



Memorandum

Subject: **ACTION:** California Local Labor Hiring Preference
under Special Experimental Project No. 14 (SEP-14)

Date: March 4, 2016

From: Thomas D. Everett
Director, Office of Program Administration
Washington, DC

In Reply Refer To:
HIPA-30

To: Vincent Mammano
Division Administrator
Sacramento, CA

We have received a March 2, 2016 email from Steve Pyburn of your office transmitting the following documents regarding the Caltrans Local Labor Hiring Preference (LLHP) SEP-14 workplan:

- A March 2 cover letter from Karla Sutliff of Caltrans, which transmitted a revised Caltrans' Local Hiring Preference (LHP) SEP-14 Workplan for a project on Interstate-5 in Los Angeles County from PM 13.8 to 19.2. Also included in the cover letter was a conforming affirmative certification for each of the three (3) statements made in Section 192 of the FY 2016 Appropriations Act.
- The revised Caltrans' LHP SEP-14 Workplan for a project on Interstate-5 in Los Angeles County from PM 13.8 to 19.2., and
- Draft Special Provision 5-1.10 Local Labor Hiring Incentive.,

On January 26, we received an email from Steve Pyburn of your office endorsing the Caltrans LLHP SEP-14 workplan.

The Caltrans 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. Continued use of LLHP provisions is contingent upon the extension of the Contracting Initiative Pilot Program by the US DOT.

Under the proposed workplan, the prime contractor will not be required to meet a local hiring goal. The prime contractor will be granted an incentive of \$10.00 per hour for every prime contractor local labor hour above 10% local labor hours performed on the project by prime contractor employees, with a maximum total incentive of \$350,000. To obtain the incentive, the prime contractor must submit a request for incentive each month showing local labor hours worked by the prime contractor was greater than 10% of the total labor hours. In addition, the prime contractor must submit certified payrolls and a self-certifying disclosure form with residency information of local employee labor hours worked. The certified disclosure form will be sorted to show local labor hours from non-local labor hours.

One of the goals of this pilot project is to analyze the specific effect of the LLHP on the local economy. The general effect is anticipated to increase local employee income and decrease local unemployment without limiting bidder competition.

FHWA approves the proposed use of geographic labor hiring preference contract 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\(e\)](#), which provides for the use of Federal-aid formula funds for Surface Transportation Workforce Development, Training and Education.

The workplan is approved, subject to the following conditions:

1. Add the following after the first paragraph of Section F.

The initial report will be prepared within 60 days after the award of contract. The initial report will include a description of any concerns raised by stakeholders following approval of the proposal and any identifiable effects on the bids received.

If you have any questions, please contact the following:

Gerald Yakowenko at Gerald.Yakowenko@dot.gov or (202)366-1562

John Huyer at John.Huyer@dot.gov or (651)291-6111