

# **Prevailing Wage Rates in Minnesota**

*An Examination of Alternative Calculation Methods  
and Their Effects on Public Construction Wages*

**Minnesota Taxpayers Association**

**February 2005**





## **Acknowledgements**

We wish to thank the Minnesota Departments of Labor and Industry and Employment and Economic Development for information provided on prevailing wage rates and median wage rates that were used in the preparation of this report. Aaron Twait, MTA Research Associate, did most of the research, calculations, and initial drafting of the report. Lynn Reed, MTA Executive Director, did the final editing for publication.

The research for this report was funded entirely by the **Associated Builders and Contractors of Minnesota**. MTA is solely responsible for the research, analysis, conclusions, and recommendations contained in this report.

### **About the Minnesota Taxpayers Association**

The Minnesota Taxpayers Association did most of the research and analysis for this study in cooperation with other members of the NTC (see below). MTA was founded in 1926 for the purpose of disseminating factual information that will educate and inform all Minnesotans about Minnesota tax and spending policies. For over seventy-five years, the Association has advocated for the adoption of sound fiscal policies through its research efforts, publications, and meetings.

The Association is a non-profit, non-partisan group supported by membership dues. For information about membership, call (651) 224-7477, or visit our web site at [www.mntax.org](http://www.mntax.org).



## Table of Contents

<b>I.</b>	<b>EXECUTIVE SUMMARY</b> .....	<b>I</b>
	Purpose and Objectives of the Study .....	i
	Methodology of the Study.....	i
	Analysis.....	ii
	<i>Comparison of Minnesota Law to other State and Federal Prevailing Wage Statutes</i> .....	ii
	<i>Labor Cost Comparison Between Current Law and Alternatives</i> .....	ii
	Recommendations .....	iii
<b>II.</b>	<b>BACKGROUND AND POLICY PROBLEM</b> .....	<b>1</b>
	Policy Problem—Why This Study? .....	4
<b>III.</b>	<b>METHODOLOGY</b> .....	<b>5</b>
	Public Construction Projects .....	5
	Estimates of Public Construction Project Wage Costs.....	5
	Sources for Prevailing Wage Data .....	6
	Estimates of Labor Inputs .....	7
	Matching Job Classification Categories .....	7
	Comparison Between State Prevailing Wage, Federal Prevailing Wage and Median Wage.....	8
	Data Limitations.....	8
<b>IV.</b>	<b>ANALYSIS AND INTERPRETATION</b> .....	<b>9</b>
	Comparison Between Current Law and Federal Prevailing Wage Determinations .....	9
	Comparison Between Current Law and Median Wage Determinations .....	13
	Corroboration by Other Studies .....	15
<b>V.</b>	<b>RECOMMENDATIONS</b> .....	<b>17</b>
<b>VI.</b>	<b>APPENDIX A: PROJECTS ANALYZED IN COURSE OF STUDY</b> .....	<b>19</b>
<b>VII.</b>	<b>APPENDIX B: DEED PLANNING AREAS AND MINNESOTA HIGHWAY/HEAVY PREVAILING WAGE REGIONS, BY COUNTY</b> .....	<b>30</b>
<b>VIII.</b>	<b>APPENDIX C: DEED PLANNING AREAS AND MINNESOTA HIGHWAY/HEAVY PREVAILING WAGE REGIONS, BY COUNTY</b> .....	<b>31</b>
<b>IX.</b>	<b>APPENDIX D: EXAMPLES OF INDIVIDUAL PROJECT SAVINGS OR COST</b> .....	<b>33</b>



# ***Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association***

---

## **I. Executive Summary**

### **Purpose and Objectives of the Study**

Prevailing wage laws govern much of the public construction in the United States. They require contractors constructing buildings involving the federal or Minnesota state governments to pay government-designated wage and benefit rates that are “prevailing” in the area in which the construction is occurring. The wage and benefit rates for each job classification (electrician, carpenter, roofer, *et cetera*) are determined independent of each other. Such laws have been in force at the federal level since 1931, and in Minnesota since 1973.

Although citizens may equate “prevailing wage” with “average wage”, this is not always the case. In many cases, the government-determined prevailing wage is 30 to 40 percent higher than the wages paid to an average laborer undertaking the same work on a job which is not subject to the prevailing wage requirements. The federal law was instituted during the nation’s Great Depression primarily as a method of protecting local laborers from cheaper imported labor. Proponents of prevailing wage laws also believe it improves the quality of construction, but evaluating that claim is not the purpose of this study. This study focuses on the more narrow question of the direct fiscal impact of such laws on public construction expenditures.

This study was funded by the Associated Builders and Contractors, Inc. of Minnesota, an association of mostly non-union builders and contractors and has two main parts:

- 1. History and overview:** a synopsis of the history of prevailing wage laws, both federally and in Minnesota, to present the arguments made for and against prevailing wage legislation, and to describe the unique features of Minnesota’s prevailing wage statutes as compared with similar state and federal legislation.
- 2. Analysis of labor costs under different prevailing wage scenarios:** compiles a list of state public construction projects in Minnesota subject to prevailing wage legislation, and evaluates changes in labor costs for those projects when substituting federal prevailing wage rates and government-determined median wage rates for Minnesota’s current prevailing wage rates.

### **Methodology of the Study**

A list of school, state, and state transportation construction projects approved in calendar year 2002 was compiled from the Minnesota Department of Education, the 2002 Capital Investment Bill, and the Minnesota Department of Transportation. Using data from the Minnesota Department of Labor and Industry, the federal Department of Labor and the Minnesota Department of Employment and Economic Development (DEED), we estimated each job classification’s share of the labor undertaken on projects on a county-by-county basis. MTA staff then compared labor costs given current prevailing wage rates to estimated labor costs if federal prevailing wage rates or DEED-determined median wages were substituted.

## Executive Summary

---

### Analysis

#### *Comparison of Minnesota Law to other State and Federal Prevailing Wage Statutes*

As part of the study, Minnesota Associated Builders and Contractors surveyed states to update the national Associated Builders and Contractors' 1995 prevailing wage study. This information indicated that 32 states and the federal government currently have prevailing wage laws, although nine other states have had prevailing wage laws in the past which have been repealed.

Prevailing wage determinations in the 32 states are made in one of four ways:

1. by adopting the federal prevailing wage determinations,
2. by empowering a state official or officials to determine the rates,
3. by adopting collectively bargained rates,
4. by surveying to set prevailing wage rates (the method used by the federal government).

Minnesota employs the fourth option using survey information to derive the prevailing wage. However, Minnesota (and California) law does differ from the Davis-Bacon Act, and from most other state prevailing wage laws which average survey data, in one major respect. Most states and the federal government use two approaches to calculate the prevailing wage. If more than half of the workers in a survey are paid the same wage, then that wage is used. If no majority emerges, then an average is used.

Minnesota and California, however, are unique in using a modal calculation: whatever rate is most frequently reported in a survey is the rate designated as "prevailing". Given a class of workers with five survey responses of hourly wages of \$7.00, \$9.00, \$12.00, \$12.00 and \$13.00, Minnesota would set the prevailing wage at \$12.00 (the mode—that most frequently reported); while many other states and the federal government would set the prevailing wage at \$10.60 (the average of the five salaries, since a majority did not emerge). The use of the modal method for determining prevailing wage increases the likelihood that large-scale collectively-bargained wage rates become the prevailing wage, since these rates tend to be uniform within a specific job class.

#### *Labor Cost Comparison Between Current Law and Alternatives*

This study incorporated 34 school district construction projects (excluding land purchases), 57 state building projects and 247 state transportation projects, with total project costs of over \$1.7 billion. From an analysis of the labor costs associated with the different alternatives, we found that:

- In 26 of the 32 counties which state building projects were located, federal prevailing wage rates were set entirely from union rates
- In 17 of the 82 counties in which state transportation projects were located, federal prevailing wage rates were set entirely from union rates
- Minnesota would have experienced estimated additional costs of \$3.1 to \$8.7 million, or 0.2% to 0.5% of total project cost, if the state substituted the federal rates for current state prevailing wage rates
- In 64 of the 82 counties in which state transportation projects were located, federal prevailing wage rates were 5 years old or older, likely depressing the estimated costs of substituting the federal prevailing wage rates
- Minnesota would have experienced estimated savings of \$126 to \$171 million, or 7.4% to 10.0% of total project costs in 2002 if the state had

## ***Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association***

---

substituted the Department of Employment and Economic Development median wage rates for current state prevailing wage rates (assuming benefits at 22% of the reported median wages)

### **Recommendations**

Minnesota's modal method of determining prevailing wages for public construction projects is used only in one other state, California. It results in wage rates significantly higher than those reported by DEED in its median wage survey. Using the federal method for calculating prevailing wage rates would add even more cost to public construction projects, apparently because of the limited number of federal projects and limited federal survey data in Minnesota.

The term "prevailing wage" itself connotes a wage that is typical of an area, and is most likely commonly understood as an average wage by the general public. However, its application in Minnesota results in prevailing wage rates that are not reflective of typical wage rates. The primary purpose of "Little Davis-Bacon" laws is to protect local workers from cheap, imported labor, and as long as the wage rates that are used are truly "prevailing" (that is, typical of an area), that purpose does not seem to be threatened regardless of the methodology used to calculate those rates.

The claim by proponents of the current method of calculating Minnesota's prevailing wage rates that buildings are constructed more quickly and with better quality cannot be evaluated in a study like this of such limited scope. However, our underlying assumption is that contract specifications, penalty provisions for delays, and aggressive construction management can provide at the very least an equally effective alternative method for addressing timing and quality issues for public construction projects.

In view of these observations, MTA recommends:

- that the widely used DEED survey for median wages be used as an alternative definition of prevailing wage for public construction projects in Minnesota;
- that DEED develop a survey comparable to the median wage survey for employee benefits to be used for the benefits portion of the prevailing wage rates as an alternative to the currently determined prevailing benefit rates;
- this alternate method of determining prevailing wage rates be tested in specific locations and compared to comparable public construction projects in the state in order to compare the costs of such projects directly with one another, at the earliest possible time.

Such a comparison would allow there to be an empirical test of the claims of both proponents and opponents of Minnesota's current prevailing wage law. Should the test demonstrate that using the median wage rates calculated by Minnesota's DEED results in lowered costs for public construction projects, those median wage rates (along with DEED's surveyed benefits rates) should replace Minnesota's current method of determining prevailing wage rates.

**This Page Intentionally Blank**

## **II. Background and Policy Problem**

### **History of Prevailing Wage Laws**

The first law in the United States regulating minimum pay standards for construction workers was passed by the Kansas legislature in 1891. The debate began at the federal level after that, and successful action was instigated after an Alabama construction firm brought construction laborers from that state to work on a Long Island hospital building project in 1927. The wages paid to these workers were those prevalent in their home state of Alabama, rather than the higher wages typically paid to New York construction workers. Fearful that they would continue to be undercut, New York businessmen complained about the practice to Congress.

By 1931, Congress has passed the Davis-Bacon bill (so-named for its sponsors, Republican Representative Robert Bacon of New York and Republican Senator James Davis of Pennsylvania), which prohibited contractors engaged on federal construction projects from importing “cheap labor” to cut costs. The bill was later modified in 1935 to “require the payment of not less than the wages found by the Secretary of Labor to be ‘prevailing for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work in the city, town, village or other civil subdivision of the state in which the work is to be performed.’”<sup>1</sup>

A similar scenario took place on a University of Minnesota farm project in the early 1970s, when out-of-state workers were hired for less than local workers. In 1973, Minnesota’s legislature enacted a state prevailing wage law (often referred to, along with other state prevailing wage laws, as the “little Bacon-Davis law), which Governor Wendell Anderson signed. Like its federal counterpart, the Minnesota law requires persons employed on construction projects which are entirely or partially funded with state monies to be paid the “prevailing wage”. Currently, 32 states have prevailing wage statutes. Of the other 18, 9 have never had prevailing wage laws, while the other 9 have repealed earlier “little Davis-Bacon” laws.

