Davis-Bacon Prevailing Wages and State Revolving Loan Programs Under the Clean Water Act and the Safe Drinking Water Act

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Summary

The Davis-Bacon Act requires employers to pay workers on federal construction projects at least locally prevailing wages and fringe benefits. These wages and benefits are the minimum hourly wages and benefits that employers must pay workers. In order to hire and retain workers, employers may pay more than locally prevailing wages or benefits. Supporters of the Davis-Bacon Act maintain that it creates stability in local construction and labor markets and ensures that projects are built by the most skilled and experienced workers. Critics of the act argue that it impedes competition, raises construction costs, and imposes additional administrative requirements on contractors.

The Federal Water Pollution Control Act, commonly called the Clean Water Act (CWA), authorizes appropriations to states to operate state revolving loan funds (SRFs) that finance the construction of wastewater treatment plants. The Safe Drinking Water Act (SDWA) authorizes appropriations for SRFs to finance the construction of public drinking water systems. An issue for Congress is whether to apply Davis-Bacon prevailing wages to projects financed by the state revolving loan programs under the CWA and SDWA.

The SDWA has a Davis-Bacon provision, but the provision predates, and does not apply to, the state revolving loan program. The CWA states that Davis-Bacon prevailing wages apply to projects that are “constructed in whole or in part before fiscal year 1995” with funds from the revolving loan program. Authorization for appropriations expired at the end of FY1994 for the CWA and the end of FY2003 for the SDWA. Nevertheless, Congress has continued to appropriate funds for the SRFs under both statutes.

After the authorization of appropriations for the SRFs under the CWA expired at the end of FY1994, Davis-Bacon coverage was the subject of considerable debate. In 1995, the Environmental Protection Agency (EPA) issued a memorandum stating that projects that began construction after the end of FY1994 did not have to comply with the Davis-Bacon requirements. However, the Building and Construction Trades Department (BCTD) of the AFL-CIO disagreed with EPA’s interpretation of the law. The BCTD argued that Davis-Bacon coverage applied to projects funded by the SRFs as long as Congress continued to appropriate funds for the program. In June 2000, EPA and the BCTD proposed a settlement agreement that would require states to ensure that prevailing wages are paid for work performed on projects funded through the SRF program “for as long as grants are awarded to the states.” The agreement was to take effect in July 2001. Later, the implementation date was moved to September 2001, and then to October 2001. It does not appear that the settlement agreement was ever implemented.

The American Recovery and Reinvestment Act (ARRA) provided FY2009 supplemental appropriations funds to the CWA and SDWA SRFs, and required Davis-Bacon prevailing wages on projects funded in whole or in part by the act. Regular appropriations for EPA for FY2010 and FY2012 included provisions that applied Davis-Bacon prevailing wages to projects financed by the state revolving loan programs under both the CWA and SDWA. As interpreted by the EPA, regular appropriations for the EPA for FY2010 required Davis-Bacon prevailing wages on any project funded with FY2010 appropriations or any agreement executed in FY2010, even if the funds were appropriated in a prior year. Appropriations for FY2012 required Davis-Bacon prevailing wages for projects funded under both revolving loan programs for FY2012 and future fiscal years.
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The Davis-Bacon Act (DBA) requires employers to pay workers on federal construction projects at least locally prevailing wages and fringe benefits. These wages and benefits, which are determined by the U.S. Department of Labor (DOL), are the minimum hourly wages and benefits that employers must pay workers. In order to hire and retain workers, employers may pay more than locally prevailing wages or benefits.

Supporters of the Davis-Bacon Act maintain that it creates stability in local construction and labor markets and ensures that projects are built by the most skilled and experienced workers. Critics of the act argue that it impedes competition, raises construction costs, and imposes additional administrative requirements on projects that receive financial assistance from the federal government.

The Federal Water Pollution Control Act, commonly called the Clean Water Act (CWA), authorizes appropriations to states to operate state revolving loan funds (SRFs) that finance the construction of wastewater treatment plants. The Safe Drinking Water Act (SDWA) similarly authorizes appropriations for SRFs to finance the construction of public drinking water systems.

In addition to the Davis-Bacon Act itself, Congress has added Davis-Bacon prevailing wage requirements to several statutes. The SDWA has a Davis-Bacon provision, but the provision predates the state revolving loan program. The CWA states that Davis-Bacon prevailing wages will apply to projects “constructed in whole or in part before fiscal year 1995.” Authorization for appropriations expired at the end of FY1994 for the CWA and the end of FY2003 for the SDWA. Nevertheless, Congress has continued to appropriate funds for the SRFs under both statutes.

