractor with these Required Contract Provisions. In addition to the withholding of contract payments, certain violations may also be grounds for debarment as provided in 29 CFR 5.12.

Payroll Requirements on Federal-Aid Projects What Contractors Need to Know (Prime Contractor Duties...)

The prime contractor is also required to post the wage tables at the site of work in a prominent and accessible place where it can be easily seen by the workers. The additional classifications are also to be so posted (as indicated earlier, the prime is the only party that may submit Requests for Additional Classifications). The prime is also responsible for collecting and compiling all certified payrolls from all tiers of subs for submission to the FDOT each week.

At the beginning of each job, the FDOT holds a "Preconstruction Meeting" and identifies the contractor's primary contact for payroll compliance matters. For larger jobs, a separate meeting may be held to discuss compliance issues. Questions regarding payroll requirements and compliance matters should be directed to the Resident Compliance Specialist identified in those meetings. Matters not satisfactorily resolved may be escalated to the District Contract Compliance Manager and then, if necessary, to the Central Office Prevailing Wage Rate Coordinator.

The following is the contact information for the

Districts and the Central Office:

District Contract Compliance Managers:

District 5 Geneva Clarke (386) 943-5357

District 6 Stan Ford (305) 499-2362

District 7 Joyce Jolliff (813) 233-3815

Central Office Prevailing Wage Rate Coordinator:

Kim Smith (850) 414-4492 or;

e-mail at kim.smith@dot.state.fl.us

