



U.S. Department
of Transportation

Federal Highway
Administration

Memorandum

Subject: **ACTION**: Special Experimental Project No. 14
Pilot Program for Local and Veteran's Hiring
Incentive

Date: August 3, 2015

From: Thomas D. Everett /s/
Director, Office of Program Administration (HIPA-1)
Washington, DC

In Reply Refer To:
HIPA-30

To: Vincent Mammano
Division Administrator (HDA-CA)
Sacramento, CA

We are pleased to approve the request by the San Bernardino Associated Governments (SANBAG) to use a geographic labor hiring preference and veterans hiring preference on the I-10 Pepper Avenue Interchange project under the provisions of Special Experimental Project No. 14 (SEP 14). The SANBAG proposal is being advanced in response to the pilot [Contracting Initiative](#) announced by the U.S. Department of Transportation in a *Federal Register* Notice on March 6, 2015, intended to promote innovative contracting practices.

We reviewed SANBAG's letter of July 23 to the FHWA California Division Office submitting the work plan, contract provision and Local Hire Residency and Veterans Certification Form for review. We also reviewed the concurrences of the California Department of Transportation's Division of Local Assistance as well as that of the FHWA California Division Office.

SANBAG proposes to utilize hiring preference provisions made possible by the SEP-14 Pilot Program for the I-10 Pepper Avenue Interchange project and to award this contract to the lowest responsible and responsive bidder. The hiring preference provisions will allow the Contractor to receive an incentive of \$3.50 per hour for each local or veteran labor hour used on the project with a not-to-exceed incentive amount of \$50,000.00.

FHWA approves the proposed use of geographic labor hiring preference and veterans hiring preference provisions on a Federal-aid project under the experimental authorities of 23 U.S.C. 502 and SEP-14. FHWA also approves the proposed use of the hiring preference incentive provision, as the incentive costs associated with the approval are eligible for participation as surface transportation workforce development and training costs, authorized by 23 U.S.C. 504(e)(3), which provides for the use of Federal-aid formula funds for surface workforce development and training.

The workplan is approved, subject to the following conditions:

1. SANBAG finalizes and submits to FHWA for information the amount of the incentive.
2. As a method of evaluating the impact of the incentive on competitive bidding, SANBAG should plan to interview Contractors that bid on the project or purchase bid sets. Also, the number of bids received for this project will be compared against a suitable number of projects of similar scope and cost, including those recently constructed or scheduled to be awarded a few months after the subject project. This would include the SR-210/Pepper Interchange project.
3. SANBAG will supplement the contractor interviews with an analysis of bid data from a suitable number of projects of similar scope and cost. This data analysis would include, but is not necessarily limited to comparisons of:
 - a. Unit cost information of major items
 - b. Unit cost information of items expected to utilize labor hired under the Local and Veterans Hiring Preference Incentive Plan
 - c. Total bid cost

If you have any questions, please contact John Huyer of my office at John.Huyer@dot.gov or (651)291-6111.