### **Literature Review**

A significant amount of literature has been published on the effects of the prevailing wage laws. Unions, their members, union contractors, liberal academics and liberal policy groups tend to support prevailing wage. Non-union contractors, public executive officials, conservative academics and conservative policy groups tend to oppose prevailing wage. Although many studies have been published on the effects of prevailing wage laws, most of them have been conducted and/or funded by these groups. Few of them have been conducted by government entities. Notable exceptions are the Kentucky Legislative Research Commission’s (LRC) Analysis of Kentucky’s Prevailing Wage Laws and Procedures, the Ohio Legislative Service Commission’s (LSC) Effects of the Exemption of School Construction Projects from Ohio’s Prevailing Wage Law, and various reports published by the federal Government Accounting Office (GAO). Not surprisingly, there is a wide disparity of findings. Proponents of prevailing wage make the following arguments:

- **Prevailing wage laws prevent contractors from hiring non-local workers at lower wages, thus preserving the jobs and wages of local construction workers.**

---

<sup>1</sup> *A Guide to Minnesota’s Prevailing Wage. Minnesota Department of Labor and Industry*

## Background and Policy Problem

---

As noted earlier, this was the original justification used for passage of the Davis-Bacon Act in 1931.

- **Prevailing wage laws reduce, rather than increase, building costs over the life of the building.** Supporters assert that wages correlate with skill level, and so paying the higher prevailing wage draws more highly skilled workers to a construction project than would work there with a lower wage. Prevailing wage proponents cite three separate savings associated with skilled workers:
  1. They argue that skilled workers provide increased job productivity. With greater skills, construction workers can work more quickly. Contractors also have an incentive to substitute mechanical labor for human laborers in an effort to cut costs. Although the per hour construction wage rates may be greater with prevailing wage, the total cost is lower because laborers work significantly less hours, resulting in savings to the taxpayer.
  2. Proponents contend that more highly skilled workers are less likely to cause accidents. Accidents are costly because they extend the time needed to complete a project, adding extra wage hours to the project's overall cost. Moreover, in the case of serious accidents, employers must contribute to the injured laborer's health care costs, are liable for sick pay, and must compensate for the loss of the laborer on the project either by increasing existing worker productivity or by hiring a replacement. Since skilled workers are already assumed to be working at a high level of productivity, there will be few gains to be made and the contractor must either hire a replacement or extend the life of the project.
  3. Proponents maintain that more highly skilled workers produce a higher-quality product. Fewer materials and man-hours are wasted with higher quality work, reducing construction costs. In addition, proponents assert that, with higher quality buildings, there will be fewer maintenance and repair costs associated with the building over its useful life. Hence, although construction costs are higher, savings are reaped over the life of the building.
- **Prevailing wage laws support training and education of construction workers.** Certain studies indicate that “where prevailing wages are paid, training programs are more prevalent, including higher participation by minorities and disadvantaged workers”.<sup>2</sup> Proponents argue that these programs not only enable minorities and the disadvantaged to become construction workers, but that they also increase the skill level of all workers that take part in the programs, leading to a higher overall skill level.
- **Prevailing wage laws increase local tax bases.** Proponents contend that, by enforcing the prevailing wage, lower-skilled workers with lower wages do not drive out more highly-skilled workers with their higher wages. If lower-skilled workers did drive higher-skilled workers out of the locality, the income base would be eroded, leading to lower income tax collections.

Opponents of the current prevailing wage laws make their own, sometimes competing claims:

- **Prevailing wage laws add unnecessary expenses to construction projects.** Various studies indicate that the prevailing wage is higher than that necessary to complete the project.
- **Prevailing wage laws make unions too powerful in setting prevailing wage rates.** As Kentucky's Legislative Research Commission (LRC) study notes: “the

---

<sup>2</sup> State Building and Construction Trades Council of California, <http://sbctc.org/?id=895&pagetype=sitemap>

## **Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association**

---

determination process used...is more likely to yield prevailing wages that are representative of union wages than wages for all construction workers in the locality. While union workers account for approximately 21% of non-residential construction workers, 81% of the workers for which wages were submitted at prevailing wage hearings were union members. Sixty-four percent of the determinations made resulted in the prevailing wage being set equal to the union wage.”

The Kentucky LRC’s study provides a good summary for the reasons behind the wide divergence of study results:

Empirical estimates of the effects vary greatly, due largely to the difficulty in separating the effects of prevailing wage laws from other factors that affect construction costs. Ideally, to measure any cost effect from prevailing wage laws, it is necessary to compare the costs of projects under the prevailing wage to the costs of the same exact projects in the absence of a prevailing wage law. Unfortunately, it is not possible to see what construction costs would be in the total absence of a prevailing wage law. Therefore, several alternative methods have been developed over the years in an attempt to estimate the effects. Some studies compare construction costs in prevailing wage states to construction costs in non-prevailing wage states. Other compare the Davis-Bacon wages to other, more representative measures of wages. These methods are discussed in a number of studies. There is little agreement between the studies as to whether prevailing wage laws increase costs, because a commonality in all of them is that there is always some technical issue that could substantially affect the results.<sup>3</sup>

### **Prevailing Wage Determination Methods**

Minnesota’s prevailing wage law is, in most respects, similar to the federal Davis-Bacon legislation and many other state prevailing wage laws. The Department of Labor and Industry defines classes of labor and determines prevailing wage rates for two different types of construction: highway/heavy and commercial. Labor and Industry sets these rates through an annual survey of entities involved in the construction industry, mainly businesses and unions. Labor and Industry defines **highway/heavy construction** as “construction and maintenance of highways, streets, airport runways, bridges, power plants, dams, wastewater treatment plants, water towers, high-voltage power lines and utilities”.<sup>4</sup> While it does not determine prevailing wage rates, Minnesota’s Department of Transportation is responsible for enforcing wage rates on highway construction projects. State highway/heavy prevailing wage rates are determined for ten regions, into which each of Minnesota’s counties then fall. Labor and Industry defines **commercial construction** as “building projects exclusive of residential [single- or two-family home] construction”.<sup>5</sup> State commercial construction prevailing wage rates are set on a county-by-county basis.

Prevailing wage determinations in the 32 states are made in one of four ways:

1. by adopting the federal prevailing wage determinations,
2. by empowering a state official or officials to determine the rates,
3. by adopting collectively bargained rates,

---

<sup>3</sup> Kentucky LRC Report, pp. 45-46.

<sup>4</sup> Minnesota Department of Labor and Industry website: <http://www.doli.state.mn.us/laborlaw>

<sup>5</sup> Ibid.

## Background and Policy Problem

---

4. by surveying to set prevailing wage rates (the method used by the federal government).<sup>6</sup>

Minnesota employs the fourth option using survey information to derive the prevailing wage. However, Minnesota law does differ from the Davis-Bacon Act, and from most other state prevailing wage laws which average survey data, in one major respect. Most states and the federal government use two approaches to calculate the prevailing wage. If more than half of the workers in a survey are paid the same wage, then that wage is used. If no majority emerges, then an average is used.

Minnesota calculates the prevailing wage differently. An administrative law judge has concluded that the Minnesota law requires the mode, or most-often-cited wage, to become the prevailing wage, regardless of whether or not that wage is paid to a majority of workers in the survey. For example, if a class of workers had five survey responses, with those persons being paid wages of \$9.17, \$10.40, \$13.55, \$13.55 and \$14.06, then the state of Minnesota would set the prevailing wage at \$13.55 (the mode); while the federal government would set the prevailing wage at \$12.15 (the average of the five salaries, since a majority did not emerge).<sup>7</sup> The State of California effectively uses the same prevailing wage determination method as Minnesota.<sup>8</sup>

### Policy Problem—Why This Study?

This study is primarily a comparison of the wage costs of public construction projects subject to prevailing wage laws under current Minnesota law, and our estimates of what those costs would be if either federal prevailing wage law were in effect, or if the prevailing wage statutes set wages equal to the median wages as determined by the Minnesota Department of Employment and Economic Development (DEED). The Associated Builders and Contractors, Inc. (ABC) of Minnesota requested that MTA do the research for this study.

We agreed to estimate the narrow question of what differences in cost arise by using Minnesota's method of calculating prevailing wage rates rather than using the federal method, or using DEED's median wage rates.

---

<sup>6</sup> This information was provided by Minnesota Associated Builders and Contractors, who provided us with their national association's 1995 prevailing wage study. They also surveyed states to determine what changes had taken place since then. The relevant information which they provided is attached at the end of this report as Appendix C.

<sup>7</sup> House Research, Minnesota House of Representatives, <http://www.house.leg.state.mn.us/hrd/issinfo/prevwage.htm>.

<sup>8</sup> California Department of Industrial Relations, <http://workitout.ca.gov/viewfaq.asp?id=143&fid=216>.

## **III. Methodology**

### **Public Construction Projects**

A list of public construction projects subject to prevailing wage rates was obtained from several state agencies. The Department of Education collects data from all school districts regarding building projects. Education posts this data on its website as part of the Review and Comment process, and we collected our school construction data from that website. Unfortunately, this data only includes the aggregate amount bonded for each project. State highway construction projects are let at auction, and the bidding results are posted on the Department of Transportation's website. State building projects are not processed or compiled centrally, and so to facilitate the study, we used those projects funded through capital investment ("bonding") bills as our list of state-funded building projects. Given that the legislature failed to enact a bonding bill during the 2004 session, we used the 2002 bonding bill to determine state-funded building projects, as well as 2002 school and transportation projects. Based on discussions with experts in local finance, we excluded any potential city, county and township projects as inordinately difficult to compile. Our complete list of projects follows this report as Appendix A.

Importantly, only Minnesota counties with public construction projects have been included in this analysis. Five counties; Brown, Jackson, McLeod, Murray and Watonwan, had no public building or transportation projects included in our list of 2002 list, projects so have been excluded entirely from this analysis. Another 50 counties had transportation, but no building projects. Those counties are included in our analysis of transportation prevailing wage, but not building prevailing wage.

### **Estimates of Public Construction Project Wage Costs**

The available public construction data available presented aggregate building project costs. Since only wage payments are subject to prevailing wage statutes, we set about to determine what portion of total public construction costs are wage costs. In order to do this, we used the following formulas

Prevailing wage (PW) costs = raw construction costs (RCC) X percent of RCC subject to PW  
RCC = bond costs – non-construction costs – profit fees not subject to prevailing wage

Determining raw construction costs (RCC) was not difficult for transportation projects, since those bidding results were actual project, rather than bonding costs. To determine raw construction costs for state-funded building projects, we compared construction costs versus total costs for all proposed 2002 state building projects, which were available through each agency's capital budget request through the Department of Finance. Our analysis indicated that the raw construction costs ranged from 71 to 77 percent of total costs. Since this data was not readily available to us for bonding projects, we consulted construction and architectural professionals, who indicated that on a typical bond issue, 65 to 70 percent of the bond pertains to construction costs. Of that, 10 to 12 percent is profit, project management fees that are not subject to prevailing wage. That leaves 53 to 60 percent of "raw construction costs".

## Methodology

Since this data was not readily available to us for state transportation and school building projects, we again consulted construction and architectural professionals. They indicated that 40 to 55 percent is typically construction labor costs subject to prevailing wage.

