

Number: 25-77

Proposed Title: *Billing governance for Construction Contracts regarding In-field and FCCM rates*

1. Concisely describe the **transportation issue** (including problems, improvements, or untested solutions) that Oregon needs to research.

In construction claims/payment processing, ODOT is not utilizing what is termed “Field OH/FCCM” rates (Field Rate % and Office Rate %) as effectively as we might. The causes errors which may result in ODOT underestimating total payment to the vendor. There is some knowledge needed regarding governance and rules using of “field rates” versus “office rates” or even if they can be submitted by construction vendors. This seems relevant considering organizational changes since COVID and telecommuting policy changes both in the private and public sectors. As a background in the process, an Estimated Salary Rate (ESR) table is agreed upon between the consultant and ODOT. This is the flat hourly rate that will be paid for a specific job/role classifications. There is a minimum and a maximum allowed rates, however, there other fields used to calculate the total payment to the vendor. They are OH% (& maybe FCCM%) rates that (along with profit) are used to complete the loaded rate calculation. The OH% as negotiated is estimated to cover the consultant’s operating costs over the next year. This problem has not been as common now as in the past because many consultants have a single OH%/FCCM% rate. But some consultants have developed 2 different OH/FCCM rate schedules...one for Office Rates and one for Field Rates. Typically, the Field Rate % is less than the Office Rate %. Even though they may already have two accepted rate schedules on file, it is rare for a consultant to submit an invoice where employee hours worked have been detailed and split out between field hours and office hours. Nevertheless, the problem exists. If the definition and role of “Field Rates” was expanded and adopted to estimation of costs for the work, then those negotiated/documented rates would be used for planning/budgeting and verification of submitted invoices. Then the benefit would be a more accurate budget, easier verification of payment, and at worst a possible budget over-estimation. The over estimation case would free up dollars for ODOT to be used elsewhere.

Here is an example:

- If an employee (construction inspector) is overseeing project construction (field work?), working 8 hours a day at base rate \$30 per hour and the consultant has Office OH/FCCM rates of 75%/.05%, and the contract has a negotiated profit percentage of 10.5%, then the employee’s hourly rate on the invoice will be \$58.03 per hour.
- If the same employee’s work is identified as field work, using Field OH/FCCM rates of 50%/.05%, and the same 10.5% profit, the cost to ODOT for that work will be \$49.74 per hour.

		OFFICE RATES		FIELD RATES	
		OH	75.00%	OH	50.00%
		*Profit	10.50%	*Profit	10.50%
		FCCM	0.05%	FCCM	0.05%
classification	name	base rate	office loaded rate	field loaded rate	
Engineering Designer 3	mister brown	\$30.00	\$58.03		
Engineering Designer 3	mister brown	\$30.00		\$49.74	

This example highlights that the vendor would experience a deficit (and ODOT an under estimate compared to the established budget) as the contractor negotiated those percentages and ODOT did not allocate the estimated payment correctly.

2. Document how this **transportation issue** is important to Oregon and will meet the [Oregon Research Advisory Committee Priorities](#)

Research is needed to analyze several cases to know the extent of under estimation and document how it was resolved (e.g. over budget payments due to this issue). Research is also needed in the billing process of how to best estimate the in-field rate versus office rate – OR possibly executive guidance to simplify the process and create better governance on this topic. Research could be done to determine if certain tasks can be mandated/agreed to pre-know what percentage of a task can be done in office or in the field. This research may or may not be needed. However, to determine a research need, past case analysis is needed to highlight lost costs (over budget) and manual staff time hours done to correct these situations. If the costs to correct are minor, then the cost of research may not be worth the effort. The consultant can verify that they are being paid adequately for the hours they’re billing yet the benefit of this research would result in a process where the total cost of the contract would be reduced (because of a better billing and estimation process) by whatever the difference would be, and that money can be used by ODOT elsewhere.

3. What **final product or information** needs to be produced to enable this research to be implemented?

- What is “field work”? Is there an official definition or any current policy on it and how to use it?
- Are there currently state/federal rules that say you must use field rates if task is identified as field work?
- What are other states doing with this issue?
- Are there currently state/federal rules that say you MAY use field rates if a task is identified as field work?
- Is there enough field work within the lifetime of a project, depending on task description, to cause a consultant to use field rates for field work and office rates for in-house work? (Would the cost of the extra work needed to prepare invoices with varying OH percentages based on field or in-house work be enough to eliminate the cost savings of actually USING the different rates?)
- Would using field OH% rates to determine loaded hourly wage save enough money to make it worth doing it?
- Is this an issue that should be addressed for all ODOT contracting or just for the A&E Personal Services contracts?

4. (Optional) Are there any individuals in Oregon who will be instrumental to the success of implementing any solution that is identified by this research? If so, please list them below.

Name	Title	Email	Phone

5. Other comments:

6. Corresponding Submitter’s Contact Information: [\[1 individual\]](#)

Name:	Ellen Dennis and Jon Lazarus
Title:	Region 1 Contract Payments Coordinator
Affiliation:	
Telephone:	503.731.4838
Email:	Ellen.R.DENNIS@odot.oregon.gov