

SCR

24

Alaska State Senate

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Senate Finance Committee
State Affairs Committee
Vice-Chair, Rules Committee
Chair, Administrative Regulation Review

William L. Hensley

MEMORANDUM

DATE: April 1, 1987

TO: Senator Tim Kelly, Chairman
Senate Labor and Commerce Committee

FROM: Senator Willie Hensley *WH*

SUBJ: SCR 24, Prevailing Wage Rates

Effects of Prevailing Wage Rates on Public Construction Project Costs

- * Assume that during this construction season, the state will expend \$100,000,000 on public works projects.

\$100 million Project costs

20% - 40% Typical labor fraction

\$20 - \$40 million Labor Costs

- * If new prevailing wage is 90% of current rates,

Savings = \$2 - \$4 million

- * If new prevailing wage is 70% of current rates,

Savings = \$6 - \$12 million

In the best (worst) case, \$12 million savings put into additional construction could provide \$2.4 to \$4.8 million for additional jobs.

BRIEFING PAPER
PREVAILING RATES OF PAY
DAVIS-BACON PROJECTS UNDER AS 36.05

Wage rates for public construction contracts are developed according to procedures set forth in 8 AAC 30.050. Wage rates are published in pamphlet #600, Wage and Hour Administration, on the first Monday in November. The current rates became effective 11/02/86 and will remain in effect until 11/01/87. The rates of pay are based upon wage data surveyed by the DOL for the 365 days preceding the date of publication. The department subscribes to a reporting service vended by the F.W. Dodge Co. (the Dodge Report). This report is received each week and progressively provides the following information on all commercial construction projects in Alaska. We use the term commercial which is not to be confused with residential.

1. Location of project
2. Who is letting the contract
3. Dollar value of project
4. Start date of project
5. Change orders to the project/Completion date of the project
6. Prime contractor on the project/Name and address of all subcontractors on project

This information is then broken out and distributed to regional offices according to project location (Anchorage, Juneau and Fairbanks). The information is cataloged and as the projects start up and contractors come on board the survey begins. Both union and non-union projects are surveyed. The survey continues and reaches its maximum data retrieval during the peak work weeks of July and August. In September the data is reduced to a compilation of wage information according to regional boundaries which essentially provide for region one (2nd and 4th judicial districts) and region two which is broken into two areas (area 1 is the 3rd judicial district area 2 is the first judicial district).

Each job class by region and area is analyzed to determine if better than 50 percent of the workers in a job class receive the same wages and benefits. If that is the case then the majority becomes the prevailing wage for the job class in the region or area. If no majority is found then the wages are arrayed in order beginning with the highest down through the lowest. The average of all the wages then becomes the prevailing rate for the job class in that region or area.