MN HOUSE RESEARCH

Prevailing Wage

August 2026

Overview

Minnesota's prevailing wage law applies to construction and public works projects with a state funding source, and requires that workers on a covered project be paid at least the prevailing wage rate that applies to their job. The applicable rate varies throughout the state based on the local wages being paid for similar work in the project's location. There are also specific prevailing wage laws that apply to certain types of projects and funding.

This publication explains the prevailing wage law, how prevailing wage is calculated, the projects covered by prevailing wage and their contract requirements (page 2), instances when specific prevailing wage laws apply (page 3), interaction with federal law (page 5), and enforcement of the law in Minnesota (page 5).

What is prevailing wage?

The Minnesota prevailing wage law was first established in 1973 and can be found in Minnesota Statutes, sections 177.41 to 177.44. Prevailing wage is the minimum hourly wage plus benefits that must be paid to workers, laborers, or mechanics on a construction or public works project paid for partly or entirely with state funds. The Department of Labor and Industry (DLI) determines the "prevailing wage" for particular jobs or job classes based on the wages being paid for comparable work in the county or region where the project is located. The number is not an average, but rather a mode, meaning the wage being paid most frequently for similar work in a particular area of the state. The state's prevailing wage rules are found in Minnesota Rules, parts 5200.1000 to 5200.1120.

What is included in the prevailing wage rate?

The prevailing wage rate has two parts: (1) the hourly minimum wage amount; and (2) the cost of fringe benefits such as retirement, health insurance, paid time off, or the employer contribution to other benefits. If the employer does not offer fringe benefits, the worker must be paid a cash amount for the required fringe rate instead. The prevailing wage law requires overtime of one-and-a-half times the hourly basic rate after working the "prevailing hours of labor" for a particular job, which cannot be more than eight hours per day or 40 hours in a workweek. This differs from state overtime requirements, which apply after 48 hours in a workweek, with no daily maximum.

How is the prevailing wage calculated?

DLI determines the prevailing wage by conducting surveys to gather information from contractors, contractor organizations, labor organizations, and other interested parties. The department has established rules that explain how it conducts the surveys. Minn. Rules, part

By **Marta James**, marta.james@house.mn.gov

5200.1050. The department determines which single wage (plus the cost of benefits) is being paid to the largest number of workers doing similar work in that county or region, and that wage (plus the benefits amount) becomes the certified prevailing wage rate for that particular job in that particular location. The process also includes classifying the types of labor, trade, or occupations being done, and determining the cost of fringe benefits and prevailing hours for the largest number of workers doing similar work in a local area.

What projects are covered by prevailing wage?

Whether state prevailing wage law applies to a project depends on if there is a state funding source, the estimated project cost, and the scope and nature of the project. State funding sources include general obligation bonds and specific types of state financing, such as a loan, grant, or tax credit. Prevailing wage requirements do not apply to a project where the total cost is expected to be under $25,000, or under $2,500, if only one trade or occupation is required to complete it. Other specific exceptions may apply.[1]

Generally, prevailing wage applies to a state construction or public works "project" that is: (1) "financed in whole or part by state funds;" or (2) "when the acquisition of property, predesign, design, or demolition is financed in whole or part by state funds." The law defines "project" broadly to include: "demolition, erection, construction, alteration, improvement, restoration, remodeling, or repairing of a public building, structure, facility, land, or other public work, which includes any work suitable for and intended for use by the public, or for the public benefit." Minn. Stat. § 177.42.

Prevailing wage requirements apply for the duration of a covered project, from acquisition, planning, and design, to demolition, building, and construction, and can include later repair or remodeling. Landscaping or land conservation or restoration may also be covered by prevailing wage if it is integral to a covered project or alters the nature of the land for public use or benefit, but routine landscape maintenance is generally excluded.

What are the certified prevailing wage rates?

DLI certifies prevailing wage rates for three types of state construction and public works projects:

1) **State highway and heavy construction and maintenance projects** with an estimated cost of $25,000 or more, such as highways, roads, streets, airport runways, bridges, power plants, and utilities. These rates also include highway truck rental rates and have historically been applied to covered land conservation and restoration projects.

2) **Commercial construction projects** estimated to cost $2,500 or more, including nonresidential public buildings or public works, land, structures, and facilities

[1] For example, Minnesota Statutes, section 177.43, subdivision 2, and Minnesota Rules, parts 5200.1070 and 5200.1106, which exclude workers involved in processing, manufacture, and delivery of project material and certain apprentices.

intended for public use or benefit, including schools, public trails, park shelters, and buildings paid for by state dollars or on state land.

3) **Residential and agricultural construction projects**, including building, remodeling, and repair of single- and two-family homes, and agricultural or farming buildings used for primary farming operations.

DLI determines the applicability of prevailing wage law to an individual project on a case-by-case basis, and the applicable prevailing wage rate will depend on the type of work being done and the project location.[2]

What are the contract requirements?

A state bid or contract for a project covered by the prevailing wage law must include the applicable prevailing wage rates, prevailing hours of labor, and hourly basic rates of pay that apply to the project. This information must also be posted on the project site. A covered contract must include specific compliance language provided by DLI outlining the prevailing wage obligations.[3] And the contract must require the contracting agency to demand, and the contractor and subcontractor to provide, certified payroll records at least 14 days after the end of each pay period. Grantees, loan recipients, and project owners must maintain the certified payroll records for three years. Additionally, if required, the grantee or loan recipient must certify to DLI that they will pay the applicable prevailing wages to workers on the project site.

