

# ARDOT Newsletter

September 2023



## SUPPORTIVE SERVICES

- Construction Management Program
- Business Development Program
- Capability Statement Design
- Business Plan Development
- Technical Assistance



## New Prevailing Wage Rule Will Impact Construction Industry

The U.S. Department of Labor made big news on Aug. 8 when it finalized a new wage calculation rule. It benefits construction workers on federally funded projects and is likely the most substantial overhaul to Davis-Bacon Act prevailing wage requirements in decades.

### UNDERSTANDING THE DAVIS-BACON ACT

According to the Davis-Bacon and Related Acts, adopted in 1950, the DOL has the authority to determine the prevailing wage, issue and manage regulations for federal agencies that fund projects, and enforce Davis-Bacon standards. The Davis-Bacon Act applies to contractors and subcontractors working on construction contracts budgeted at more than \$2,000 that are assisted or fully funded by a federal contract to build, repair or alter public works and buildings. Under the Davis-Bacon Act, contractors and subcontractors are required to pay their contracted mechanics and laborers at least the local prevailing wage, which the DOL sets.

### THE PREVIOUS STANDARD

In the event that there is no single prevailing wage for the majority of workers in a specific classification in a given area, the DOL has been using a weighted average for determining the prevailing wage. With that method, the total wages for a specific classification of workers in an area were divided by the number of workers. That average was considered the prevailing wage.

### WHAT THE NEW RULE STATES

Based on the new standard, if there is no single prevailing wage for most workers, the prevailing wage for federal construction projects can be determined according to the 30% rule, which represents the wages paid to at least 30% of workers with a specific classification and within a particular locale.

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## Correlating Your Business Model to Profitability

Create your company scorecard & pursue growth

Whether you identify your business model or not, your company does have one. Your company operates with specific infrastructure that includes processes, culture, and priorities.

I practiced in public accounting for 18 years, specializing with contractors, and I oversaw 125 audits and reviews each year before I sold my practice. One perspective gained was the disparity in profitability across companies with similar projects, specialties, and size. Business is competitive where creativity, infrastructure, leadership, and organizational skills make a difference.

A business plan lays out a map for marketing, financial planning, and operations. A business model describes how an organization creates, delivers, and captures value in economic, social, cultural, or other contexts. This article focuses on the part of your business model that makes your company profitable. It should provide visibility with respect to your financial position and where you are heading financially. It should include the mechanics of how you control costs and make money.

Identifying, analyzing, and documenting your business model can help with visibility, perspective, and improvements. Changes in the field can be driven by the quality of your information flow. This flow should include estimating, field, office, and other processes. It should include financial statements that provide accurate results.

Managing your company through your financial statements is where every larger organization started. They would not have gotten to where they are without this priority. Managing your business with good project and financial data is the key to profits and growth. Improve the quality of your monthly financial statements so it becomes a great scorecard or report card.

Software is not better just because many companies you know use it. Distinguish yourself by using a system that is more efficient, is easier to use, is flexible, supports both the field and the office, and has the features that provide better visibility and accountability. Features should include automating the percentage of completion method of accounting where wage and over/under billings accruals are automated and where a full summary of contracts (the schedule ties to the income statement) is generated, and wages are reported as of the work date (geo timecards and automated accrued wages).

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## About The ARDOT

The goal of the DBE Supportive Services Program is to increase the number of DBEs participating on ARDOT contracts and facilitate the opportunity for DBEs to obtain contracts. The services are designed to:

- Assist established construction firms to move them from bidding as a subcontractor to bidding as a Prime Contractor to produce sound bids.
- Provide access to training increases DBE expertise in handling of daily business operations.



**CEI DBE Supportive Services**

**(800) 423-7058**

**[www.arbdesupport.com](http://www.arbdesupport.com)**