From this data, we estimated that the total public construction project costs subject to prevailing wage fall into the following ranges:

**Table 1: Percentage of Total Public Construction Project Costs Subject to Prevailing Wage**

Cost Category	Schools		State – Building		State - Transportation	
	Low Wage	High Wage	Low Wage	High Wage	Low Wage	High Wage
Construction-related bonding costs:	65%	70%	N.A.	N.A.	100%	100%
Minus project management bonding costs	- 12%	- 10%	N.A.	N.A.	- 12%	- 10%
= Raw construction bonding costs	53%	60%	71%	77%	88%	90%
Times percent of raw construction costs subject to prevailing wage	x 40%	x 50%	x 40%	x 50%	x 40%	x 50%
<b>= Estimated Cost Subject to Prevailing Wage</b>	<b>21.2%</b>	<b>33.3%</b>	<b>28.4%</b>	<b>38.5%</b>	<b>35.2%</b>	<b>45.0%</b>

*Sources: Department of Finance agency capital budget requests, informal MTA surveys of architectural and construction professionals. N.A. indicates percentages are not available.*

Finally, we assigned each project into the county in which it was located. Certain transportation projects were assigned to multiple counties throughout a region. In those cases, the project was divided equally among relevant counties. Certain state building projects were also designated “systemwide” or “statewide”. University of Minnesota statewide projects were divided by enrollment at each of the four campuses (Twin Cities, Duluth, Crookston and Morris). The portion of projects assigned to the Twin Cities Campus were then equally divided between Hennepin County (Minneapolis Campus), and Ramsey County (St. Paul Campus). Other “systemwide” or “statewide” building projects were not assigned to a particular county, but instead were analyzed in a separate “statewide” category.

### Sources for Prevailing Wage Data

We also determined median wage rates, state prevailing wage rates and federal prevailing wage rates for each county in Minnesota. Minnesota’s Department of Employment and Economic Development (DEED) surveys Minnesota businesses quarterly to provide Occupational Employment Statistics (OES) wage data. We used third quarter 2004 data for “Construction and Extraction Occupations” as the median wage<sup>9</sup>. State prevailing wage rates are provided by the Minnesota Department of Labor and Industry (DOLI), and were current as of November, 2004.<sup>10</sup> The Wage and Hour Division of the U.S. Department of Labor determines prevailing wage rates to be paid on federally funded or assisted construction projects, and that data was also current as of November, 2004.<sup>11</sup> None of these agencies provides archived data through their websites. Separate surveys are conducted for construction projects (buildings) and for transportation projects (roads).

One major difference between the prevailing wage data and median wage data is that prevailing wage data includes hourly benefit rates, while median wage data does not. We undertook a cursory survey of benefit packages in the construction industry, and concluded

<sup>9</sup> DEED provides this information at <http://www.deed.state.mn.us/lmi/tools/oes.htm>.

<sup>10</sup> DOLI provides this information at [http://www.doli.state.mn.us/pw\\_rates.html](http://www.doli.state.mn.us/pw_rates.html).

<sup>11</sup> The U.S. Department of Labor provides this information at <http://www.access.gpo.gov/davisbacon/>.

## ***Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association***

---

that industry-wide, companies provide benefits 22% beyond salary. We adjusted our median wage data to reflect this finding.

### **Estimates of Labor Inputs**

Wage differentials between median wage, state prevailing wage and federal prevailing wage vary according to job classification (carpenter, electrician, et cetera). In order to adequately assess the costs associated with each wage determination method, we next estimated the portion of total work completed on a public construction project by each job classification. This allows us to correctly weight the wage differentials.

Since the project data did not readily indicate how much of the work on each project, we used the share of total state employment in the construction industry as reported in the OES wage data as a proxy. DEED personnel confirmed our assumption as reasonable. We excluded “first-line supervisors/managers of construction trades and extraction workers (47-1011) and “construction and building inspectors” (47-4011) after determining that the prevailing wage statutes do not apply to persons employed in those categories. We also excluded any classification number 47-5000 and above, since those categories apply to extraction, rather than construction workers.

We collected OES wage and employment data by planning area, and applied the data to each county within the planning area. A list of planning areas and their constituent counties follows this report as Appendix B.

### **Matching Job Classification Categories**

Using OES employment data as the basis for classification, we then matched the state and federal prevailing wage classes to it. While these three measurement methods share many job classifications, others differed from method to method. In particular, three assumptions deserve to be highlighted.

First, the median wage job classifications “paving, surfacing, and tamping equipment operators” (47-2071) and “operating engineers and other construction equipment operators” (47-2073) do not have equivalent prevailing wage counterparts. Both state and federal prevailing wage statements list “power equipment operators” and “truck drivers”, both of which are usually divided into multiple groups. At both the state and federal levels, we averaged wage listings for all groups within “power equipment operators” and “truck drivers” and matched the result to the two above-mentioned median wage job classifications.

Second, median wage calculations include various “helper” categories. Private industry classifies such “helpers” as apprentices or juniors in their particular fields, and as such, pays a significantly smaller wage. However, these “helper” classifications are generally not recognized by prevailing wage as apprentices, and so the statutes require that they be paid at the full journeyman rate. Therefore, although we have carried the “helper” job classifications into prevailing wage (where they do not exist), we have applied the journeyman wage rate to them. This allows us to measure costs associated with prevailing wage’s apprentice requirements.

Lastly, certain job classifications were not represented in every wage determination method. When comparing two methods of wage determination, we applied the total differential between job classifications that did match to those that did not. For example, if the federal prevailing wage costs exceeded the state prevailing wage costs by two percent for all job

## Methodology

---

classifications that did match, then we applied that two percent increase to all remaining job classifications.

### Comparison Between State Prevailing Wage, Federal Prevailing Wage and Median Wage

Once these methodological hurdles were overcome, we began converting between wage determination methods. The wage cost for each project was divided into the wages paid to each job classification. We then divided total job classification wages by the state prevailing wage rate to estimate the total number of hours worked by persons employed in each job classification on the project. To determine the project wage costs under federal prevailing wage and median wage, we then multiplied hours worked in each job classification by the appropriate federal prevailing wage rate or median wage rate. By using a low and high wage estimates, we arrived at a range within which total wages paid will fall.

### Data Limitations

Our data on public construction projects is limited substantially in three respects:

- We were unable to obtain a comprehensive list of public construction projects for political subdivisions in the state, excepting school districts. No centralized database of such projects is known to exist.
- We were able to determine labor costs only for state building projects. No such detail was available for school district or highway construction projects.
- None of the public construction project information available contained detailed information on either the amount of work performed by laborers in each job classification, or the amount of wages paid to laborers in each job classification. Although our assumptions regarding the labor mix were confirmed by DEED personnel as reasonable, further information could alter our labor mix assumptions substantially. Given the number of variables involved, a sensitivity analysis is not feasible.

Our prevailing wage data also suffers from the following limitations:

- Job classification categories differ slightly in some regards between the different wage determination methodologies. Importantly, our method of averaging the reported wages for all subcategories within the prevailing wage job categories of “power equipment operator” and “truck driver” creates some concern. Again, our lack of knowledge concerning the actual labor mix is the key factor here: if we knew how to accurately weight each of the subcategories within these groups, our prevailing wage estimates for them would almost certainly change. Since, however, the wages for most of these subcategories are within a fairly narrow range, it is unlikely that any changes would significantly impact our findings.
- We have not been able to examine the actual surveys upon which the state and federal prevailing wage determinations are based. This leads to a number of limitations:
  - We must use the time frames provided by these agencies. This is problematic since much of the federal highway construction prevailing wage data is generally two to four years older than comparable state data. More current data would almost certainly raise the costs of transportation projects under the federal prevailing wage model.
  - We do not know how many surveys were submitted to the relevant authority for any of the prevailing wage determinations. Hence, we do not have the ability to accurately ascertain the veracity of the prevailing wage determinations provided by either the state or federal government.

## **Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association**

### **IV. Analysis and Interpretation**

The findings of this study are reported in two main areas:

- First, regarding the federal method of determining prevailing wage.
- Second, we also report on the added costs or cost savings associated with the use of each wage determination method.

#### **Comparison Between Current Law and Federal Prevailing Wage Determinations**

Contrary to expectations, the federal method for determining prevailing wage, as described earlier, often results in prevailing wage rates that are identical to union rates, and that are overall slightly higher than those set under current Minnesota law. Examples of the estimated savings or cost associated with particular projects follow this report in Appendix D.

Table 2 below summarizes estimated costs and savings from substituting federal prevailing wage rates for Minnesota's rates. The table shows actual overall project costs obtained from bond amounts for local school and state building projects, and from successful low bids for state transportation projects. These are for public construction projects let in, or for which bids were approved in, calendar year 2002. The table also presents the estimated minimum and maximum savings or costs associated with using the federal prevailing wage rates in place of Minnesota's rates. These endpoints are based on the range of estimates we obtained as to what portion of a total project's costs are subject to prevailing wage rates (see Table 1 above). Our estimates of the county-by-county labor costs for work on these projects that was subject to prevailing wage accompanies the list of projects found in Appendix A.

**Table 2: Estimated (Savings) or Cost Associated with Substituting Federal Prevailing Wage Rates on Calendar Year 2002 Minnesota Public Construction Projects, By County**

County	Total Project Costs (000 of \$)	Range of (Savings) or Cost \$(000)		Range of (Savings) or Cost as % of Total Project Cost	
		Minimum	Maximum	Minimum	Maximum
Aitkin	\$5,994	\$(44)	\$(56)	(0.7)	(0.9)
Anoka	33,203	384	522	1.2	1.6
Becker	3,713	289	452	7.8	12.2
Beltrami	18,249	86	136	0.5	0.7
Benton	11,236	(32)	(42)	(0.3)	(0.4)
Big Stone	140	(10)	(13)	(7.0)	(9.0)
Blue Earth	9,524	(708)	(905)	(7.4)	(9.5)
Carlton	4,505	4	15	0.1	0.3
Carver	4,910	(918)	(1,172)	(18.7)	(23.9)
Cass	4,445	(81)	(104)	(1.8)	(2.3)
Chippewa	330	(43)	(54)	(12.9)	(16.5)
Chisago	40,548	1,000	1,557	2.5	3.8
Clay	84,921	6,013	9,101	7.1	10.7
Clearwater	715	(40)	(52)	(5.7)	(7.2)
Cook	8,110	170	218	2.1	2.7
Cottonwood	2,790	(140)	(179)	(5.0)	(6.4)
Crow Wing	85,612	3,905	6,163	4.6	7.2
Dakota	146,798	847	1,282	0.6	0.9
Dodge	764	(80)	(102)	(10.5)	(13.4)
Douglas	9,674	(661)	(893)	(6.8)	(9.2)

