

Federal Stimulus Package Will Provide Opportunity For *Construction Industry*

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News of the faltering U.S. economy is everywhere and creating concern and fear for many Americans and businesses alike. Employment in construction has fallen by 899,000 jobs since its peak in September of 2006, according to the Bureau of Labor Statistics. This is just some of the troubling news, combined with the mortgage crisis that has had a significant impact on many industries, including construction.

President Barack Obama has promised to take action in the form of a massive economic stimulus package. In a recent statement, the president-elect said the package “will create millions of jobs by making the single largest new investment in our national infrastructure since the creation of the federal highway system in the 1950s.” In addition to infrastructure projects, this stimulus plan will invest in public buildings to upgrade them and make them more energy efficient. School modernization and improvement is also a high priority for the new president. No one knows exactly how much will ultimately be spent, but figures from \$500 billion to \$1 trillion have been used in estimates so far.

With the decline in private spending on construction projects, the economic stimulus package is likely to create new opportunities for many government construction contractors. The industry is expecting significantly increased government spending on transit, airports, schools, roads, bridges, public housing, flood protection and waste and drinking water infrastructure projects. Many contractors that previously focused on private projects are already bidding more on publicly-funded or prevailing wage (PW) jobs and this trend is likely to continue. With public spending about to increase, contractors

that have not performed PW projects, will have to learn how to be competitive in this market and how to be compliant with relevant laws and regulations. Contractors already performing PW work will also have to find ways to increase their effectiveness in this increasingly competitive arena.

There are a few key issues that new PW contractors must understand. One consideration is that the nation’s regulatory environment is likely to become more stringent under the new administration. Contractors should have the necessary resources available to answer their questions regarding compliance issues. Other potential issues include preparing and submitting certified payroll reports, requesting apprentices and correctly paying wages.


Possibly the most important issue in terms of bidding competitively and being profitable is handling the employees’ fringe benefits. Wages that must be paid to workers on PW jobs are set by the federal or state government (depending on the project). This wage determination is broken down into two main components; the base wage and the fringe benefits. The employee must receive the base amount as wages, but the fringes may be spent on “bona fide” benefits instead of wages. Benefits that might be included are retirement accounts (401(k) or pensions) and medical, dental, vision and life insurance. A non-union contractor generally has a choice of using the fringes for benefits or paying them as additional wages. A new PW contractor may find it easier to pay the fringes as wages; however, this will also increase costs to the employer since wages are subject to payroll taxes and worker’s compensation premiums (payroll burden). Contractors should strongly

consider utilizing a benefits specialist to help them understand how they can be more efficient and ultimately more competitive by providing fringe benefits. Below is an example of how much a contractor could save by spending the fringes on benefits:

Number of employees	20
Total fringes per hour	\$10
Hours worked on PW jobs	1040 <i>(per employee)</i>
Payroll burden	25%
Total Savings	\$52,200

At a December meeting of the National Governors Association, the nation’s governors asked for \$136 billion on infrastructure projects that are “ready to go.” Likewise, the U.S. Conference of Mayors recently identified \$180 billion in locally-approved projects that only need funding to commence.

The construction industry is hopeful that this investment in the public sector will spur economic development and boost the sinking economy. Construction contractors can be the first to take advantage of the opportunities since there are so many “shovel ready” projects lined up in California and the rest of the country.

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The Fringe Benefit

Group helps contractors

become more profitable, win more government contracts, and provides you and your employees with valuable retirement benefits.

We pioneered the offering of prevailing wage benefit plans over 25 years ago, and remain committed to providing turnkey benefit solutions for thousands of government contractors. Your success is important to us.

New Stimulus Plan Offers Great Opportunity for Government Projects

- ❖ *Reduce entire payroll 5-7% on government jobs.*
- ❖ *Bid more competitively on prevailing wage jobs.*
- ❖ *Stay compliant with Department of Labor and Internal Revenue Service regulations.*
- ❖ *Receive local assistance and training.*
- ❖ *Lower costs make you more competitive and help you win more jobs.*

Contributions to our plans are exempt from FICA, FUTA, SUTA, general liability, and workers compensation premiums.

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