

# A guide to Minnesota's prevailing wage laws

## WHAT IS PREVAILING WAGE?

Prevailing wage is defined as the hourly wage, the usual benefits and overtime paid to the majority of workers, laborers and mechanics within a particular geographic area on state-funded construction projects. These projects can be highways, roads, wastewater treatment plants, JOBZ projects, schools, park and recreation improvements or any other project covered by law.

Wage rates are established for separate geographical areas throughout the state in the following areas.

1. Highway/heavy – construction and maintenance of highways, streets, airport runways, bridges, power plants, dams and utilities. The estimated total cost of completing the project is \$25,000 or more.
2. Commercial type construction – all building construction projects exclusive of residential construction. For the most part, the estimated total cost of completing the project is \$2,500 or more.
3. Residential construction or agricultural construction – all construction, remodeling or repairing of single- or two-family homes and private farm residences, including agricultural or farming buildings when used to carry on primary farming operations.
4. Truck rental rates – the rates that need to be paid to independent owner or operators of trucks on state highway and road projects.



## WHY IS IT REQUIRED?

In 1931, the federal government enacted the Davis-Bacon Act to prevent local wage standards from being undercut on federal construction projects by low bidders that imported cheap labor as a cost-cutting technique.

Amended in 1935, the Davis-Bacon Act required the payment of not less than the wages found by the Secretary of Labor to be "prevailing for the corresponding classes of laborers and mechanics employed on projects of a similar character in a local area such as a city, town, village, county or other civil subdivision of the state in which the project is to be performed."

Minnesota's prevailing wage law was enacted in 1973 after an incident where out-of-state workers, who earned much less than local workers, were hired for a University of Minnesota farm project.

## HOW DOES PREVAILING WAGE WORK?

Wage rates paid for comparable work are certified by the Department of Labor and Industry (DLI) as the prevailing rates after it conducts an annual survey of contractors, labor organizations and interested parties statewide.

State law requires each wage rate be based on the actual wage rates paid to the largest number of workers within each labor classification reported in the statewide survey. The rates are determined by mode – the most frequently occurring wage rate.

Rates are available on DLI's website at [dli.mn.gov/laborlaw](http://dli.mn.gov/laborlaw). To participate in the annual wage surveys, call 651-284-5091 to be added to the mailing list. Employers can complete the report online at [dli.gov/laborlaw](http://dli.gov/laborlaw).



## ENFORCEMENT AUTHORITY TO INVESTIGATE COMPLAINTS OF VIOLATIONS

The Minnesota Department of Transportation is the primary enforcing agency on all projects let out to bid for highway-related construction. DLI conducts all other investigations.

DLI is authorized to review payroll documents to determine compliance with prevailing wage rate provisions on all state projects.

Violators of prevailing wage regulations will be assessed back-wages that will be distributed to aggrieved employees and may be assessed penalties. The statute also allows for criminal penalties and prosecution in certain situations.

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## REQUIRED RECORDS AND RECORDKEEPING

Every employer on a prevailing wage project, from general contractor to subcontractor, is required to maintain records including:

- employee name and identifying number;
- prevailing wage master job classification;
- hours worked each day, total hours, rate of pay and gross amount earned;
- each deduction for taxes, total deductions and net pay for the week; and
- dollars contributed each hour for each benefit, including the name and address of the benefit administrator, the benefit account number and the telephone number for health and welfare, vacation or holiday, apprenticeship training, pension and other benefit programs.



The project contract must specifically state the prevailing wage rates, prevailing hours of labor and hourly basic rates of pay.

The contract must also provide that the contracting agency shall demand, and the contractor and subcontractor shall furnish to the contracting agency, copies of any or all payrolls not more than 14 days after the end of each pay period.

## CONTRACTING AGENCIES

Contracting agencies are responsible for contract compliance and are required to include the correct prevailing wage rate determination and notification of prevailing wage requirements in their contracts.

Failure to do so shall make the contracting agency liable for making whole the contractor or subcontractor for any increases in the wages paid.

Contracting agencies must also require certified payroll information biweekly, which the contractor or subcontractor must furnish.

## FILE A COMPLAINT

Complete the complaint form online at [dli.mn.gov/laborlaw](http://dli.mn.gov/laborlaw) or call 651-284-5091 to request a paper copy.



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