## Analysis and Interpretation

County	Total Project Costs (000 of \$)	Range of (Savings) or Cost \$(000)		Range of (Savings) or Cost as % of Total Project Cost	
		Minimum	Maximum	Minimum	Maximum
Faribault	449	(33)	(43)	(7.4)	(9.5)
Fillmore	2,686	(281)	(359)	(10.5)	(13.4)
Freeborn	\$15,577	\$(3,046)	\$(3,894)	(0.2)	(25.0)
Goodhue	4,842	(243)	(310)	(5.0)	(6.4)
Grant	7,122	(480)	(613)	(6.7)	(8.6)
Hennepin	251,476	1,755	2,511	0.7	1.0
Houston	12,464	(87)	(111)	(0.7)	(0.9)
Hubbard	387	(15)	(20)	(4.0)	(5.1)
Isanti	3,777	(680)	(869)	(18.0)	(23.0)
Itasca	16,918	(117)	(134)	(0.7)	(0.8)
Kanabec	36	(1)	(2)	(4.1)	(5.3)
Kandiyohi	40,827	(5,251)	(6,714)	(12.9)	(16.4)
Kittson	390	(135)	(173)	(34.6)	(44.2)
Koochiching	2,559	(339)	(434)	(13.3)	(16.9)
Lac Qui Parle	1,628	(210)	(268)	(12.9)	(16.5)
Lake	39,885	513	789	1.3	2.0
Lake of the Woods	1,683	(95)	(121)	(5.7)	(7.2)
Le Sueur	6,383	(467)	(598)	(7.3)	(9.4)
Lincoln	1,114	(144)	(183)	(12.9)	(16.5)
Lyon	8,427	(746)	(955)	(8.9)	(11.3)
Mahnomen	7,286	308	482	4.2	6.6
Marshall	4,239	(257)	(328)	(6.1)	(7.7)
Martin	111	(6)	(7)	(5.0)	(6.4)
Meeker	156	(14)	(17)	(8.7)	(11.2)
Mille Lacs	36	(1)	(2)	(4.1)	(5.3)
Morrison	14,052	368	635	2.6	4.5
Mower	59	(6)	(8)	(10.5)	(13.4)
Nicollet	4,351	(5)	(3)	(0.1)	(0.1)
Nobles	1,445	(73)	(94)	(5.1)	(6.5)
Norman	306	(19)	(24)	(6.1)	(7.7)
Olmsted	779	(5)	(7)	(0.7)	(0.9)
Otter Tail	7,772	(433)	(587)	(5.6)	(7.6)
Pennington	3,153	(34)	(39)	(1.1)	(1.2)
Pine	592	(25)	(32)	(4.2)	(5.4)
Pipestone	5,396	(695)	(888)	(12.9)	(16.5)
Polk	10,338	187	253	1.8	2.5
Pope	182	(13)	(17)	(7.2)	(9.1)
Ramsey	176,160	1,071	1,455	0.6	0.8
Red Lake	306	(19)	(24)	(6.1)	(7.7)
Redwood	1,745	(174)	(223)	(10.0)	(12.8)
Renville	5,784	(744)	(951)	(12.9)	(16.4)
Rice	1,528	(2)	(2)	(0.1)	(0.1)
Rock	1,864	(95)	(121)	(5.1)	(6.5)
Roseau	4,545	(59)	(59)	(1.3)	(1.3)
Saint Louis	86,230	1,002	1,401	1.2	1.6
Scott	9,874	92	134	0.9	1.4
Sherburne	12,358	453	580	3.7	4.7
Sibley	1,976	(143)	(183)	(7.2)	(9.3)
Stearns	2,824	28	43	1.0	1.5
Steele	3,087	(350)	(447)	(11.3)	(14.5)
Stevens	28,045	(10)	(12)	(0.0)	(0.0)
Swift	140	(19)	(25)	(13.9)	(17.8)
Todd	6,859	(956)	(1,222)	(13.9)	(17.8)
Traverse	645	(44)	(56)	(6.9)	(8.8)
Wabasha	809	(68)	(87)	(8.4)	(10.7)

**Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association**

County	Total Project Costs (000 of \$)	Range of (Savings) or Cost \$(000)		Range of (Savings) or Cost as % of Total Project Cost	
		Minimum	Maximum	Minimum	Maximum
Wadena	199	(27)	(35)	(13.7)	(17.5)
Waseca	7,157	(532)	(680)	(7.4)	(9.5)
Washington	132,426	140	185	0.1	0.1
Wilkin	3,638	(234)	(305)	(6.4)	(8.4)
Winona	31,873	782	1,062	2.5	3.3
Wright	15,465	338	495	2.2	3.2
Yellow Medicine	212	(27)	(35)	(12.9)	(16.5)
Unassigned	216,459	3,573	4,845	1.7	0.0
<b>Totals</b>	<b>\$1,707,269</b>	<b>\$3,091</b>	<b>\$8,427</b>	<b>0.2%</b>	<b>0.5%</b>

As Table 2 indicates, public construction costs would rise slightly if the state used the federal method of determining prevailing wage, but there would likely be additional costs associated with moving to the federal method of determining prevailing wages. While the federal prevailing wage rates reported for building projects generally date from between 2002 and 2004, the rates reported for building projects were much older. In 61 counties, the rates dated from 1999. In one county (Polk), the non-union rates date from 1992. In three other counties, Carver, Clay and Isanti, the non-union rates date from 1990.

The time period disparity is evident when comparing estimated costs or savings of substituting the federal prevailing wages by construction type. As Table 3 below reveals, wage costs increase significantly more for building (non-highway) projects under such a substitution, both overall and at the county-by-county level. In only four counties (Douglas, Lake, Otter Tail and Wright) do transportation wage costs increase more than building wage costs under a move from state to federal prevailing wages. Our analysis indicates that, while the state would save 1.2% to 1.5% on transportation projects by making this switch, Minnesota would assume 1.3% to 2.0% higher costs for building projects.

Not surprisingly, because of the datedness of the rates, Carver, Clay and Isanti counties had, respectively the largest, second-largest and fourth-largest reductions in costs when federal prevailing wage rates were substituted for state rates for transportation projects. With a more timely determination of rates, such savings on transportation projects by using federal prevailing wage rates would disappear, further increasing the statewide costs of such a substitution.

## Analysis and Interpretation

**Table 3: Cost (Savings) of Moving Substituting Federal Prevailing Wage for State Determinations, by Construction Type, for Counties with Building and Transportation Projects**

County	Total Project Costs (000 of \$)	Range of (Savings) or Cost for Building Projects as % of Total Project Cost		Range of (Savings) or Cost for Transportation Projects as % of Total Project Cost	
		Minimum	Maximum	Minimum	Maximum
Anoka	\$33,203	0.6	0.8	0.6	0.7
Becker	3,713	8.1	12.5	(0.3)	(0.4)
Beltrami	18,249	1.8	2.4	(1.3)	(1.7)
Carlton	4,505	0.8	1.3	(0.8)	(1.0)
Carver	4,910	0.3	0.4	(19.0)	(24.3)
Chisago	40,548	2.5	3.8	0.0	0.0
Clay	84,921	7.5	11.3	(0.5)	(0.6)
Crow Wing	85,612	4.9	7.7	(0.4)	(0.5)
Dakota	146,798	0.6	0.8	0.0	0.0
Douglas	9,674	(6.5)	(8.8)	(0.4)	(0.5)
Goodhue	4,842	0.2	0.3	(5.2)	(6.7)
Hennepin	251,476	0.7	1.0	0.0	0.1
Itasca	16,918	0.3	0.5	(1.0)	(1.3)
Lake	39,885	1.3	2.0	0.0	0.0
Lyon	8,427	(0.1)	(0.1)	(8.8)	(11.3)
Mahnomen	7,286	4.4	6.8	(0.1)	(0.2)
Morrison	14,052	4.2	6.6	(1.6)	(2.1)
Nicollet	4,351	1.1	1.5	(1.2)	(1.6)
Otter Tail	7,772	(3.7)	(5.1)	(1.9)	(2.4)
Pennington	3,153	2.1	2.8	(3.2)	(4.1)
Polk	10,338	1.9	2.5	(0.0)	(0.1)
Ramsey	176,160	0.6	0.8	0.0	0.0
Rice	1,528	0.1	0.1	(0.2)	(0.2)
Roseau	4,545	1.3	2.0	(2.6)	(3.3)
Saint Louis	86,230	1.2	1.6	0.0	0.0
Scott	9,874	0.9	1.4	0.0	0.0
Stearns	2,824	1.3	2.1	(0.4)	(0.6)
Stevens	28,045	0.0	0.0	(0.1)	(0.1)
Washington	132,426	0.0	0.0	0.1	0.1
Wilkin	3,638	(0.6)	(0.9)	(5.9)	(7.5)
Winona	31,873	2.6	3.5	(0.1)	(0.1)
Wright	15,465	1.5	2.3	0.7	0.9
Unassigned	216,459	1.7	2.3	(0.0)	(0.0)
<b>Total (All Counties)</b>	<b>\$1,707,269</b>	<b>1.33%</b>	<b>1.96%</b>	<b>(1.15)%</b>	<b>(1.47)%</b>

As mentioned earlier, published federal prevailing wage rates were often actual union wage rates, which was contrary to expectations. As Table 4 and Table 5 below indicate, of the 32 counties where state public construction projects for buildings were approved in 2002, in 26 of them, the federal government's prevailing wage rates for every job class were set at the union rate. In the remainder of these counties, the federal prevailing wage rates were partially union rates. For highway projects, the comparable counts were much different. Of the 82 counties with state transportation projects in 2002, in only 17 of them did the federal government set all prevailing wage rates equal to union rates. In 6 of those counties, there were no union rates shown as the federal government's prevailing wage rates, and in the 59 remaining counties, the federal rates were sometimes identical to union rates.

## **Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association**

**Table 4: Counties Whose Federal Prevailing Wage Rates are Entirely Union Wage Rates, by Construction Type**

Building		Highway	
Anoka	Mahnomen	Anoka	Sherburne
Becker	Morrison	Benton	Stearns
Beltrami	Nicollet	Carlton	Washington
Carlton	Pennington	Chisago	Wright
Carver	Polk	Cook	
Chisago	Ramsey	Dakota	
Clay	Rice	Hennepin	
Crow Wing	Roseau	Houston	
Dakota	Saint Louis	Lake	
Goodhue	Scott	Olmsted	
Hennepin	Washington	Ramsey	
Itasca	Winona	Saint Louis	
Lake	Wright	Scott	

**Table 5: Counties Whose Federal Prevailing Wage Rates Include No Union Wage Rates, by Construction Type**

Building (no counties)		Highway	
		Carver	Steele
		Clay	Todd
		Isanti	Wadena

Because the methodology requires the Department of Labor to use the average, rather than the modal wage, the expectation was that the federal prevailing wage rates would not typically use union rates and would be lower than Minnesota’s rates. Since data submitted through this survey program is confidential, we can only speculate as to why higher union rates are so often used as the federal prevailing rate. Anecdotal evidence indicates that while non-union contractors are aware of this survey, few know how even to obtain the requisite forms from the Department of Labor, and are thus likely under-represented in the survey data.

### **Comparison Between Current Law and Median Wage Determinations**

Because the general public most likely intuitively expects a term like “prevailing wage” to be similar to an average wage, we examined the effect on public construction costs of using wage rates that are closer to that intuitive understanding. The Minnesota Department of Employment and Economic Development (DEED) surveys Minnesota businesses regarding wages on a quarterly basis. The survey has a much wider distribution than current prevailing wage rate surveys, since employers are required to participate in the survey in order to qualify for certain discounts associated with the state’s insurance policies.

We estimate that state and local governments would experience significant savings in wage costs if DEED average wages were substituted for the current prevailing wage system. After factoring in fringe benefits of 22% plus wages, based on informal surveys from non-union construction contractors, we estimate that between \$126 million and \$171 million could have been cut from the project costs examined for this study. Put another way, the same projects could have been constructed for 7.4% to 10.0% less than actual or proposed costs, under the assumptions used in this study. Table 6 provides a county-by-county summary of our findings.

