

**NOTICE TO LOCAL AGENCIES AND A&E CONSULTING FIRMS WITH FEDERAL AID HIGHWAY FUNDED PROJECTS – JULY 1, 2016**

Beginning in July 1, 2013, the Federal Highway Administration (FHWA) initiated a Safe Harbor Cost Rate Test and Evaluation program for Architectural and Engineering (A&E) consulting firms involved in federal-aid highway funded projects in 12 designated states, including California. The FHWA established an indirect cost rate of 110%, which is below the industry average, for newly established A&E firms.

**The initial test and evaluation period was to expire on June 30, 2016. FHWA has informed participating states that the program has been extended through December 31, 2016.**

The Safe Harbor program provides a framework for A&E consulting firms to establish a cost history for the eventual development of an indirect cost rate compliant with Title 48 Code of Federal Regulation Section 31.

- Remove a financial management barrier inhibiting new, small, or disadvantaged but qualified architectural and engineering consulting firms from entering the local agency administered, Federally-funded engineering services market;
- Provide a framework for these consulting firms to establish a cost history for the eventual development of an indirect cost rate for the firm in accordance with the Federal Cost Principles; and
- Enhance State DOT oversight of consulting firm compliance with the Federal Cost Principles by allowing limited State DOT audit resources to shift to higher risk firms and contracts under a risk-based approach.

**POINTS OF CONTACT:** If you have any questions, please contact your District Local Assistance Engineer. For further information regarding the program and procedures, please review Caltrans Division of Local assistance Office Bulletin 13-07R at:

[http://www.dot.ca.gov/hq/LocalPrograms/DLA\\_OB/2013/ob13-07r.pdf](http://www.dot.ca.gov/hq/LocalPrograms/DLA_OB/2013/ob13-07r.pdf)