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Performance contracting offers agencies an alternative to standard low-bid contracts with detailed specifications, allowing for increased innovation and problem solving.

Under a performance contract, agencies specify performance goals and contractors have flexibility in how they carry out the work to meet those goals.

"The agency can clearly communicate to the contractor what they are trying to achieve with the project, and the contractor shares the risks and rewards through incentives and disincentives," said Jerry Yakowenko of the Federal Highway Administration (FHWA).

FHWA's newly updated Performance Contracting for Construction: *A Guide to Using Performance Goals and Measures to Improve Project Delivery* offers State and local transportation departments a valuable reference, walking them through the process for using performance contracting on a typical reconstruction or rehabilitation project.

Originally developed in 2006, the 2012 update includes lessons learned



Using performance contracting, the Michigan Department of Transportation rehabilitated an 8.9-km (5.56-mi) stretch of M-115 in Clare County. (Photo Credit: © MDOT).

and sample materials from a successful performance contracting pilot project conducted by the Michigan Department of Transportation (MDOT).

The guide includes recommended processes and sample materials for:

- Project selection
- Performance goals
- Measurement methodology, including associated incentive and disincentive fee structures
- Sample enhanced low-bid and best-value awards
- Applications for FHWA's SEP-14 program (special experimental projects using alternative contracting techniques). Performance contracts that are awarded on a best-value basis (considering both price and non-price factors) must be approved under the SEP-14 program. This does not apply to performance based design-build contracts.



The mid-section of the precast superstructure for a bridge on M-115 is placed as part of the Michigan Department of Transportation's performance contracting project. (Photo Credit: © MDOT).

[Performance Contracting for Construction: A Guide to Using Performance Goals and Measures to Improve Project Delivery](#)

FHWA Launches New Initiative to Help Local Public Agencies Manage Federal-aid Projects

The Federal Highway Administration (FHWA) recently launched a new information-sharing initiative designed to help local public agencies and state departments of transportation managed their Federal-aid Highway Program projects. The initiative, called Federal-aid Essentials for Local Public Agencies, offers an abundance of information about key aspects of the Federal-aid program on a single public website at:

[Federal Aid Essentials for Local Agencies Website](#)

[Click here to read more about the Federal-aid Essentials initiative in FHWA Public Roads Magazine](#)

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Contact: Denise Brown, NDLTAP Training Coordinator
denise.brown.1@ndsu.edu
515 1/2 E Broadway, Suite 101
Bismarck, ND 58501
701-328-9855 (O) 701-220-0101 (M)
[NDLTAP](#)

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