



August 15, 2025

ALL AGENCY MEMORANDUM NUMBER 251

TO: All Contracting Agencies of the Federal Government and the District of Columbia

FROM: Donald M. Harrison, III, Acting Administrator *Don H.*

SUBJECT: Update to the \$2.5 Million Threshold for Multiple Davis-Bacon Wage Determinations

The purpose of this All Agency Memorandum (AAM) is to update the \$2.5 million threshold that contracting agencies and the Wage and Hour Division (WHD) currently use to determine whether more than one wage determination applies to a Davis-Bacon and Related Acts (DBRA) covered project because there is substantial construction in a category of construction that is different from the overall project. When a project has construction items in a different category of construction, contracting agencies should generally apply multiple wage determinations when the cost of the construction in this different category exceeds either \$3.3 million or 20% of the total project cost. This AAM also identifies the method WHD will use for updating this monetary threshold in the future.

In 1978, WHD issued AAMs 130 and 131 to provide guidance to contracting agencies regarding the incorporation of wage determinations into federal or federally funded contracts subject to the Davis-Bacon labor standards provisions. AAM 130 explains the four general categories of construction for which WHD issues wage determinations (building, residential, highway, and heavy) and provides a brief description of the projects that are generally included in each category. AAM 131 provides further guidance for agencies when a project in one category of construction also includes "construction items that in themselves would be different categories of construction." AAM 131 at 1-2. AAM 131 explains that when a project includes construction items in an additional category of construction, an additional wage determination for that category should generally be applied to the project if "the construction items are substantial in relation to project cost." *Id.* (emphasis added). A single wage determination applies only "if construction items in a second category of construction are 'incidental' in function to the over-all character of a project ... and if there is not a substantial amount of construction in the second category." *Id.*

AAM 131 provides two guidelines for determining whether the cost of construction items in a different category is substantial. First, AAM 131 states that construction items in a different category are substantial if they comprise "more than approximately 20%" of the total project cost. AAM 131 at 2; *see also* AAM 130 at 2 n. 1. Second, AAM 131 states that "when a project is very large, items of work of a different character may be sufficiently substantial to warrant a separate

schedule even though these items of work do not specifically amount to 20 percent of the total project cost.”

From 1987 through 2020, WHD used \$1 million as the threshold indicator for determining whether the cost of construction items in a different category was substantial despite not exceeding 20% of total project costs. *See Prevailing Wage Resource Book, Tab 6, Davis-Bacon Wage Determinations*, at 11 (2015) (providing for multiple wage determinations if “items that fall in a separate type of construction will comprise at least 20% of the total project cost and/or cost at least \$1 million”); *see also Central Energy Plant*, ARB Case No. 01-057, 2003 WL 22312694, at *9 n.15 (ARB Sept. 30, 2003); WHD Field Operations Handbook Ch. 15, § 15fD2(b) (2016).

On December 20, 2020, WHD issued AAM 236 to update the threshold from \$1 million to \$2.5 million. AAM 236 stated that the increase to the threshold was necessary to account for inflation and the rising cost of construction if it was to serve as a reliable indicator of when construction items in a different category are substantial.

AAM 236 also indicated that WHD would review the monetary threshold annually to determine whether a further adjustment was appropriate and would issue further AAMs when such updates were warranted.

Having reviewed the current efficacy of the \$2.5 million monetary threshold, and, given the increase in inflation and construction costs since 2020, WHD concludes that it is necessary at this time to again update the threshold. This update will ensure that the threshold remains a relevant benchmark for assessing when construction items in differing categories are substantial, even if they do not account for more than 20 percent of the total project costs.

After considering several possible data sources that could be used for this and future updates, WHD has determined that it will adjust the monetary threshold based on the seasonally adjusted Producer Price Index (PPI) for construction for government. The PPI is a family of indexes managed by the U.S. Bureau of Labor Statistics that measures the average change over time in selling prices received by domestic producers of goods and services. The PPI for construction for government provides the data necessary for WHD to evaluate and, when appropriate, adjust the threshold to account for changes in the cost of construction for projects covered by the Davis-Bacon Act and Related Acts. Using the seasonally adjusted value, moreover, responds to high seasonal variations in parts of the country.

Basing any updates to the threshold on the seasonally adjusted PPI for construction for government ensures that the threshold is updated consistently, reasonably, and objectively.

Adjusting the 2020 threshold based on the seasonally adjusted PPI for construction for government results in a monetary threshold of \$3.3 million for 2025. Accordingly, in determining whether a project includes a substantial amount of construction items in a second (or third or fourth) category of construction, contracting agencies should determine whether the cost of the construction items in the different category of construction exceeds either \$3.3 million or 20% of the total project cost. When work in a different category exceeds either \$3.3 million or 20% of the total project cost, a contracting agency should generally apply the wage determination for the additional

category for work done in that category, and apply the wage determination for the overall project for all other work (unless another separate category also applies).

WHD will consider special situations for exceptions to this general rule on a case-by-case basis (e.g., where the cost of construction items in a different category is not significantly greater than \$3.3 million or 20% of the total project cost, and the contracting agency can demonstrate that applying multiple wage determinations would not reflect local area practice or would otherwise be inappropriate.) If a contracting agency wishes to request such an exception, or if any other questions arise as to whether a project requires additional wage determinations, the contracting agency should consult with WHD as soon as possible. Questions should be directed to the Division of Government Contracts Enforcement, Wage and Hour Division, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, D.C. 20210; telephone number (202) 693-0064.

In addition, WHD will continue to re-evaluate annually whether additional updates to the monetary threshold are warranted.