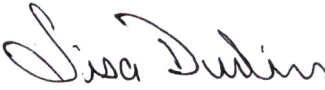




Montana Department of Transportation  
PO Box 201001  
Helena, MT 59620-1001

## Construction Memorandum

To: Distribution

From: Lisa Durbin, P.E.,   
Construction Engineer

Date: March 29, 2006

Subject: Subcontract Requirements

This memo is to clarify when a subcontract, consented to by MDT, is required on a project. This supersedes all prior memoranda on the subject.

A subcontractor is any person or entity, to which a Contractor subcontracts, assigns or otherwise disposes of any part of the work. "Work" is the furnishing of all resources necessary to complete the project, and includes labor, equipment and materials.

Where an entire item is subcontracted, the percentage of the total work subcontracted is based on the contract item unit price. When a portion of an item is subcontracted, the percentage of the work subcontracted will be based on either the subcontract item unit price or on an estimated percentage of the contract item unit price.

A subcontract is required for any person or entity on the project site, or for any work dedicated to the project. If the person or entity is included on the prime contractor's payroll, a subcontract for the work is not required.

Examples of work that require a subcontract include:

- Any contract item or portion of a contract item performed by a contractor other than the prime contractor
- Crushing operations at a site dedicated to the project
- Operations physically located on the project site
- Extra work added by a change order
- Consultant services on the project site hired by the prime contractor or a subcontractor

Examples of work that do not require a subcontract include:

- Commercially supplied materials
- Equipment rentals
- Owner/operators of haul trucks

Change ordered work or work performed by a sub-subcontractor are not included in the subcontract percentage. Specialty work also is not included in the subcontract percentage, but this work should be identified at the time the subcontract is submitted for processing. All other subcontract requirements are still applicable.

In many cases, subcontract requirements are confused with payroll requirements. These two items are closely related, but not identical. Some items that require subcontracts do not require payrolls, as well as the reverse. If you have any questions, please call the Civil Rights Bureau regarding payroll questions and call the Construction Administration Services Bureau regarding subcontract questions.

copies:     District Administrators  
              District Construction Engineers  
              Engineering Project Managers  
              Mark Wissinger, P.E.  
              Construction Administration Services Bureau  
              Construction Engineering Services Bureau  
              Steve Garrison, Legal  
              Vicky Koch, Civil Rights  
              Helen Varcoe, Internal Audit  
              MCA  
              FHWA