

## **FY22 / FY23 Escalation Rates Frequently Asked Questions**

### **What contracts are impacted by the Special Adjustment to Escalation Rate for the period of July 1, 2021 thru June 30, 2022 (FY22)?**

The adjustment to escalation rate for the current year only impacts those contracts resulting from a RFP issued in Fiscal Year 2022 (FY22) that have not yet been fully executed.

### **If my contract was established with escalation rates of .5% and 1%, does that mean it will shift to the adjusted rate of 3.5%?**

No, for any contract that is fully executed the rates will remain unchanged. The adjustment to the FY22 rate is 'forward facing' and modifications will not be made to existing contracts outside of renewal. However, at the time of term renewal, the prime firm may request a modification to include the adjusted rate based on existing terms outlined in the Memorandum of Agreement.

#### **Example:**

A contract, which was executed with an escalation rate of .5% for year 1 and 1% for year 2 and renews in the 9<sup>th</sup> month (anytime from 1 to 12 months) may request a modification of the escalation at a rate of 1.75%.

A contract, which was executed with an escalation rate of .5% for year 1 and 1% for year 2 and renews in the 15<sup>th</sup> month (anytime from 12 to 24 months) may request a modification of the escalation at a rate of 3.5%.

In these instances, firms will submit their revised rate schedules to the Contract Administrator during the renewal process.

### **What if a contract is in the process of negotiation?**

All procurements issued with the escalation rates established for FY22 that have reached the negotiation phase will be adjusted to reflect the approved, applicable rate. The Term 1 escalation rate will be 1.75% for year 1 and 3.5% for year 2.

### **If my firm renewed a contract in FY22 for Term 2 or Term 3, does this change in the FY22 escalation rate apply to my contract?**

No, for any renewal that has already been fully executed the rates will remain unchanged.

### **If my contract is currently under renewal review for the second or third term, what will the escalation rate be?**

Contracts that are in the process of on-time renewal (contracts in place for 24-36 months) will utilize the prevailing escalation rate at the time of their renewal. Contracts which are renewing early (in the first 24 months) are subject to the escalation rate identified in the original MOA. The only exception to this, as stated above, is for MOA's established with escalation rates of .5% and 1 %.

**What if I renewed during FY22 for a second term prior to 12 months and was assigned the ½ rate of my original contract?**

This change does not impact any contracts that are fully executed. Changes will be applied to contracts in the negotiation stage, pending renewals and all new RFP's issued.

**IS VDOT changing the policy that maintains the initial escalation rate in the event of early renewals?**

VDOT is currently reviewing the escalation policy as it relates to early renewals and intends to provide updated clarification in the revised *Manual for the Procurement and Management of Professional Services* scheduled to be released in July 2022.

**Is VDOT changing the policy that maintains annual escalation rates between 1-3%?**

This is a one-time special adjustment for FY22 and FY23 above 3% based on inflationary market conditions. Current policy has not been changed.

For responses to additional questions, please email the Professional Services Procurement Office at [PSPO@VDOT.Virginia.gov](mailto:PSPO@VDOT.Virginia.gov). Responses to questions will be updated here as appropriate.