## Analysis and Interpretation

**Table 6: Estimated (Savings) or Cost Associated with Substituting DEED Average Wages on Calendar Year 2002 Minnesota Public Construction Projects, By County**

County	Total Project Cost (000 of \$)	Range of (Savings) or Cost \$(000)		Range of (Savings) or Cost as % of Total Project Cost	
		Minimum	Maximum	Minimum	Maximum
Aitkin	\$5,994	\$(103)	\$(132)	(1.7)	(2.2)
Anoka	33,203	(2,959)	(3,867)	(8.9)	(11.7)
Becker	3,713	(133)	(206)	(3.6)	(5.5)
Beltrami	18,249	(1,652)	(2,201)	(9.1)	(12.1)
Benton	11,236	(1,365)	(1,745)	(12.2)	(15.5)
Big Stone	140	(8)	(10)	(5.4)	(6.9)
Blue Earth	9,524	(1,498)	(1,915)	(15.7)	(20.1)
Carlton	4,505	(315)	(424)	(7.0)	(9.4)
Carver	4,910	(417)	(538)	(8.5)	(11.0)
Cass	4,445	(624)	(797)	(14.0)	(17.9)
Chippewa	330	(43)	(56)	(13.2)	(16.8)
Chisago	40,548	(3,010)	(4,681)	(7.4)	(11.5)
Clay	84,921	(2,536)	(3,760)	(3.0)	(4.4)
Clearwater	715	(60)	(77)	(8.4)	(10.7)
Cook	8,110	(658)	(841)	(8.1)	(10.4)
Cottonwood	2,790	(357)	(456)	(12.8)	(16.3)
Crow Wing	85,612	(5,068)	(7,699)	(5.9)	(9.0)
Dakota	146,798	(9,322)	(13,257)	(6.4)	(9.0)
Dodge	764	(101)	(129)	(13.2)	(16.8)
Douglas	9,674	(656)	(888)	(6.8)	(9.2)
Faribault	449	(71)	(90)	(15.7)	(20.1)
Fillmore	2,686	(353)	(452)	(13.2)	(16.8)
Freeborn	\$15,577	(2,576)	(3,293)	(16.5)	(21.1)
Goodhue	4,842	(486)	(629)	(10.1)	(13.0)
Grant	7,122	(261)	(333)	(3.7)	(4.7)
Hennepin	251,476	(17,694)	(23,913)	(7.0)	(9.5)
Houston	12,464	(1,321)	(1,688)	(10.6)	(13.6)
Hubbard	387	(32)	(41)	(8.4)	(10.7)
Isanti	3,777	(484)	(618)	(12.8)	(16.4)
Itasca	16,918	(1,579)	(2,081)	(9.3)	(12.3)
Kanabec	36	(4)	(5)	(10.4)	(13.2)
Kandiyohi	40,827	(3,464)	(4,428)	(8.5)	(10.9)
Kittson	390	(187)	(239)	(47.8)	(61.1)
Koochiching	2,559	(211)	(269)	(8.2)	(10.5)
Lac Qui Parle	1,628	(214)	(274)	(13.2)	(16.8)
Lake	39,885	(2,211)	(3,402)	(5.5)	(8.5)
Lake of the Woods	1,683	(141)	(180)	(8.4)	(10.7)
Le Sueur	6,383	(925)	(1,182)	(14.5)	(18.5)
Lincoln	1,114	(147)	(188)	(13.2)	(16.8)
Lyon	8,427	(786)	(1,012)	(9.3)	(12.0)
Mahnomen	7,286	(375)	(583)	(5.2)	(8.0)
Marshall	4,239	(355)	(454)	(8.4)	(10.7)
Martin	111	(14)	(18)	(12.8)	(16.3)
Meeker	156	(9)	(11)	(5.8)	(7.4)
Mille Lacs	36	(4)	(5)	(10.4)	(13.2)
Morrison	14,052	(996)	(1,459)	(7.1)	(10.4)
Mower	59	(8)	(10)	(13.2)	(16.8)
Nicollet	4,351	(492)	(658)	(11.3)	(15.1)
Nobles	1,445	(185)	(236)	(12.8)	(16.3)
Norman	306	(26)	(33)	(8.4)	(10.7)
Olmsted	779	(83)	(105)	(10.6)	(13.6)
Otter Tail	\$7,772	\$(328)	\$(448)	(4.2)	(5.8)
Pennington	3,153	(251)	(329)	(8.0)	(10.4)

## **Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association**

County	Total Project Cost (000 of \$)	Range of (Savings) or Cost \$(000)		Range of (Savings) or Cost as % of Total Project Cost	
		Minimum	Maximum	Minimum	Maximum
Pine	592	(83)	(106)	(14.1)	(18.0)
Pipestone	5,396	(711)	(909)	(13.2)	(16.8)
Polk	10,338	(793)	(1,056)	(7.7)	(10.2)
Pope	182	(7)	(9)	(3.9)	(5.0)
Ramsey	176,160	(13,125)	(17,483)	(7.5)	(9.9)
Red Lake	306	(26)	(33)	(8.4)	(10.7)
Redwood	1,745	(230)	(294)	(13.2)	(16.9)
Renville	5,784	(491)	(627)	(8.5)	(10.9)
Rice	1,528	(153)	(208)	(10.0)	(13.6)
Rock	1,864	(238)	(304)	(12.8)	(16.3)
Roseau	4,545	(325)	(461)	(7.2)	(10.2)
Saint Louis	86,230	(7,639)	(10,057)	(8.9)	(11.7)
Scott	9,874	(579)	(839)	(5.9)	(8.5)
Sherburne	12,358	(1,501)	(1,919)	(12.2)	(15.5)
Sibley	1,976	(314)	(402)	(15.9)	(20.3)
Stearns	2,824	(222)	(345)	(7.9)	(12.2)
Steele	3,087	(354)	(452)	(11.5)	(14.7)
Stevens	28,045	(47)	(70)	(0.2)	(0.3)
Swift	140	(16)	(21)	(11.7)	(14.9)
Todd	6,859	(931)	(1,191)	(13.6)	(17.4)
Traverse	645	(24)	(31)	(3.7)	(4.8)
Wabasha	809	(93)	(119)	(11.5)	(14.7)
Wadena	199	(27)	(34)	(13.4)	(17.1)
Waseca	7,157	(1,126)	(1,439)	(15.7)	(20.1)
Washington	132,426	(11,321)	(14,505)	(8.6)	(11.0)
Wilkin	3,638	(134)	(177)	(3.7)	(4.9)
Winona	31,873	(2,591)	(3,504)	(8.1)	(11.0)
Wright	15,465	(1,327)	(1,968)	(8.6)	(12.7)
Yellow Medicine	212	(28)	(36)	(13.2)	(16.8)
Unassigned	216,459	(14,887)	(20,177)	(6.9)	(9.3)
<b>Totals</b>	<b>\$1,707,269</b>	<b>\$(126,495)</b>	<b>\$(171,120)</b>	<b>(7.4)%</b>	<b>(10.0)%</b>

### **Corroboration by Other Studies**

Other studies of prevailing wage legislation have come to similar conclusions regarding wage rate differentials between a state's prevailing wage rate determination and average or median rates.

- MTA's 1997 limited examination of the fiscal implications of the prevailing wage law on Minnesota school districts showed that the prevailing wage requirement added 4-10% to the cost of the selected school building projects already in progress.
- The estimates in this study also resemble the findings from a study authorized by the State of Ohio from 1997 to 2001. During that period, the state exempted construction undertaken by school districts from the state's prevailing wage requirements. The Ohio Legislative Service Commission, found "indications of a savings of \$487.9 million in aggregate school construction savings during the post exemption period, an overall savings of 10.7 percent."<sup>12</sup> Given that inflation factors would likely decrease the number

<sup>12</sup> *S.B. 102 Report: The Effects of the Exemption of School Construction Projects from Ohio's Prevailing Wage Law*, Ohio Legislative Service Commission, May 20, 2002.

## Analysis and Interpretation

---

somewhat, the savings from this study would almost certainly fall within the range indicated above.

### **V. Recommendations**

This report has examined the issue of prevailing wages in the state of Minnesota, and has tried to provide reasonable estimates of the fiscal impact on taxpayers of the changes to current statute; both by moving to the federal wage determinations, and from moving to DEED's published median wage.

Minnesota's modal method of determining prevailing wages for public construction projects is used only in one other state, California. It results in wage rates significantly higher than those reported by DEED in its median wage survey. Using the federal method for calculating prevailing wage rates would add even more cost to public construction projects, apparently because of the limited number of federal projects and limited federal survey data in Minnesota.

The term "prevailing wage" itself connotes a wage that is typical of an area, and is most likely commonly understood as an average wage by the general public. However, its application in Minnesota results in prevailing wage rates that are not reflective of typical wage rates. The primary purpose of "Little Davis-Bacon" laws is to protect local workers from cheap, imported labor, and as long as the wage rates that are used are truly "prevailing" (that is, typical of an area), that purpose does not seem to be threatened regardless of the methodology used to calculate those rates.

The claim by proponents of the current method of calculating Minnesota's prevailing wage rates that buildings are constructed more quickly and with better quality cannot be evaluated in a study like this of such limited scope. However, our underlying assumption is that contract specifications, penalty provisions for delays, and aggressive construction management can provide at the very least an equally effective alternative method for addressing timing and quality issues for public construction projects.

In view of these observations, MTA recommends:

- That the widely used DEED survey for median wages be used as an alternative definition of prevailing wage for public construction projects in Minnesota;
  - *The methodology underlying the current system is, at best, not indicative of wage rates that actually prevail in a given area. The modal, rather than median or average, calculation of prevailing wage provides a built-in incentive to unions to report their wage rates, which are standardized to the penny. The voluntary reporting system further ensures that those who benefit least from the current wage determination system have little, if any reason to report wage data.*
- that DEED develop a survey comparable to the median wage survey for employee benefits to be used for the benefits portion of the prevailing wage rates as an alternative to the currently determined prevailing benefit rates;
  - *The Department of Employment and Economic Development's quarterly survey is the most comprehensive in the state.*
- that this alternate method of determining prevailing wage rates be tested in specific locations and compared to comparable public construction projects in the state in order to compare the costs of such projects directly with one another, at the earliest possible time.

Such a comparison would allow there to be an empirical test of the claims of both proponents and opponents of Minnesota's current prevailing wage law. Should the test demonstrate that

## Recommendations

---

using the median wage rates calculated by Minnesota's DEED results in lowered costs for public construction projects, those median wage rates (along with DEED's surveyed benefits rates) should then replace Minnesota's current method of determining prevailing wage rates.

**Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association**

**VI. Appendix A: Projects Analyzed in Course of Study**

**School Projects**

School	County	Amount Bonded \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
			Minimum	Maximum
Moorhead	Clay	64,000	13,568	21,120
Brainerd	Crow Wing	59,900	12,699	19,767
Crosby-Ironton	Crow Wing	20,700	4,388	6,831
Waubun-Ogema	Mahnomen (2/3), Becker (1/3)	10,720	2,273	3,538
Upsala	Morrison	11,770	2,495	3,884
Parkers Prairie	Otter Tail	1,445	306	477
Warroad	Roseau	2,610	553	861
Morris	Stevens	27,000	5,724	8,910
Rothsay	Wilkin	520	110	172
Rush City	Chisago	12,935	2,742	4,269
North Branch	Chisago	27,520	5,834	9,082
Melrose	Stearns	1,405	298	464
Wright Tech Ctr Cooperative	Wright	600	127	198
Dassel-Cokato	Wright	11,979	2,540	3,953
Barnum	Carlton	1,605	340	530
Grand Rapids	Itasca	1,708	362	564
Nashwauk- Keewatin	Itasca	3,000	636	990
Lake Superior	Lake	37,315	7,911	12,314
Floodwood	Saint Louis	8,450	1,791	2,789
Ely	Saint Louis	1,558	330	514
Minneota	Lyon	2,670	566	881
Fridley	Anoka	4,500	954	1,485
Lakeville	Dakota	74,900	15,879	24,717
Farmington	Dakota	14,200	3,010	4,686
Westonka	Hennepin	4,043	857	1,334
Edina	Hennepin	1,260	267	416
Minnetonka	Hennepin	29,000	6,148	9,570
Orono	Hennepin	4,500	954	1,485
Minneapolis	Hennepin	29,500	6,254	9,735
White Bear Lake	Ramsey	1,060	225	350
NE Metro Intermediate	Ramsey	4,600	975	1,518
New Prague	Scott	580	123	191
Prior Lake	Scott	5,000	1,060	1,650
Stillwater	Washington	2,000	424	660
<b>Totals</b>	<b>\$1,707,269</b>	<b>\$484,553</b>	<b>\$102,725</b>	<b>\$159,903</b>

