



DECO

OFFICIAL MAGAZINE OF THE PDCA

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2010

HOW TO WIN BIDS & STAY COMPLIANT IN TODAY'S COMPETITIVE ENVIRONMENT

In today's hyper-competitive bidding environment, painting contractors are eager to find ways to reduce costs and submit leaner bids. Understanding the Davis-Bacon Act, one of the laws which applies to all projects funded in part or in whole by the ARRA – and to all federal contracts over \$2,000, can actually help contractors be more competitive while complying with the law.

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. Thirty-one states have also enacted state prevailing wage legislation, which are commonly referred to as "Little Davis-Bacon" provisions. These provisions require payment of prevailing wages and fringe benefits on state projects as well as federal projects.

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 FICA, FUTA, and 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 easily add 25 cents to each dollar paid as additional cash wages. Savings realized by using the fringe benefit portion of the prevailing wage for benefits can easily create enough savings over the life of a project to make the difference between a winning bid submission and second place.

Sample Calculation

Assume a company has 15 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%.

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

Visit www.thecontractorsplan.com to utilize an interactive calculator and estimate your company's potential savings.

Don Longstreth is a painting contractor in Altoona, Pennsylvania, who has been using The Contractors Plan, a benefits plan designed specifically for government contractors, for about three years. "Contributing the fringe

benefit portion of the prevailing wage to The Contractors Plan has made us much more competitive," he says. "We're not matching Medicare and Social Security on the dollars contributed to the plan, and that really lowers our payroll burden."

In addition to helping his company submit lower bids, another advantage Longstreth sees in working with The Contractors Plan is that he no longer carries liability for the company's retirement plan. Longstreth was the trustee of a previous 401(k) plan for his workers, and appreciates no longer having that responsibility – giving him more time to focus on growing his business.

Choosing a benefits partner that specializes in prevailing wage plans for government contractors can be a relief for contractors when it comes to compliance with the Davis-Bacon Act, as well. Scrutiny for compliance with not only the Davis-Bacon Act, but other laws which apply to projects using taxpayer dollars, is on the increase. And the U.S. Department of Labor has recently indicated that it intends to place particular focus on subcontractors in future enforcement efforts.

In light of this, prime contractors will no doubt be scrutinizing their subs more closely than ever. The DOL has more than tripled the number of investiga-

tions conducted for compliance with the Davis-Bacon Act in 2010 as compared to 2009. This means it's almost certain every contractor and subcontractor working on ARRA-funded projects will be audited at some point. Not every benefits plan provider is equipped to handle the unique requirements to comply with the Davis-Bacon Act, so it's important to make sure any provider you partner with has experience in this competitive market.

Interested in learning more about ARRA jobs? Visit www.recovery.gov and/or www.recovery.org, which are great resources for learning about government jobs which might be appropriate for your company.



Adam Bonsky is the EVP of government markets for Fringe Benefit Group, an industry leader in the design and administration of prevailing wage benefit programs for government contractors since 1983. Adam is acutely aware of the challenges – and opportunities – facing the government contractor marketplace, especially considering the government's increasing focus on compliance. He may be reached at (800) 662-6177 or abonsky@contractorsplan.com