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STATE OF CONNECTICUT
DEPARTMENT OF HOUSING



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CDBG Small Cities Bulletin

Bulletin Number: 2025-02 CT State Prevailing Wage Rates Update

To: Small Cities Grantees, State Sponsored Housing Portfolio, and Interested Parties
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Subject: **CT State Prevailing Wage Rates Update**

As many of you are probably aware, there have been substantial increases in wage rates in several job classifications, resulting in corresponding construction cost increases. Unlike federal prevailing wage rates, CT state prevailing wage rate changes annually impact public work projects every July 1st. In this Bulletin we hope to provide you guidance regarding how the Department and the Connecticut Housing Finance Authority will work with you to address as we continue to move forward.

We are providing the following guidance regarding the State Prevailing Wage increases for SSHIP/CDBG Small Cities projects. Please review the following:

1. All projects that have initial closed should continue construction or begin construction immediately.
2. All projects have hard cost contingencies that should be utilized for unforeseen conditions, including State Prevailing Wage (SPW) labor rate increases.
3. Any SPW increases should be submitted as change in orders on a monthly basis for the work that has been completed for that advance / requisition period.
4. Change Orders for SPW labor rate increases should NOT include overhead, profit or general requirements.
5. Change orders for add alternates or betterments will NOT be considered if there are significant SPW labor rate increases for the project.
6. If the hard cost contingency runs low due to the SPW labor rate increases, DOH will make good efforts to recapitalize the hard cost contingency to pay for the labor rate increases.
7. Additionally, DOH will be looking to utilize federal CDBG Small Cities funding when possible.
8. That a not-to-exceed is required when the GC has provided a PCO projecting total additional wage increase based on contract time.

Handling the impact of prevailing wage increases on construction projects requires proactive planning and communication, workforce management strategies, and potential adjustments to bidding strategies and project execution. Understanding the implications of these increases on labor costs, project budgets, and

timelines is crucial for successful project completion. The following are some strategies to address this issue.

Some Strategies for Managing Prevailing Wage Increases:

Budget Planning and Flexibility:

- Assess Budget Impact: Thoroughly evaluate how increased prevailing wages will affect the overall project budget. Consider past projects to gauge the impact of prevailing wage requirements on costs.
- Allocate Contingency Funds: Set aside contingency funds to accommodate potential cost overruns due to wage increases.
- Explore Funding Options: Examine potential funding adjustments or alternative funding sources to offset increased costs.

Workforce Management:

- Optimize Workforce Composition: Analyze the project's labor needs to determine the optimal mix of skilled and semi-skilled workers to minimize costs while meeting requirements.
- Collaborate with Training and Apprenticeships: Utilize registered apprenticeship programs to ensure a skilled workforce and potentially reduce reliance on more expensive labor.

Bidding and Contract Strategies:

- Review Bidding Practices: Adjust bidding strategies to account for increased labor costs and potential productivity improvements.
- Subcontractor Management: Carefully review contracts with subcontractors to ensure compliance with prevailing wage requirements and to manage potential cost increases.

Documentation and Compliance:

- Maintain Detailed Records: Keep meticulous records of payroll, worker classifications, and wage rates to demonstrate compliance with prevailing wage requirements.
- Regular Audits: Conduct regular internal audits to ensure compliance and identify potential issues early on.
- Seek Technical Assistance Advice: Consult with legal and accounting professionals experienced in prevailing wage compliance to ensure adherence to regulations.

Communication and Collaboration:

- Open Communication: Maintain open communication with housing authority representatives (staff and residents), municipality, development team members, funders to foster transparency and address concerns.

For more information about prevailing wage rates, a copy of the CDBG Grants Management Manual can be found at the following link: <https://portal.ct.gov/DOH/DOH/Additional-program-pages/Small-Cities-CDBG-SC-Grants-Management-Manual>. Should you have any questions concerning this bulletin, please contact your appropriate Small Cities and SSHIP project managers.