When does a specific prevailing wage law apply?

In addition to the general definition of a "project" under the prevailing wage law, there are various laws requiring payment of prevailing wage or imposing prevailing wage requirements on specific types of projects and funding.

Prevailing wage requirements apply to **highway construction and maintenance contracts** with the state under [Minnesota Statutes, section 177.44] and to the **construction of value-added agricultural product facilities** financed partly or entirely with the loans or grants listed under [Minnesota Statutes, section 177.435].

Various solar, electric, and renewable **energy-related construction projects** and funding require payment of prevailing wage or a willingness and ability to pay prevailing wage as listed in the table on page 4.

[2] This publication is for informational purposes only and is not legal or financial advice. For questions about an individual project, or the applicable certified rate, job classification, or code for a worker on a covered project, contact DLI, MnDOT, MHFA, or the relevant contracting agency, or visit DLI's prevailing wage website at: https://www.dli.mn.gov/prevailing-wage.

[3] The compliance statement under Minnesota Statutes, section 177.43, subdivision 3, can be found on DLI's website at: https://www.dli.mn.gov/business/employment-practices/prevailing-wage-contracting-agencies.

Border-to-border broadband development grant applicants under Minnesota Statutes, section 116J.395, receive priority if they meet prevailing wage requirements. However, last-mile broadband infrastructure projects are exempt from prevailing wage requirements under Minnesota Statutes, section 116J.398.

Projects **receiving state financial assistance for economic development related purposes** must meet prevailing wage requirements under Minnesota Statutes, section 116J.871. "Economic development" does not include rehabilitation of existing housing, single-family affordable housing projects with fewer than ten homes, or a housing project receiving less than $100,000 per project site. "Financial assistance" includes:

- state agency or Minnesota Housing Finance Agency (MHFA) loans to a single business of $500,000 or more, or grants to a single business of $200,000 or more, awarded for economic development purposes;
- a sales or use tax credit, reduction, or abatement as provided in chapter 297A that applies only to a specific geographic area and granted for economic development purposes; and
- MHFA financial assistance for new multifamily housing construction development or adaptive reuse projects financed with loans of $500,000 or more, or grants of $200,000 or more; and low-income housing tax credits for multifamily housing projects of more than ten units under Minnesota Statutes, section 462A.222.

Specific Prevailing Wage Requirements

Project	Funding	Minnesota Statute
Highway construction and maintenance contracts with the state	State funding	§ 177.44
Value-added agricultural product processing facilities construction	Loans and grants	§ 177.435
Renewable development funding	Renewable development account in special revenue fund	§ 116C.779, subd. 1, para. (u)
Community solar gardens	Community solar garden compensation	§ 216B.1641, subd. 6, para (c)
Electric school bus deployment	Grant program	§ 216C.374, subd. 6, para. (c), cl. (11)
Solar for schools	Grant program	§ 216C.375, subd. 6, para. (b), cl. (9)
Solar on public buildings	Grant program	§ 216C.377, subd. 11
Minnesota Climate Innovation Finance Authority (MnCIFA)	Loans over $100,000	§ 216C.441, subd. 6, para. (b), cl. 1
Residential electrical panel upgrades	Grant program	§ 216C.45, subd. 9

Project	Funding	Minnesota Statute
Public electric utility's mandatory distributed solar energy standard	For projects with a capacity exceeding 100 kilowatts to count toward compliance	§ 216B.1691, subd. 2h, para. (d)
Border-to-border broadband development	Grant program priority	§ 116J.395; subd. 6, para. (b), cl. (10)
State financial assistance for economic development-related purpose	Grants, loans, credits	§ 116J.871

Does the federal government have prevailing wage for federal projects?

Yes. The Davis-Bacon Act is the federal prevailing wage law that applies to federal construction projects. Enacted in 1931, the federal law is similar to Minnesota's law, but it uses a slightly different system to calculate the prevailing wage. Where Minnesota uses a mode for calculating the prevailing wage, the federal government uses one of two systems. If more than half of the workers in the survey are paid the same wage, then that wage is used, or if no majority emerges, then an average is used.

Depending on the individual project and source of funding, both the state and federal prevailing wage laws may apply. If both laws apply, the requirements for both laws must be met and the higher or more beneficial rate must be paid. Minneapolis, Saint Paul, Bloomington, and Duluth also have local prevailing wage laws.

Who enforces Minnesota's prevailing wage law?

DLI is responsible for enforcing prevailing wage requirements on state-funded projects, except with respect to highway-related construction projects, in which case enforcement and oversight is the responsibility of the Department of Transportation (MnDOT). MnDOT has a labor compliance unit for this purpose. The law authorizes DLI to investigate complaints, request payroll records, issue compliance orders, and require backpay or penalties for violations. The Minnesota Attorney General also has authority to enforce prevailing wage requirements under Minnesota Statutes, section 177.45.

MN HOUSE RESEARCH

Minnesota House Research Department provides nonpartisan legislative, research, and legal services to the Minnesota House of Representatives. This document can be provided in other formats.

www.house.mn.gov/hrd | 651-296-6753 | Third Floor, Centennial Office Building, St. Paul, MN 55155