After the authorization of appropriations for the SRFs under the CWA expired at the end of FY1994, Davis-Bacon coverage was the subject of considerable debate.

An issue for Congress is whether to apply Davis-Bacon prevailing wages to projects financed by the state revolving loan programs under the CWA or SDWA. The American Recovery and Reinvestment Act (ARRA) provided FY2009 supplemental appropriations to both revolving loan programs, and required Davis-Bacon prevailing wages on projects funded in whole or in part by the act. As interpreted by the Environmental Protection Agency (EPA), regular appropriations for the EPA for FY2010 required Davis-Bacon prevailing wages on any project funded with FY2010 appropriations or any agreement signed in FY2010, even if the funds were appropriated in a prior year. EPA appropriations for FY2012 requires Davis-Bacon prevailing wages for projects funded under both revolving loan programs for FY2012 and future fiscal years.

This report reviews the prevailing wage requirements of the DBA and discusses whether prevailing wages must be paid to workers on construction projects funded by the revolving loan

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Congress may continue to appropriate funds for a program even if an existing authorization of appropriations does not contemplate the availability of such funds. See U.S. Government Accountability Office (GAO), Principles of Federal Appropriations Law, vol. 1, 3rd ed., GAO-04-261SP, January 2004, p. 2-41 (“There is no general requirement, either constitutional or statutory, that an appropriation act be preceded by a specific authorization act.... The existence of a statute (organic legislation) imposing substantive functions upon an agency that require funding for their performance is itself sufficient authorization for the necessary appropriations.”).
programs established by the CWA and SDWA. The report also summarizes legislation that requires the payment of Davis-Bacon wages on projects funded by the two revolving loan programs.

The Davis-Bacon Act (DBA)

The DBA of 1931, as amended, requires employers to pay at least locally prevailing wages and fringe benefits to workers employed on contracts in excess of $2,000 to which the federal government is a party. The act applies to the construction, alteration, or repair of public buildings and public works. The purpose of the act is to stabilize local construction and labor markets by ensuring that contractors pay wages and fringe benefits that are consistent with local labor markets.

Congress has added Davis-Bacon prevailing wage requirements to other statutes, including the CWA and SDWA. Under these so-called “related acts,” Davis-Bacon wages apply to federal construction projects that are funded through grants, loans, loan guarantees, or other forms of financing. These related acts cover construction in such areas as transportation, housing, and water pollution control.

Each contractor subject to the Davis-Bacon prevailing wage requirements must furnish a weekly payroll statement to the contracting agency. The statement must include the name of each covered worker and the worker’s job classification, hourly rate of pay, and number of hours worked.

DOL publishes locally prevailing wages and fringe benefits for four types of construction: residential, building, highway, and heavy construction. Davis-Bacon prevailing wages and fringe benefits are based on DOL surveys of construction contractors, subcontractors, and building trades unions. The surveys collect information on wages and fringe benefits paid to workers on active construction projects.

The Clean Water Act (CWA)

Congress enacted the CWA in 1948 to improve water quality in the United States. While the CWA sought initially to provide states with technical assistance, it has been amended several times to provide financial assistance for pollution control projects.

See 40 U.S.C. §3142(a) (“The advertised specifications for every contract in excess of $2,000, to which the Federal Government or the District of Columbia is a party for construction, alteration, or repair, including painting and decorating, of public buildings and public works of the Government or the District of Columbia that are located in a State or the District of Columbia and which requires or involves the employment of mechanics or laborers shall contain a provision stating the minimum wages to be paid various classes of laborers and mechanics.”); 40 U.S.C. §3142(b) (“The minimum wages shall be based on the wages the Secretary of Labor determines to be prevailing for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work in the civil subdivision of the State in which the work is to be performed, or in the District of Columbia if the work is to be performed there.”).

For a list of these related acts, see Appendix A to Part 1 of 29 C.F.R. Subtitle A.