## Appendix A

### State Building Projects

Project	County	Department	Amount Bonded \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
Lino Lakes 416 Bed Offender Housing Unit	Anoka	Corrections	4,146	1,177	1,596
Red Lake School Additions and Renovations	Beltrami	Education	12,400	3,522	4,774
MSU Moorhead - New Science Building	Clay	MNSCU	18,955	5,383	7,298
Sibley Historic Site Preservation	Dakota	Historical Society	300	85	116
Hastings V.H. Renovation and Improvements	Dakota	Veterans Homes Board	8,553	2,429	3,293
Asset Presevation	Dakota	Zoological Gardens	3,000	852	1,155
Alexandria TC - Classroom/Technology Bldg	Douglas	MNSCU	9,150	2,599	3,523
Northwest Metro Busway	Hennepin	Metro Council	20,000	5,680	7,700
Historic Fort Snelling Site Improvements	Hennepin	Historical Society	500	142	193
Normandale CC - Science Remodel Phase 2	Hennepin	MNSCU	9,900	2,812	3,812
Mpls C&TC - Consolidation Remodel Phase 2	Hennepin	MNSCU	9,000	2,556	3,465
Performance Hall Cat Walk	Hennepin	Perpich Center for A.E.	125	36	48
Asset Preservation	Hennepin	Perpich Center for A.E.	643	183	248
Nicholson Hall	Hennepin	University of Minnesota	10,000	2,840	3,850
Fergus Falls RTC - Upgrade Program Facilities	Otter Tail	Human Services	3,000	852	1,155
Fergus Falls - Solid Waste Combustor	Otter Tail	Office of Env. Assist.	1,150	327	443
Office Facilities Development	Pennington	Natural Resources	1,500	426	578
Crookston - Bede Hall Replacement	Polk	University of Minnesota	7,701	2,187	2,965
Health and Agriculture Laboratories	Ramsey	Admin	60,000	17,040	23,100
Capitol Complex Electrical Work	Ramsey	Admin	3,231	918	1,244
Capitol Building: Asset Preservation	Ramsey	Capital Area Arch. Pl. Bd.	646	183	249
Metro SU - Library and Info Technology Center	Ramsey	MNSCU	17,442	4,954	6,715
Century C&TC - Design Intermediate Space Remodel	Ramsey	MNSCU	2,500	710	963
St. Paul - Plant Growth Facilities, Phase II	Ramsey	University of Minnesota	17,700	5,027	6,815
Shakopee - ILC Renovation and Support Space	Scott	Corrections	3,070	872	1,182
Metro Regional Parks Capital Improvements	Metro Counties	Natural Resources	6,000	1,704	2,310
Silver Bay V.H. Roof Replacement	Lake	Veterans Homes Board	2,345	666	903
Saint Peter Regional Treatment Center - Convert Power Plan to Low Pressure	Nicollet	Human Services	3,619	1,028	1,393
Asset Preservation	Rice	Minnesota State Academies	1,500	426	578
Duluth - Laboratory Science Building	Saint Louis	University of Minnesota	25,500	7,242	9,818
Winona SU - New Science Building	Winona	MNSCU	30,000	8,520	11,550
MSC-SETC - Student Services Remodel	Goodhue and Winona	MNSCU	1,900	540	732
Systemwide - HEAPR	Systemwide	University of	35,000	9,940	13,475

## Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association

Project	County	Department	Amount Bonded \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
		Minnesota			
System Wide Classroom Improvements (All 4 campuses)	Systemwide	University of Minnesota	2,000	568	770
Statewide Capital Asset Preservation and Replacement Account	Statewide	Admin	14,000	3,976	5,390
Energy Investment Loan Program	Statewide	Commerce	5,000	1,420	1,925
Asset Preservation and Kitchen Repair	Statewide	Military Affairs	2,500	710	963
Americans with Disabilities Act	Statewide	Military Affairs	357	101	137
State Park Initiative	Statewide	Natural Resources	23,500	6,674	9,048
Field Office Renovation and Improvements	Statewide	Natural Resources	1,000	284	385
Statewide Asset Preservation	Statewide	Natural Resources	2,600	738	1,001
ADA Compliance	Statewide	Natural Resources	500	142	193
Forest Roads and Bridges	Statewide	Natural Resources	1,200	341	462
RIM - Consolidated Wildlife/Critical Habitat	Statewide	Natural Resources	1,000	284	385
State Trail Acquisition and Development	Statewide	Natural Resources	900	256	347
Well Sealing	Statewide	Natural Resources	600	170	231
Flood Hazard Mitigation Grants	Statewide	Natural Resources	15,000	4,260	5,775
State Matching Funds	Statewide	Trade and Econ Dev	16,000	4,544	6,160
Local Bridge Replacement and Rehabilitation	Statewide	Transportation	30,000	8,520	11,550
System-Wide Roof Replacement	Systemwide	Human Services	2,789	792	1,074
System-Wide Asset Preservation	Systemwide	Human Services	4,000	1,136	1,540
HEAPR	Systemwide	MNSCU	60,000	17,040	23,100
Asset Preservation	Systemwide	Veterans Homes Board	2,000	568	770
Asset Preservation	Various	Corrections	17,000	4,828	6,545
System-Wide Building/Structure Demolition	Various	Human Services	2,750	781	1,059
Asset Preservation - Historic Sites Network	Various	Historical Society	2,442	694	940
Closed Landfill Bonding	Various	Pollution Control Agency	10,000	2,840	3,850
<b>Totals</b>			<b>\$547,614</b>	<b>\$155,522</b>	<b>\$210,831</b>

### State Transportation Projects

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
90-080-11	Anoka	Park and Ride Lot	14,501	5,104	6,526
0212-41 and 0212-02015	Anoka	Grading, Aggt Base, Bit Surfacing, Landscaping, Bridge	6,052	2,130	2,723
0208-102	Anoka	Auxiliary and Turn Lanes, Signals and Lighting	3,304	1,163	1,487
02-596-04	Anoka	???	1,692	596	762
0215-56	Anoka	Grading, Bituminous Milling and Surfacing and TMS	1,165	410	524
0283-21 and 0283-02806	Anoka	Bituminous Milling and Overlay, Lighting, Signals, Bridge	628	221	283
0208-107	Anoka	Signal System, Turn Lane Extension and Misc Widening	403	142	181

## Appendix A

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
8825-52	Anoka/Chisago/Dakota/Ramsey	Group Relamping	371	131	167
8825-71	Anoka/Hennepin/Ramsey	Traffic Management Changeable Messages Signs and Signing	418	147	188
0205-78 and others	Anoka/Washington	Signal Systems Interconnect and Electric Lighting System	125	44	56
0416-27 and others	Beltrami	Grading, Bit Surfacing, Signals, Bridges	4,324	1,522	1,946
04-605-25	Beltrami	Agg Base and Shoulder, Bit Surf	737	260	332
04-615-15	Beltrami	Signal Systems, Shldr Widening, Agg Base, Bit Surf	444	156	200
8822-15	Beltrami	Traffic Signs and Devices	305	107	137
0406-49	Beltrami	Drainage Ditch	39	14	17
0502-89 and 0502-05016	Benton	Grading, Surfacing, Retaining Wall, Drainage	7,926	2,790	3,567
05-604-20	Benton	Grading, Agg base, Bit Surfacing	1,817	640	818
05-596-01	Benton	Grading, Base, Bituminous Surfacing	899	316	405
8823-30	Benton/Stearns	Signal Revisions	108	38	48
0713-71	Blue Earth	Grading, Bit Surfacing, Lighting and Retaining Wall	1,669	587	751
137-090-04	Blue Earth	North Minnesota River Trail	990	349	446
0702-108 and 8103-45	Blue Earth/Waseca	Grading, Base, Bituminous and Concrete Surfacing	13,425	4,726	6,041
0707-11 and 8105-19	Blue Earth/Waseca	Seal Coat	245	86	110
0910-26 and 0916-09	Carlton	Grading, Bit Mill and Surfacing, Lighting and Utilities	2,074	730	933
0980-135	Carlton	Bituminous Mill and Inlay	490	173	221
0980-133	Carlton	De-Icing System	158	56	71
0980-09819 and 5580-58816	Carlton/Olmsted	Bridge Painting	235	83	106
1002-74	Carver	Bit Mill and Overlay, Turn Lane and Shld Widening and Signing	550	194	248
91-090-02	Carver	Bike Trail Underpass	427	150	192
1012-22	Carver	Bituminous Mill and Overlay	53	19	24
1004-24 and others	Carver/Hennepin	Shld and Turn Lane Const, Bit Overlay, Bridge, Utilities	6,030	2,123	2,713
1119-32	Cass	Bituminous Milling and Overlay and Turn Lanes	1,027	362	462
1115-20	Cass	Grading and Bituminous Surfacing	218	77	98
1104-21 and 3106-23	Cass/Itasca	Bit Mill and Overlay, Culvert Replacement, Turn Lane Const	2,298	809	1,034
1115-18 and others	Cass/Morrison	Grading, Crack and Seat Conc, Bit Surfacing, Culv, Bridge	3,821	1,345	1,719
8823-31	Cass/Todd	Bituminous Seal Coat	210	74	94
1207-18 and 3409-17	Chippewa/Kandiyohi	Bituminous Overlay	520	183	234

## Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
8828-46	Chippewa/Kandiyohi	Seal Coat Surfacing	141	50	63
1402-15	Clay	Bit Mill and Overlay, Turn lane Const, Culvert Replacement	1,826	643	822
1504-10	Clearwater	Milling, Bit Overlay, Culvert Replacement, Crack Treatment	715	252	322
1602-38	Cook	Grading, Bit Surfacing, Drainage Structures, Box Culvert	6,341	2,232	2,854
1601-59	Cook	Bituminous Milling and Surfacing, Turn Lanes, Drainage	1,224	431	551
1604-38	Cook	Const Fish Ladder in Box Culvert	36	12	16
8821-80	Cook/Carlton/Itasca/ Koochiching/Pine	Bit Mill and Overlay, Turn Lanes, Replace Strip Seal, etc.	327	115	147
8821-83	Cook/Carlton/Itasca/ Koochiching/St. Louis/Pine	Message Striping	32	11	14
8821-69	Cook/Pine/Saint Louis/Koochiching	District Wide Culvert Repair and Replacement	1,798	633	809
1703-64 and 1706-24	Cottonwood	Mill, Bit Overlay, Aggregate Shoulders, Culvert Extensions	2,790	982	1,256
1809-58 and 1809-18006	Crow Wing	Grading, Bituminous Sifacing and Bridge # 18066	4,658	1,640	2,096
1809-65	Crow Wing	Landscaping	318	112	143
1923-08	Dakota	Bit Milling and Overlay, Guardrail, Culvert Improvements	1,257	443	566
1928-47	Dakota	Bituminous Mill and Overlay and Guardrail Improvements	918	323	413
1982-19859A	Dakota	Shoulder Reinforcement and Bridge Rehab	896	315	403
1980-64	Dakota	Traffic Management System	631	222	284
1980-19848	Dakota	Bridge # 19848 and Approaches	442	155	199
8825-61	Dakota	Traffic Signs and Devices	171	60	77
1909-83	Dakota	Traffic Control Signal and Interconnect Systems	132	46	59
8825-111	Dakota/Ramsey/Was hington	Traffic Management Changeable Message Signs	435	153	196
20-599-85	Dodge	Bridge and Approach Grading	525	185	236
2007-35	Dodge	Traffic Control Signal System	110	39	50
2002-30	Dodge	Landscaping	70	25	31
2003-11 and others	Dodge/Freeborn/Mo wer	Bituminous Mill and Overlay and Ditch Cleaning	177	62	80
2106-34 and 2106-21002	Douglas	Lake Channel and Grading for Bridge	342	120	154
2204-23	Faribault	Bituminous Overlay	320	112	144
2208-39	Faribault	Remove and Replace Bituminous Shoulders	100	35	45
2307-16 and others	Fillmore	Grading, Bit Surfacing,	2,326	819	1,047

