



# WINNING BIDS IN THE PUBLIC SECTOR

by Adam Bonsky



“Everybody’s going after it.” That’s what J.D. Mortimer, owner of Bedford, PA-based Mortimer Electric, says about public works projects like the ones being created by the American Recovery and Reinvestment Act (ARRA). “There are a lot of bidders and a lot of people looking for work.”

Co-owner Tracey Mortimer concurs. “Bidding has been extremely competitive on the new government work brought about by the ARRA,” she says. “Sometimes jobs are won by just a few hundred dollars.”

Given that private construction has been at a standstill for the past year, it’s not surprising that companies are following the money. In 2009, more than 70,000 new companies registered with the Central Contractor Registration (CCR). CCR is an online repository of basic company information and registration is required for federal work.

So how can companies—both those experienced in government contracts and those new to the game—stay afloat in these choppy waters? One of the tools Mortimer Electric has used to remain successful in this ultra-competitive environment is a prevailing wage benefit plan for its hourly

## Getting Started in the Public Sector Marketplace

- ▶ Familiarize yourself with the Davis-Bacon Act. The full text of the law, as well as many other valuable resources, can be found at [www.dol.gov](http://www.dol.gov). Do a search for Davis-Bacon or DBRA (Davis Bacon and Related Acts).
- ▶ If you haven’t already, sign up with Central Contractor Registration (CCR). You can do this at [www.bpn.gov/ccr](http://www.bpn.gov/ccr). You’ll need your DUNS number, Tax ID number and EFT information for payment of invoices. You must be registered with CCR to bid on federal contracts.
- ▶ To find opportunities funded by the ARRA, go to [www.recovery.gov](http://www.recovery.gov). You can also find federal contract opportunities at [www.fbo.gov](http://www.fbo.gov).
- ▶ Familiarize yourself with recordkeeping and reporting requirements. There are software programs designed specifically to accommodate prevailing wage reporting requirements. In addition, some prevailing wage benefits plan providers provide assistance with recordkeeping and compliance issues.

workers.

How can providing benefits for hourly workers save a company money? All federally-funded construction projects with a value of over \$2,000 and all projects funded in part or in total by ARRA funds, regardless of project size, are subject to the Davis-Bacon Act. The Davis-Bacon Act requires all contractors and subcontractors performing work

on federally-funded construction contracts to pay their laborers and mechanics no less than the prevailing wage rates and fringe benefits for corresponding classes of laborers and mechanics employed on similar projects in the area. Prevailing wage rates and fringe benefits are determined by the U.S. Secretary of Labor, and are specified in the terms of the request for the bid. When contractors use the

fringe portion of the prevailing wage to provide “bona fide” benefit plans for their workers, these dollars are taken off the payroll and are therefore exempt from payroll taxes such as Federal Insurance Contributions (FICA), Federal Unemployment Tax (FUTA), and State Unemployment Tax (SUTA) as well as other expenses such as workers’ compensation and general liability. Examples of benefits that might be included in a bona fide benefit plan are retirement plans and medical, dental, vision, disability and life insurance.

Although rates for SUTA and workers’ compensation vary among states, a conservative estimate is that these expenses add 25 cents to each dollar paid as additional cash wages. Savings realized by using the fringe benefit portion of the prevailing wage can easily create enough savings over the life of a project to make the difference between winning a bid and coming in second place. Visit the interactive savings calculator at [www.contractorsplan.com](http://www.contractorsplan.com) to determine your company’s potential savings.

Several recent news reports have projected that SUTA rates will rise this year, as much as doubling in some states. This makes an even stronger case for using fringe dollars to implement bona fide benefit plans for hourly workers. Using these dollars to provide medical health insurance is also a compliance issue in light of mandatory health insurance legislation passed earlier this year. As a result of health care reform, construction industry employers with more than fifty employees will be required to offer health care coverage to their employees beginning in 2014, which can be paid for with fringe dollars via a prevailing wage benefit plan. In addition, some small

### Sample Calculation

Assume a company has fifteen employees doing prevailing wage work. These employees work approximately 1,000 hours each per year. The fringe amount above the base rate is \$10/hour and the average approximate additional payroll cost when paying fringe dollars as cash wages is 25 percent.

15 employees X 1,000 hours = 15,000 total hours

15,000 hours X \$10.00 = \$150,000 in additional payroll expense

\$150,000 x 25% = \$37,500 in savings

businesses which provide health insurance for their workers may be eligible for a tax credit under the Patient Protection and Affordable Care Act—just another incentive to use these dollars to provide benefits.

A few years ago, Tracey explains, the company decided to take advantage of the savings on payroll expense that comes with using the fringe benefit portion of the prevailing wage to provide “bona fide” benefit plans for hourly workers. “I’m so thankful we made that decision,” Tracey says. “It saves our company a big chunk of money, and helps us be more competitive with our bidding.” Tracey says the percentage of prevailing wage work the company does has increased significantly since the plan was put in place. “Now most of the work we do is prevailing wage,” she says.

Contractors who are considering starting a prevailing wage benefit plan should look for a provider with experience in the particular laws, such as the Davis-Bacon Act, that apply. Efforts by federal agencies to ensure compliance with attendant laws have been stepped up dramatically since the passage of the ARRA. Recent reports indicate that the Department of Labor (DOL) will have hired 1,000 new investigators by year end 2011, and 293 of them are

going to be focused on wage and hour compliance.

Contractors who are serious about getting government work—which is virtually the only sector thriving in construction—need to explore every viable option for making their bids more competitive. There are a lot of baited hooks out there vying for these contracts. Nearly three quarters of the \$308 billion appropriated for construction and infrastructure projects in the ARRA is scheduled to be spent by the end of fiscal year 2011, which means there are still plenty of big fish in the sea. Are you doing everything you can to win? ■

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