

### REDUCE THE COSTS OF FEDERAL CONSTRUCTION

The Davis-Bacon Act impedes competition and artificially inflates construction costs.<sup>1</sup> Congress must repeal this requirement and maximize the impact of federal infrastructure dollars.

#### BACKGROUND

The Davis-Bacon Act (DBA) was enacted by Congress in 1931.<sup>2</sup> The DBA requires employees of federally funded or assisted construction, alteration, or repair projects of public buildings or public works to be paid at least the locally prevailing wage.<sup>3</sup> The DBA prevailing wage principle has been written into more than 50 federal program statutes.<sup>4</sup>

The prevailing wage is a combination of the basic hourly rate paid to various classes of laborers and mechanics employed on specific types of construction projects in an area and any fringe benefits listed in the Davis-Bacon wage determination.<sup>5</sup> On average, the DBA prevailing wage is more than 22 percent above the average wages calculated by the Bureau of Labor Statistics (BLS).<sup>6</sup>

As the prevailing wage is higher than both the true market rate and the minimum wage, the DBA distorts the market for construction workers' wages.<sup>7</sup>

The Congressional Budget Office (CBO) predicts that repealing the DBA would save the Federal Government \$12 billion in outlays from 2019 to 2028.<sup>8</sup> CBO references the post-1930's implementation of a federal minimum wage and reduced employment of federal construction workers among its arguments for repealing the law.<sup>9</sup>

#### CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

The Constitution grants spending authority to Congress.<sup>10</sup> As a matter of principle, the Federal Government should not artificially inflate labor costs for construction projects.

#### POLICY SOLUTIONS

Congress must repeal the DBA. Additionally, Congress may also consider introducing legislation requiring the Federal Government to pay federal contractors the market wages as determined by BLS.

#### Quick Take

The DBA requires employees of federally funded or assisted construction to be paid at least the locally prevailing wage.

The law's prevailing wage is more than 22 percent above the average wages calculated by the BLS. CBO predicts that repealing the law would save over \$12 billion.

Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.

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<sup>1</sup> Gerald Mayer, Jon O. Shimabukuro, *Davis-Bacon Prevailing Wages and State Revolving Loan Programs Under the Clean Water Act and the Safe Drinking Water Act*, Congressional Research Service (Nov. 20, 2013), <https://www.crs.gov/Reports/R41469?source=search&guid=3693e538665b43b09c64b6816adcf845&index=4#fn7>.

<sup>2</sup> An Act Relating to the rate of wages for laborers and mechanics employed on public buildings of the United States and the District of Columbia [Public, No. 798.] by contractors and subcontractors, and for other purposes, Pub. L. No. 71–798 (1931).

<sup>3</sup> U.S. Department of Labor Wage and Hour Division, *Fact Sheet #66: The Davis-Bacon and Related Acts (DBRA)* (April 2009), <https://www.dol.gov/whd/regs/compliance/whdfs66.pdf>.

<sup>4</sup> William G. Whittaker, *The Davis-Bacon Act: Institutional Evolution and Public Policy*, Congressional Research Service, (Nov. 30, 2007), [https://www.crs.gov/Reports/94-408?source=search&guid=3693e538665b43b09c64b6816adcf845&index=3#\\_Toc228236051](https://www.crs.gov/Reports/94-408?source=search&guid=3693e538665b43b09c64b6816adcf845&index=3#_Toc228236051).

<sup>5</sup> U.S. DOL, *supra* note 3.

<sup>6</sup> Sarah Glassman, Michael Head, David G. Tuerck, Paul Bachman, *The Federal Davis-Bacon Act: The Prevailing Mismeasure of Wages*, The Beacon Hill Institute at Suffolk University (Feb. 2008), <http://www.beaconhill.org/BHISTudies/PrevWage08/DavisBaconPrevWage080207Final.pdf>.

<sup>7</sup> Congressional Budget Office, *Repeal the Davis-Bacon Act*, (Dec. 13, 2018), <https://www.cbo.gov/budget-options/2018/54786>.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> U.S. Const. art. I, § 9.