## Appendix A

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
		Bridges			
2304-44	Fillmore	Bituminous Mill and Overlay	360	127	162
2480-81 and others	Freeborn	Unbonded Conc Overlay with Bit Shld and Bridge Repair	14,684	5,169	6,608
8826-20	Freeborn	Bit and Conc Mill, Bit Overlay, Turn Lanes, Pavement	680	239	306
2480-96	Freeborn	Landscaping	74	26	34
2401-34	Freeborn	Jacking of Drainage Tile	25	9	11
2516-9040A	Goodhue	Bridge Painting	2,844	1,001	1,280
2502-22	Goodhue	Bituminous Mill and Overlay	250	88	112
2514-113	Goodhue	Traffic Control Signal System	206	72	93
2506-63	Goodhue	Bituminous Pavement Crack Repair	39	14	17
2512-10 and 7902-18	Goodhue/Wabasha	Right Turn Lanes, Bituminous Mill and Overlay	1,108	390	499
2610-10	Grant	Grading, Bituminous and Concerte Surfacing	6,948	2,446	3,127
2603-09	Grant	Landscaping	34	12	15
2785-327 and others	Hennepin	Grading, Conc and Bit Surfacing	28,623	10,075	12,881
2786-115	Hennepin	Grading, Conc and Bit Surfacing, Drainage, Noise Walls, etc	20,514	7,221	9,231
2735-172	Hennepin	Grading, Surfacing, Signals, Bridge # 27283	15,426	5,430	6,942
2780-53 and others	Hennepin	SHLG Replacement and Widening and various bridges	7,198	2,534	3,239
2774-07 and others	Hennepin	Bit Mill and Overlay, Storm Sewer, Median Barrier, Br Painting	3,870	1,362	1,742
2781-337 and 2781-400	Hennepin	Lowry Hill and Portland Tunnel Lighting Modifications	3,778	1,330	1,700
2785-27V33A and 2785-27V34A	Hennepin	Bridges (steel only)	3,625	1,276	1,631
2785-332	Hennepin	Misc Grading, Bit Surfacing, Retaining Wall, Signal, etc	3,241	1,141	1,458
2758-60	Hennepin	Mill and Overlay, Bit Surfacing, Conc Pavt Rehab	2,929	1,031	1,318
2744-54	Hennepin	Bituminous Mill and Overlay, Guardrail and Drainage	1,528	538	687
2772-39	Hennepin	Noise Wall and Retaining Wall	1,482	522	667
116-090-01	Hennepin	Ped/Bike Br.	1,335	470	601
2782-6652 and others	Hennepin	Bridge Painting	1,068	376	481
2785-325	Hennepin	Bituminous Mill and Overlay, TMC and Striping	979	345	440
2724-113	Hennepin	Landscaping	530	187	239
2714-138	Hennepin	Turn Lane, Revise Traffic Signals and Interconnect	505	178	227
2758-9600A	Hennepin	Bridge Painting	419	147	188

## Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
2724-112	Hennepin	Landscaping	372	131	167
2758-9600B	Hennepin	Bridge	341	120	154
2775-09	Hennepin	Traffic Signs and Devices	285	100	128
8825-63	Hennepin	Traffic Signs and Devices	284	100	128
2762-22	Hennepin	Landscaping	269	95	121
2783-103	Hennepin	Shoreline Repair	171	60	77
2755-79	Hennepin	Grading Base, Bit Surfacing, Signing, Temp Traffic Signal	146	52	66
2782-280	Hennepin	Landscaping and Irrigation Plan	135	47	61
2780-27967B and others	Hennepin	Furnish Bridge Steel	117	41	52
2706-200	Hennepin	Landscaping	108	38	49
27-030-06	Hennepin	Signal Painting	99	35	45
2713-99D	Hennepin	Building Removal	66	23	30
2713-99E	Hennepin	Building Removal	63	22	28
2713-99F	Hennepin	Building Removal	61	21	27
2713-99B	Hennepin	Building Removal	59	21	27
2713-99C	Hennepin	Building Removal	53	19	24
2713-86	Hennepin	Drainage Correction	45	16	20
8825-91	Hennepin/Anoka/Ramsey/Dakota	Queue Loop Detectors	608	214	274
2801-64 and others	Houston	Grading, Bit Surfacing, Box Culverts, Bridges	12,291	4,326	5,531
2802-61	Houston	Bituminous Spot Overlays	173	61	78
2906-16	Hubbard	Bituminous Overlay	387	136	174
3001-08 and 3001-30002	Isanti	Grading, Bituminous Surfacing, Bridge # 30002	3,777	1,330	1,700
3108-55	Itasca	Grading, Bit Surfacing, Lighting, Temp Signal System	6,192	2,179	2,786
3101-28 and others	Itasca	Bituminous Mill and Overlay and Replace Entrance Culverts	2,202	775	991
3103-59	Itasca	Bituminous Mill and Overlay and Turnlane Repair	1,003	353	451
31-090-02	Itasca	???	146	51	66
31-603-14	Itasca/Aitkin	Bit Milling and Reclaiming, Grading, Agg Base Bit Pavement	2,916	1,026	1,312
3408-14 and others	Kandiyohi	Grading, Bit Surfacing, Bridges, Lighting and Signals	37,949	13,358	17,077
3403-60	Kandiyohi	Bit Mill and Overlay, Turn Lane and Bypass Lane Construction	1,477	520	665
3417-14	Kandiyohi	Bituminous Overlay	305	107	137
3413-35	Kandiyohi	Surcharge (Fire Station)	234	82	105
3413-32	Kandiyohi	Surcharge (Dairy Queen)	146	51	66
3413-34	Kandiyohi	Surcharge (Nursery)	98	34	44
3413-33	Kandiyohi	Surcharge (Ballpark)	57	20	26
8823-36	Kandiyohi/Stearns/Sheburne/Benton	Seal Coat	854	300	384
3509-19	Kittson	Spot Bituminous Milling and Overlay	1,839	647	828
3509-20	Kittson	Pavement repair	84	30	38
8822-25	Kittson/Marshall/Norman/Red Lake	Bituminous Seal Coat	1,226	432	552
3614-18	Koochiching	Grading, Bituminous	1,524	536	686

## Appendix A

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
		Surfacing, Signing and Lighting			
3602-24	Koochiching	Grading, Bituminous Surfacing, Curb and Gutter, Sidewalk	347	122	156
3609-31	Koochiching	Clearing Trees and Brush along the Roadway	180	63	81
37-602-14	Lac Qui Parle	Bituminous Surfacing and Aggregate Surfacing	1,611	567	725
8828-47	Lac Qui Parle/Kandiyohi/Meeker/Yellow Medicine	Bituminous Surface Repair, Route and Seal	67	23	30
3805-91	Lake	Fire Protection System and Const of Access Road	225	79	101
3904-20	Lake of the Woods	Cold-inplace-recycle, Bit Overlay, Culvert Repair	1,683	592	757
4013-43 and 4013-40007	Le Sueur	Grading, Bit Surfacing, Drainage, Lighting and Br # 40007	6,354	2,237	2,859
41-617-23	Lincoln	Bikepath Grading and Street Overlay	337	119	152
4105-08 and others	Lincoln/Lyon/Pipestone	Bituminous Mill, Cold Recycle and Bituminous Overlay	2,008	707	904
8828-45	Lincoln/Lyon/Redwood/Yellow Medicine	Seal Coat Surfacing	430	151	194
4202-24	Lyon	Bit Mill and Overlay, Edge Drains, Replace Widening Block, etc	1,421	500	639
42-602-30	Lyon	Agg Base, Bit Surface, Agg Shoulder	814	287	366
139-129-01	Lyon	Bridge Replacement and Approaches	581	205	262
8828-48	Lyon	Bituminous Shoulder and Riprap	122	43	55
4203-41 and 5902-21	Lyon/Pipestone	Bit Mill and Overlay, Turn/Bypass Lane Construction	4,028	1,418	1,812
4501-36 and 4501-45002	Marshall	Grading, Bit Paving, Storm and Sanitary Sewer, Br # 45002	2,715	956	1,222
4508-23	Marshall	Bituminous Overlay	1,218	429	548
4603-41	Martin	Bituminous Overlay	111	39	50
47-999-02	Meeker	Storm Repair - Slope Repair and Ditch Cleanout	83	29	37
4709-26	Meeker	Concrete Pavement Replacement	56	20	25
8825-58 and 8825-60	Metro Region	Signal Sys Controller and Cab Replacement	106	37	48
8823-33	Morrison	Micro-Surfacing	172	61	78
8823-32	Morrison/Wadena	Bituminous Overlay	326	115	147
165-999-01	Nicollet	Street Restoration	556	196	250
5203-89	Nicollet	Bituminous Overlay	146	51	66
5308-28 and 5308-53007	Nobles	Grading, Bit Surfacing, Box Culv	1,276	449	574
5307-26	Nobles	Mill Bituminous Surface and Bituminous Overlay	168	59	76
8823-34	Northwest Region/Northeast	Bituminous Spot Overlays	286	101	129

## Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
	Region/Central Region				
8824-31	Northwest Region/Southwest Region	Bituminous Crack Sealing	148	52	67
8824-33	Northwest Region/Southwest Region	Bituminous Seal Coat	1,529	538	688
5502-99A	Olmsted	Building Removal	572	201	258
5508-104	Olmsted	Traffic Control Signal System	89	31	40
5601-30	Otter Tail	Bituminous Mill and Overlay and Edge Drains	1,766	622	795
5622-15	Otter Tail	Bituminous Milling and Overlay	229	81	103
8824-23	Otter Tail/Douglas/Pope/S tearns	Riprap	169	59	76
5703-39	Pennington	Grading, Bit Pavement, Storm Sewer, C and G, Sidewalk, Box Culv	1,653	582	744
5802-19	Pine	Erosion Control	82	29	37
59-611-03	Pipestone	Grading, Agg base, Bit Surfacing, Box Culvert	964	339	434
59-610-23	Pipestone	Plant Mixed Bit Non Wearing and Wearing Courses aand Agg Shldrs	453	160	204
5905-21 and others	Pipestone/Rock	Bituminous Milling and Overlay and Aggregate Shoulders	2,589	911	1,165
6008-14	Polk	Bituminous Mill and Overlay and Subsurface Drainage	2,020	711	909
6286-47	Ramsey	Bituminous Mill and Overlay and Guardrail	1,754	617	789
6283-155	Ramsey	Traffic Management System	1,320	465	594
6221-40	Ramsey	Bituminous and Concrete Mill and Overlay	615	216	277
6285-128	Ramsey	Traffic Management System	584	205	263
6222-141	Ramsey	Guardrail Improvements	127	45	57
6212-151	Ramsey	Electric Lighting System	44	16	20
6211-80	Ramsey	Traffic Signs and Devices	43	15	19
62-642-03	Ramsey/Hennepin	Widen and Rehabilitate Ford Bridge	18,690	6,579	8,410
6286-62825 and others	Ramsey/Washington	JT Replacement, Railing and Deck Repair, Bridge Painting	1,766	621	795
64-613-14	Redwood	Grading, Base, Bituminous Surfacing	868	306	391
64-606-25	Redwood	Construction Bridge and Approaches	624	220	281
64-999-02	Redwood	Bituminous Shoulder and Riprap Placement on Inslopes	145	51	65
6511-30	Renville	Concrete and Bituminous Paving, Signal and Lighting	5,784	2,036	2,603
8809-264	Rice/Steele	Traffic Signs on Railroad Corridor 73	56	20	25
6706-14	Rock	Bituminous Mill and Overlay	540	190	243

