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June 9, 2008

**Re: TA/LA 2008-01
Chapter 31 Revision
Mandatory Subconsultant Mark-up
Interim LAG Changes**

To All LAG Manual Holders and CA Agencies:

Chapter 31 of the LAG manual was updated in 2006 per WSDOT policy #2006-01 to include a mandatory 4% sub-consultant mark-up.

Several local agencies and, just recently, FHWA expressed concerns with the potential effect the mandatory mark-up could have. We have revisited this requirement and are eliminating the mandatory mark-up on sub-consultant work.

The concern is the sub-consultant mark-up requirement has the appearance to artificially increase the local agency cost rate and could be considered inconsistent with federal regulations. Therefore, this requirement will be deleted from the LAG Manual.

The following are the revisions to Chapter 31 that are effective immediately.

- Page 31-14 – Delete the entire paragraph for item “i”
- Page 31-65 – Delete item 3 a.
- Page 31-67 – Delete item 2 a.
- Page 31-69 – Delete item 2 a.

The above revisions will be reflected in the October 2008 update to the LAG Manual.

If you have any questions regarding this direction, please contact David Mounts at (360) 705-7379.

Sincerely,

Kathleen Davis
Director
Highways & Local Programs Division
cc: Region Local Program Engineers