In this section, the legislative history of the Clean Water Act is derived from CRS Report RL31491, Davis-Bacon Act Coverage and the State Revolving Fund Program Under the Clean Water Act, by William G. Whittaker; CRS Report (continued...)
times to accomplish other goals. In 1956, Congress adopted legislation (P.L. 84-660) that created the Construction Grants Program, which provided grants directly to local governments for the construction of municipal wastewater treatment plants. Subsequent amendments expanded the grants program in order to aid communities in meeting the goals and performance requirements of the act. In addition, amendments adopted in 1972 require construction contractors to pay at least locally prevailing wages on projects “for which grants are made” under the CWA. This requirement is included in Section 513 of the CWA.9

In 1987, Congress again amended the CWA (P.L. 100-4) to phase out the Construction Grants Program and establish the State Water Pollution Control Revolving Fund Program.10 Under the loan program, Congress appropriates funds to states for capitalization grants. The Environmental Protection Agency (EPA) allocates the funds to the states based on a formula included in the CWA. States provide a matching amount equal to 20% of the capitalization grants they receive from the program. The states then make loans or provide other financial assistance to local governments for the construction of wastewater treatment facilities. As local governments repay the loans to states, the states loan the money to other local governments—hence, the revolving nature of the program.

The 1987 amendments also added Section 602(b)(6) to the CWA.11 Section 602(b)(6) states that Section 513 applies to projects “constructed in whole or in part before fiscal year 1995 with funds directly made available by capitalization grants.” Under the 1987 amendments, federal grants to capitalize the SRFs were expected to end with FY1994, the last year identified in the authorization of appropriations. Although Congress has not updated the section of the CWA that authorizes appropriations for the SRFs, it has appropriated funds for capitalization grants each fiscal year since 1994.

After FY1994, questions arose over whether the Davis-Bacon prevailing wage requirements also expired. In 1995, EPA issued a memorandum in which it said that projects that began construction after the end of FY1994 did not have to comply with the requirements of Section 602(b)(6).12 The Building and Construction Trades Department (BCTD) of the AFL-CIO disagreed with EPA’s interpretation of the law. The BCTD argued that Davis-Bacon coverage applied to projects funded by the SRFs as long as Congress continued to appropriate funds for the program. The BCTD asked DOL to rule that Davis-Bacon requirements continued to apply to projects that began after FY1994 and were funded with assistance from the SRFs.

In June 2000, EPA and the BCTD proposed a settlement agreement that would require states to ensure that prevailing wages were paid for work performed on projects funded through the SRF program “for as long as grants are awarded to the states.”13 EPA indicated that it was “persuaded

(...continued)

10 For fiscal years 1989 and 1990, Congress provided funds for both direct grants to the states and capitalization grants to the SRF program.  
13 Id.
of the appropriateness of the view that CWA section 513 imposes a continuing, independent obligation on the Agency to ensure that Davis-Bacon Act requirements apply to the grants made under the CWA for treatment works, including capitalization grants."\textsuperscript{14} Under the agreement, the BCTD would also agree to avoid further legal action before DOL or any other federal agency.

The final settlement agreement between EPA and the BCTD appeared in the \textit{Federal Register} in January 2001.\textsuperscript{15} The agreement was to take effect in July 2001. But, on June 19, 2001, EPA indicated that it would not implement the terms of the settlement agreement because it believed that Section 513 of the CWA was precluded by Section 602(b)(6), which addresses projects “constructed in whole or in part before fiscal year 1995.”\textsuperscript{16} Although EPA stated that it would publish a formal notice of its changed position in the \textit{Federal Register}, it does not appear to have done so. It was reported in September 2001 that EPA was delaying implementation of the settlement agreement until October 1, 2001.\textsuperscript{17} It does not appear that the settlement agreement was ever implemented.\textsuperscript{18} As discussed below, in recent legislation Congress has imposed Davis-Bacon prevailing wage requirements on projects that receive financial assistance from SRFs under the CWA.

The Safe Drinking Water Act (SDWA)

Congress approved the SDWA in 1974 to protect the quality of public drinking water supplies in the United States.\textsuperscript{19} EPA may regulate drinking water contaminants pursuant to the SDWA. In 1996, Congress amended the SDWA (P.L. 104-182) to create a state revolving loan program modeled after the loan program in the CWA. The purpose of the revolving loan program is to help public water systems finance improvements needed to comply with federal drinking water regulations. The 1996 amendments authorized the EPA to make grants to states to capitalize Safe Drinking Water SRFs. States must provide a match equal to 20% of their annual grant. Funding authority for the Safe Drinking Water SRFs expired at the end of FY2003. Nevertheless, Congress has appropriated funds for capitalization grants each year since.