## Appendix A

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
92-595-03	Rock/Lyon	R/W Planting	57	20	26
6803-36	Roseau	Bituminous Overlay	1,048	369	471
6801-14 and 6801-68006	Roseau	Grading, Bituminous Surfacing and Bridge	549	193	247
6806-19	Roseau	Grading, Bit Pavt, Box Culverts	338	119	152
6915-123 and others	Saint Louis	Grading, Surface, Retaining Walls, Signals, Bridges, etc.	25,066	8,823	11,279
6925-118	Saint Louis	Bit Overlay, Gravel Shoulders, Culvert Replacement	5,717	2,012	2,573
6907-37 and 6907-69121	Saint Louis	Grading, Bit Surfacing, Drainage and Bridge	5,342	1,880	2,404
69-623-29	Saint Louis	Bridge Construction	3,104	1,093	1,397
6933-77	Saint Louis	Grading, Conc Pavt and Rehab, Lighting, City Utilities	2,595	914	1,168
6920-43 and 6922-47	Saint Louis	Grading, Bituminous Overlay, Lighting, Scenic Overlook	1,898	668	854
6917-100 and 6917- 69022	Saint Louis	Grading and Bituminous Surfacing and Bridge # 69022	1,858	654	836
171-080-01	Saint Louis	Chestnut Street Streetscape	627	221	282
69-090-05	Saint Louis	Mesabi Trail	615	217	277
69-090-04	Saint Louis	Mesabi Trail	252	89	113
6981-23	Saint Louis	Electric Light System Revision	237	83	106
69-090-08	Saint Louis	Mesabi Trail	162	57	73
6915-127 and 6933-83	Saint Louis	Building Demolition and Removal	122	43	55
6915-126	Saint Louis	Building Demolition and Removal	121	43	54
6941-07	Saint Louis	Bituminous Millin and Overlay and Remove ABTs and Pier FTs	104	37	47
7002-36	Scott	Bituminous Milling and Overlay and Culvert Replacement	299	105	135
4013-49	Scott	Landscaping	60	21	27
7106-66 and 7106-71013	Sherburne	Grading, Bit Surfacing, Signing, Lighting, Bridge	5,597	1,970	2,519
7102-100 and 7102- 71015	Sherburne	Grading, Bituminous Surfacing, Lighting and Bridge # 71015	4,173	1,469	1,878
7102-101 and 7102-103	Sherburne	Grading, Bituminous Surfacing and Signal	1,760	620	792
7102-108 and 7106-70	Sherburne	Landscaping	229	81	103
7101-55 and 7102-107	Sherburne	Big Lake and Elk River Park and Ride Lots	58	21	26
8823-35	Sherburne/Benton	Micro-Surfacing	654	230	294
7205-21	Sibley	Bituminous Mill and Overlay and Signals	1,946	685	876
8827-22	Southwest Region	Pavement Stripping	115	40	52
8827-21	Southwest Region	Rout and Seal	63	22	28
8809-293	Statewide	Landscaping	590	208	265
7305-111	Stearns	Building Removal	64	22	29
7319-34 and 7707-21	Stearns/Todd	Bit Mill and Sufacing, Turnlane Const, Culvert JT Repair	2,093	737	942

## Prevailing Wage Rates in Minnesota, Minnesota Taxpayers Association

Project Number	County	Department	Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)	
				Minimum	Maximum
7480-98 and 7480-74829	Steele	Roundabout, Grading, Bit Surfacing, Lighting, Br # 74829	3,059	1,077	1,377
7503-30	Stevens	Tile Line Replacement	89	31	40
7702-41	Todd	Unbonded Concrete Overlay	5,672	1,996	2,552
7805-31	Traverse	Bituminous Overlay	505	178	227
79-090-01	Wabasha	???	152	54	68
7908-28	Wabasha	Bituminous Mill and Overlay	48	17	22
8826-25	Wabasha/Winona/Fr eeborn	Bituminous Pavement Crack Repair	165	58	74
8103-52	Waseca	Seal Coat and Microsurfacing	220	77	99
8103-51	Waseca	Landscaping	72	25	32
8205-99 and others	Washington	Grading, Paving, Signals and Bridges	43,980	15,481	19,791
8285-79 and others	Washington	Grading and Surfacing and Bridges	42,636	15,008	19,186
8217-4654B	Washington	Bridge Painting and Misc Repair	615	217	277
8282-96	Washington	St. Croix Travel Information Center and Rest Area	444	156	200
8286-58	Washington	Noise Abatement Wall	417	147	188
8214-9116	Washington	Bridge Repair	108	38	49
8200-10	Washington	Wetland Mitigation Grading	86	30	39
8286-59	Washington	Noise Wall Repair	41	14	18
8285-80 and others	Washington/Dakota/ Ramsey	Grade, Surface, Retaining Walls, Signing, Lighting, Bridges	120,431	42,392	54,194
8406-19 and others	Wilkin	Bit and Conc Mill, Bit Overlay and Turn lane Construction	2,913	1,025	1,311
8408-46	Wilkin	Landscaping	64	23	29
8506-58 and 8506-85025	Winona	Grading, Surfacing and Bridge	589	207	265
8501-59	Winona	Micro-Surfacing	279	98	126
8604-30 and 8605-42	Wright	Bituminous Milling and Sufacing and Culvert Repair	1,594	561	717
8680-86802A	Wright	Deck Replacement, Bridge Painting, Grade and Bit Surf	1,292	455	581
8711-17	Yellow Medicine	Bituminous Overlay	88	31	39
<b>Totals</b>			<b>\$676,941</b>	<b>\$238,283</b>	<b>\$304,624</b>

## Appendix B

### VII. Appendix B: DEED Planning Areas and Minnesota Highway/Heavy Prevailing Wage Regions, by County

County	DEED Planning Area	Minnesota Highway/Heavy Prevailing Wage Region	County	DEED Planning Area	Minnesota Highway/Heavy Prevailing Wage Region
Aitkin	Northeast MN	3	Marshall	Northwest MN	2
Anoka	Metro Area	9	Martin	Southwest MN	10
Becker	Northwest MN	4	Meeker	Central MN	8
Beltrami	Northwest MN	2	Mille Lacs	Central MN	3
Benton	Central MN	5	Morrison	Northwest MN	3
Big Stone	Southwest MN	4	Mower	Southeast MN	6
Blue Earth	Southwest MN	7	Nicollet	Southwest MN	7
Carlton	Northeast MN	1	Nobles	Southwest MN	10
Carver	Metro Area	9	Norman	Northwest MN	2
Cass	Northwest MN	3	Olmsted	Southeast MN	6
Chippewa	Southwest MN	8	Otter Tail	Northwest MN	4
Chisago	Central MN	9	Pennington	Northwest MN	2
Clay	Northwest MN	4	Pine	Central MN	1
Clearwater	Northwest MN	2	Pipestone	Southwest MN	8
Cook	Northeast MN	1	Polk	Northwest MN	2
Cottonwood	Southwest MN	10	Pope	Northwest MN	4
Crow Wing	Northwest MN	3	Ramsey	Metro Area	9
Dakota	Metro Area	9	Red Lake	Northwest MN	2
Dodge	Southeast MN	6	Redwood	Southwest MN	8
Douglas	Northwest MN	4	Renville	Central MN	8
Faribault	Southwest MN	7	Rice	Southeast MN	6
Fillmore	Southeast MN	6	Rock	Southwest MN	10
Freeborn	Southeast MN	6	Roseau	Northwest MN	2
Goodhue	Southeast MN	6	Saint Louis	Northeast MN	1
Grant	Northwest MN	4	Scott	Metro Area	9
Hennepin	Metro Area	9	Sherburne	Central MN	5
Houston	Southeast MN	6	Sibley	Southwest MN	7
Hubbard	Northwest MN	2	Stearns	Central MN	5
Isanti	Central MN	5	Steele	Southeast MN	6
Itasca	Northeast MN	1	Stevens	Northwest MN	4
Kanabec	Central MN	3	Swift	Southwest MN	4
Kandiyohi	Central MN	8	Todd	Northwest MN	3
Kittson	Northwest MN	2	Traverse	Northwest MN	4
Koochiching	Northeast MN	1	Wabasha	Southeast MN	6
Lac Qui Parle	Southwest MN	8	Wadena	Northwest MN	3
Lake	Northeast MN	1	Waseca	Southwest MN	7
Lake of the Woods	Northwest MN	2	Washington	Metro Area	9
Le Sueur	Southwest MN	7	Wilkin	Northwest MN	4
Lincoln	Southwest MN	8	Winona	Southeast MN	6
Lyon	Southwest MN	8	Wright	Central MN	5
Mahnomen	Northwest MN	4	Yellow Medicine	Southwest MN	8

**VIII. Appendix C: DEED Planning Areas and Minnesota Highway/Heavy Prevailing Wage Regions, by County**

<b>State</b>	<b>Statutory/regulatory method<sup>13</sup></b>
Alaska	Commis. survey, 50% or avg.
Arkansas	50% or average
California	modal rate
Connecticut	Commis. survey, take Davis-Bacon
Delaware	50% or average
Hawaii	50%, 30%, or average
Illinois	ascertain from Director
Indiana	3-man committee sets
Kentucky	50%, simple average
Maine	median of survey
Maryland	40% or average
Massachusetts	not less than collectively-bargained
Minnesota	modal rate
Missouri	unspecified; annual survey
Montana	weighted average of survey
Nebraska	at least rate paid by 50%
Nevada	use Davis-Bacon
New Jersey	hold hearings, use collectively-bargained
New Mexico	50%, 30%, or average
New York	annual survey, collectively-bargained if 30%
Ohio	annual survey, collectively-bargained
Oklahoma	take federal Davis-Bacon rate
Oregon	50% or average
Pennsylvania	Commis. ascertains
Rhode Island	Director investigates
Tennessee	simple average of survey
Texas	up to individual agency
Washington	50% or avg. in largest city
West Virginia	survey, if necessary
Wisconsin	weighted average of survey
Wyoming	by public agency, 2-yr survey, add inflation factor

<sup>13</sup> Information from untitled 1995 prevailing wage report, written by Dr. Armand J. Thieblot, Jr., and distributed by ABC National; except for Wisconsin data from MTA research.

**This Page Intentionally Blank**

**IX. Appendix D: Examples of Individual Project Savings or Cost**

Project Description	Project Type	County	Amount Bonded or Bid Amount \$(000)	Estimate of Labor Costs for Work Subject to Prevailing Wage \$(000)		(Savings)/Cost of Substituting Federal Prevailing Wage for Current Law \$(000)		(Savings)/Cost of Substituting DEED Average Wage for Current Law \$(000)	
				Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Moorhead	School	Clay	64,000	13,568	21,120	4,577	7,124	(1,675)	(2,607)
Braunerd	School	Crow Wing	59,900	12,699	19,767	3,127	4,868	(3,260)	(5,074)
North Branch	School	Chisago	27,520	5,834	9,082	681	1,059	(2,038)	(3,173)
Saint Peter Regional Treatment Center - Convert Power Plan to Low Pressure (DHS)	State Building	Nicollet	3,619	1,028	1,393	48	65	(375)	(509)
Asset Preservation (MNSCU)	State Building	Rice	1,500	426	578	1	2	(150)	(204)
Duluth - Laboratory Science Building (U of M)	State Building	Saint Louis	25,500	7,242	9,818	722	979	(1,756)	(2,381)
Park and Ride Lot (#90-080-11)	State Transportation	Anoka	14,501	5,104	6,526	97	124	(1,250)	(1,597)
Traffic Signs and Devices (#8822-15)	State Transportation	Beltrami	305	107	137	(13)	(16)	(26)	(34)
Grading, Surfacing, Retaining Wall, Drainage (#0502-89 and 0502-05016)	State Transportation	Benton	7,926	2,790	3,567	(23)	(29)	(963)	(1,231)





