Salary & Benefits Surveys Results in Action:
INDOT Commits to Increase Use of Lump Sum Contracts and Apply to On-Call Assignments

As the 2019 Annual Salary and Benefits Survey is underway, we want to share some good news with members about INDOT contracting that stems from the results of 2017 and 2018 surveys. Last June when INDOT announced that its annual rate adjustment would only be 2.5% on multi-year contracts effective July 1, 2019, ACEC Indiana expressed disappointment at the highest levels of the Administration and had the data to back it up. The surveys showed that the overall change in base salaries from 2016-2017 was +2.1% and from 2017-2018 was +4.9%, so the two-year rolling average was +4.5%.

As a result, Commissioner McGuinness met with leaders of ACEC Indiana in mid-January to discuss alternatives to the use of the Employment Cost Index (ECI) for consultant contract for labor rate adjustments on multi-year contracts to better reflect business conditions in Indiana and help retain appropriate workforce to carry out INDOT’s Next Level Roads Program, both consultants and INDOT staff.

ACEC Indiana made succinct recommendations that were beneficial to both INDOT and consultants to help deliver the Next Level Roads Program. In general, we urged for INDOT to use lump sum contracts as much as possible. Doing so provides certainty for both INDOT and consultant; allows more innovation for consultant to accomplish scope of work; and eliminates the need to make annual adjustment and conduct lengthy/costly audits. We also requested that for contracts that are not suitable on a lump sum basis, and require an annual labor rate adjustment, INDOT should eliminate artificial “caps” on overhead and hourly rates; instead, use consultant’s audited FAR overhead rate submitted with its prequalification documentation. This approach is FAR-compliant, and still allows negotiation between INDOT and consultant on specific scope of work to accomplish projects within agreed upon budget.

Finally, we asked to simplify LOI’s on routine projects, using a simple concept of on-line, one-page to ease review and reduce expense. On routine “bundled” projects, we suggested selecting one of the bundle for LOI submittal rather than all projects; it will show the approach of consultant while still meeting objectives of INDOT. For complex projects, it made sense to retain LOI’s as is presently done to allow consultants to show innovation more readily.

On March 1st, Commissioner McGuinness communicated that he agreed with the recommendation to increase use of lump sum contracts, and will also implement lump-sum payment to “on-call” contract assignments. He committed that dialog will continue on methodology to address multi-year contract rate adjustments and compensation for both INDOT and consultants; he encouraged ACEC Indiana to share best practices from other states that make sense for Indiana. Finally, he intended to continue discussion on LOIs with his team, and we will pursue it.

“ACEC Indiana takes it job seriously to protect the business interests of its member firms” stated President Shelby Swango, WSP. “I urge all member firms to participate in this year’s Annual Salary & Benefits Survey because the results are useful, not only to individual firms, but for our industry.”