The SDWA contains a Davis-Bacon provision, but the provision predates the state revolving loan program. Section 1450(e) of the SDWA states that the EPA Administrator “shall take such actions as may be necessary to assure compliance with provisions of [the Davis-Bacon Act].”\textsuperscript{20} In 2004,

\textsuperscript{14} Id.
\textsuperscript{17} \textit{Prevailing Wage Rule Delayed on Some State Projects}, Daily Labor Report (BNA) No. 177, at A-14 (September 14, 2001).
\textsuperscript{18} See \textit{Davis-Bacon Coverage on Water Projects Approved by Senate Environment Committee}, Daily Labor Report (BNA) No. 97, at A-10 (May 20, 2002) (“Agreement was reached early last year that the Davis-Bacon Act would apply on these projects under a settlement reached between EPA and the Building and Construction Trades Department of the AFL-CIO... Since the settlement was reached, EPA has ‘withheld implementation,’ one union source said.”).
\textsuperscript{20} 42 U.S.C. §300j-9(e) (“The Administrator shall take such action as may be necessary to assure compliance with (continued...)
as the Senate considered legislation that would have amended the SDWA to require the payment of prevailing wages for projects financed with assistance provided from a Safe Drinking Water SRF. The Senate Committee on Environment and Public Works observed: “As enacted, Davis Bacon applies only to those contracts to which the Administrator or Federal Government is a contractee. In the case of the SRF, the contracts are between the State and the municipality and therefore, Davis Bacon does not apply to the SRF.”

Legislation to Apply Davis-Bacon Prevailing Wages to State Revolving Loan Funds

In recent Congresses, legislation has been enacted that requires Davis-Bacon prevailing wages on projects that receive financial assistance from SRFs under both the CWA and SDWA. Other legislation has been considered that would have applied Davis-Bacon wages to projects funded by both programs.

Appropriations Acts for the CWA and SDWA State Revolving Loan Funds (SRFs)

Appropriations acts for EPA for FY2010 and FY2012 included provisions that applied Davis-Bacon prevailing wages to projects financed by the state revolving loan programs under both the CWA and SDWA.

Appropriations Act for FY2012

The Consolidated Appropriations Act, 2012 (P.L. 112-74) provided capitalization grants to the Clean Water SRFs and Safe Drinking Water SRFs for FY2012. The act applies Davis-Bacon prevailing wages to projects funded under both revolving loan programs for FY2012 and future fiscal years. Specifically, P.L. 112-74 stated:

For fiscal year 2012 and each fiscal year thereafter, the requirements of section 513 of the Federal Water Pollution Control Act (33 U.S.C. 1372) shall apply to the construction of treatment works carried out in whole or in part with assistance made available by a State water pollution control revolving fund as authorized by title VI of that Act (33 U.S.C. 1381 et seq.), or with assistance made available under section 205(m) of that Act (33 U.S.C. 1285(m)), or both.

For fiscal year 2012 and each fiscal year thereafter, the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project...
carried out in whole or in part with assistance made available by a drinking water treatment revolving loan fund as authorized by section 1452 of that Act (42 U.S.C. 300j-12).22

**Appropriations Act for FY2010**

The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010 (P.L. 111-88) provided capitalization grants to the Clean Water SRFs and Safe Drinking Water SRFs for FY2010. The legislation stated that prevailing wages would be required for work performed on construction projects carried out in whole or in part with funds from the two SRFs:

For fiscal year 2010 the requirements of section 513 of the Federal Water Pollution Control Act (33 U.S.C. 1372) shall apply to the construction of treatment works carried out in whole or in part with assistance made available by a State water pollution control revolving fund as authorized by title VI of that Act (33 U.S.C. 1381 et seq.), or with assistance made available under section 205(m) of that Act (33 U.S.C. 1285(m)), or both.

