

**NOTICE TO LOCAL AGENCIES AND A&E CONSULTING FIRMS WITH FEDERAL AID HIGHWAY FUNDED PROJECTS – AUGUST 16, 2017**

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, small, or disadvantaged A&E firms.

**The initial test and evaluation period was extended once and was about to expire on July 31, 2017. FHWA has informed participating states that the program has been extended again to run through December 31, 2017.**

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)