

Consultant Advisory

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Consultant Advisory
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Guidelines for Price Escalation Clauses in Consultants Priced Proposals

Many consultant contracts cover multiple years. Often, for multiple year contracts, the priced proposal includes an annual hourly rate escalation for consultant employees. The information below provides guidelines for the handling of price escalation in consultant contracts.

Any escalation rate proposed for labor will not be allowed by the Department until the contract extends beyond a twelve month period. (Regardless of when a pay raise is provided to employees.)

For example, a contract is proposed for the period March 1, 2009 to May 31, 2010. In this example an escalation rate will not be allowed for the first year which is March 1, 2009 through February 28, 2010. The Department will allow an escalation rate of two percent for the period of March 1, 2010 through February 28, 2011 and thereafter. If it is a multiple year contract, an escalation rate should be computed on a weighted average basis. The weighted average computation should use the allowable escalation rate which will be applied to the estimated percentage of work to be performed in that year.