



PROPOSAL: Support legislation to delete subparagraph (F) from Section 112(b)(2) of Title 23 of the U.S. Code. This will allow Minnesota to use the same approach to compensating engineering consultants as all but one other state.



BACKGROUND: An overhead rate cap refers to the arbitrary limit on real and allowable business expenses professional services firms can include in their contracts with MnDOT. *There are significant advantages to removing the arbitrary overhead rate cap in Minnesota.*

Scan here to overview the current budget numbers



Engineering industry has a
\$2 BILLION
IMPACT
to the state.

Minnesota has the
FOURTH LARGEST
roadway system in the country.

100+
engineering businesses
in Minnesota

“ Our staff enjoy the MnDOT work and staff, and the projects are interesting and meaningful. And while we would like to do more work for MnDOT, the overhead cap is constraining, and we limit the volume of work we will take on at these below market rates. ”

- WILLIAM J. FORSMARK, CHIEF MARKETING OFFICER, BARR ENGINEERING CO.

BENEFITS TO REMOVING THE OVERHEAD RATE CAP:



REDUCED COSTS AND INCREASED INNOVATION: Firms representing more than 25% of the engineering jobs in the state are intentionally choosing to minimize or entirely avoid doing work with MnDOT because of the overhead cap, focusing resources on other Minnesota public agency clients with no restriction. This results in reduced competition for MnDOT’s programs, less innovation, and higher project costs.



WORKFORCE: Keeping Minnesota-based employees in the state starts with clients that support this goal. Most other Minnesota public agencies do not have an overhead cap and utilize public funding for these services because they trust that spending these dollars lead to exceptional value for the provided services.

WHY IT’S IMPORTANT TO REMOVE THE OVERHEAD RATE CAP:



KEEPING JOBS IN MINNESOTA
Maintaining a growing workforce is critical to economic stability of the state and to provide businesses the flexibility needed to operate and allocate workforce resources.



ACCESS TO BETTER ENGINEERING TALENT
MnDOT needs the best and brightest engineers to improve infrastructure for the traveling public. Without the overhead rate cap, businesses can invest more in the quality of services, customer service, and regulatory compliance provided to MnDOT.



IMPROVED INNOVATION TO DELIVER A GROWING PROGRAM
Allowing businesses to recoup costs will drive innovation and efficiency to invest in growing and educating and training the engineering workforce.

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