

**STATEMENT OF R. A. BARNHART, ADMINISTRATOR
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**HEARING BEFORE THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES
ON THE DAVIS-BACON ACT'S APPLICATION TO THE FEDERAL-AID HIGHWAY
CONSTRUCTION, HIGHWAY SAFETY, AND PUBLIC TRANSIT PROGRAMS**

MARCH 25, 1987

I am very pleased that this Committee has scheduled this hearing on the application of the Davis-Bacon Act to the highway and transit programs. Most of you know that this is a favorite subject of mine personally.

The Davis-Bacon Act requires the payment of the so-called "prevailing wage" rates on Federal government construction contracts over \$2,000. These federally determined wage rates are applied to Federal-aid highway projects performed by the States under section 113 of title 23, United States Code. The \$2,000 threshold has been in effect since 1935.

Since that time, inflation alone would have increased the threshold to about \$40,000. Last year, the President decided that the Administration would seek an increase in the Davis-Bacon threshold to \$100,000 for non-defense construction contracts. While our highway bill in the last Congress did not address the issue, during Senate passage of the highway legislation (S. 2405) last year, the Senate increased the threshold to \$250,000 for highway projects. The Department of Transportation supported the Senate's proposal to increase the threshold; we did not recommend an amount for the threshold.

One of my goals as Federal Highway Administrator has been to identify and eliminate a number of constraints on the Federal-aid highway program that inhibit efficient operation. According to an FHWA 1984 study, one of these major constraints is the Davis-Bacon requirements, which we estimate, have increased construction costs.

FHWA has adopted a policy of minimizing the cost of Davis-Bacon covered projects as much as possible within our own administrative authority. We have corresponded with the Department of Labor (DOL) with the aim of softening the inflationary effect of Davis-Bacon provisions on Federal-aid highway projects and together we are reviewing DOL's administrative procedures. Among the improvements we would like to see are revising the Copeland Act's requirement of the submission of weekly payrolls. FHWA is continuing efforts to explore opportunities to minimize the cost of covered projects and to work with DOL to establish more effective administrative procedures.

As a result of the many criticisms of the Act and my desire to eliminate costly constraints on the highway program, in 1984 I asked FHWA staff to examine thoroughly the Act's impacts on the highway program. Since that time, FHWA has continued that examination and our studies indicate that Federal prevailing wage legislation adds hundreds of millions of dollars to the annual cost of the Federal-aid highway construction program. These added costs are the result of artificially increased wage levels,

reduced efficiency in the use of labor, and the imposition of burdensome administrative and compliance costs.

On federal highway projects in Oakland we must pay over \$25 an hour for unskilled labor when the highest paid unskilled laborer on non-federally funded jobs earns less than \$22. In Kansas City, Missouri, a high school math teacher with 15 years experience and a Ph.D. makes one-cent more per hour than an unskilled laborer on a federally funded highway project in the same city, \$16.63 vs. \$16.62. And, if that laborer worked for the city or state government, the wage would be in the range of \$7 to \$7.25 per hour. In New York, unskilled labor runs about \$15.01 an hour, but on federally funded highway projects they are paid \$19.08, an additional \$4 an hour.

In closing I should mention another impact of the Davis-Bacon Act. The Act has spawned "little" Davis-Bacon enactments in the States. Some of these mirror the Federal law while others require even higher wage levels than the Federal law. These higher state wage rates also increase Federal-aid highway construction costs. I greatly appreciate the attention that this committee has given to highlighting this crucial issue during a time when every effort must be made by every agency to live within the budget. I will be glad to answer any questions. Thank you for your consideration.

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