For fiscal year 2010 the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j–9(e)) shall apply to any construction project carried out in whole or in part with assistance made available by a drinking water treatment revolving loan fund as authorized by section 1452 of that Act (42 U.S.C. 300j–12).23

In November 2009, EPA provided guidance on the FY2010 appropriations and the payment of prevailing wages. In a memorandum to water management division directors, EPA announced that Davis-Bacon coverage would extend to any “assistance agreement” funded with FY2010 appropriations. EPA also stated that Davis-Bacon coverage would extend to any agreement executed during FY2010, even if the source of the funds was a prior year’s appropriations.24 EPA noted the following:

States must include in all assistance agreements, whether in the form of a loan, bond purchase, grant, or any other vehicle to provide financing for a project, executed on or after October 30, 2009 (date of enactment of P.L. 111-88), and prior to October 1, 2010, for the construction of treatment works under the CWSRF or for any construction under the DWSRF, a provision requiring the application of Davis-Bacon Act requirements for the entirety of the construction activities financed by the assistance agreement through completion of construction, no matter when construction commences.

Application of the Davis-Bacon Act requirements extends not only to assistance agreements funded with Fiscal Year 2010 appropriations, but to all assistance agreements executed on or after October 30, 2009 and prior to October 1, 2010, whether the source of the funding is prior year’s appropriations, state match, bond proceeds, interest earnings, principal repayments, or any other source of funding so long as the project is financed by an SRF assistance agreement. If a project began construction prior to October 30, 2009, but is financed or refinanced through an assistance agreement executed on or after October 30,

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22 P.L. 112-74, Consolidated Appropriations Act, 2012, Division E, Title II.
23 P.L. 111-88, Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010, Division A, Title II.
2009 and prior to October 1, 2010, Davis-Bacon Act requirements will apply to all construction that occurs on or after October 30, 2009, through completion of construction.25

Although some questioned the breadth of the November 2009 guidance, it appears possible to interpret the SRF funding provisions in the FY2010 appropriations measure to allow Davis-Bacon coverage to extend to projects that were financed with funds appropriated in prior years.26 P.L. 111-88 stated that prevailing wages were required for projects “carried out in whole or in part with assistance” from the SRFs. Thus, the measure did not seem to limit the application of the Davis-Bacon requirements to projects funded only with appropriations for FY2010.

Concerns were raised about the effect of imposing Davis-Bacon prevailing wage and reporting requirements on all projects that received assistance from the SRFs in FY2010. Some argued that the requirements could affect projects that were already planned. For example, the requirements could affect cost estimates, contract preparation, and administrative costs. It was also argued that the requirements could cause some projects to be delayed.27

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (P.L. 111-5, ARRA) provided supplemental appropriations for FY2009 to the state revolving loan programs. Section 1606 of ARRA required the payment of prevailing wages for work performed on projects “funded directly by or assisted in whole or in part by and through the Federal Government” pursuant to the act. Thus, while Davis-Bacon prevailing wage requirements already applied to much of the construction funded by ARRA, Congress imposed Davis-Bacon requirements on all construction projects funded by the act.

Reauthorization of CWA and SDWA

In several recent Congresses, legislation has been reported, but not enacted, that would have reauthorized appropriations for the CWA and SDWA state revolving fund loan programs and would have extended Davis-Bacon prevailing wage requirements to those programs.28 In the 111th Congress, the Senate Environment and Public Works Committee reported S. 1005, the Water Infrastructure Financing Act. In addition to authorizing additional funding for the SRFs under both the CWA and SDWA, the legislation required Davis-Bacon prevailing wages on all projects financed in whole or in part by a state revolving loan fund. The bill applied Davis-Bacon both to the initial loans made by an SRF with funds from a new congressional appropriation and, as communities paid back the loans, to loans made using these repayments.

25 Id.
27 For example, see the Council on Infrastructure Financing Authorities, Request for Clarification of Congressional Intent in the FY 2010 Budget for the Environmental Protection Agency Relative to Capitalization Grants to the Clean Water and Drinking Water State Revolving Funds and the Application of Davis-Bacon Wage Rates to Projects Receiving Assistance Through that Appropriation, available at http://cifanet.org/documents/DavisBaconCongress.pdf.
28 For additional discussion, see CRS Report R42883, Water Quality Issues in the 113th Congress: An Overview, by Claudia Copeland.

Congressional Research Service
In the 111th Congress, the House passed H.R. 1262, the Water Quality Investment Act of 2009. The legislation reauthorized the CWA SRF program for five years and applied Davis-Bacon prevailing wages to all projects financed in whole or in part through an SRF. Also in the 111th Congress, the House Energy and Commerce Committee reported H.R. 5320, the Assistance, Quality, and Affordability Act of 2010. As approved by the full committee, H.R. 5320 applied Davis-Bacon prevailing wages to projects financed through a SDWA revolving loan fund.

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