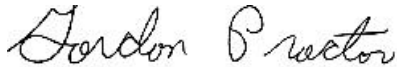


Approved:

Policy No.: 18-003(P)

Effective: April 19, 2002

Responsible Division: Finance and Forecasting



Gordon Proctor
Director

POLICIES RELATING TO FEDERAL HIGHWAY FUNDING

I. POLICY STATEMENT:

Accrued Unbilled Costs: Accrued Unbilled Costs relating to formula obligation limitation shall not exceed \$15 million.

Lapsing of Funds: All possible options shall be utilized to prevent Federal funds from lapsing. The Deputy Director, Division of Finance and Forecasting, shall be notified by the Office of Payroll and Project Accounting of any possible lapse situations. All appropriate obligation authority must be used by the end of the Federal Fiscal Year (September 30) it was authorized. Congestion Mitigation and Air Quality (CMAQ) funds should be utilized first and to the degree practical.

Advance Construction: The Department may dedicate future Federal dollars so as to not unduly delay projects, but the amount shall not exceed \$375 million in the short term at Federal Fiscal Year End without the approval of the Deputy Director, Division of Finance and Forecasting.

Authorization of Federally Financed Projects: Project phase authorization for Federally funded projects must be secured prior to incurring costs to that particular phase in order for the costs to be eligible for Federal participation. The project must be contained in ODOT's State Transportation Improvement Program (STIP) and the MPO's Transportation Improvement Program (TIP) before authorization can be requested. Environmental clearance must be obtained before Federal authorization can be requested for detail design, right of way or construction. Right of way clearance (in some instances conditional) must be obtained before Federal authorization can be requested for construction. Construction authorization needs to be obtained before advertising.

Discretionary Funds: The Office of Local Projects shall apply for all available discretionary funds for which ODOT has a need and meet eligibility requirements. Projects shall be programmed in the Department's Project Management System with applicable dates and estimates prior to application for discretionary funding. In those cases where a LPA has applied directly for the funds, the project shall be programmed as soon as the Department has been made aware of the approved funding.

Engineering Cost Reimbursement: The Department shall apply for Federal reimbursement for all eligible labor engineering costs incurred on Federal projects including Preliminary Engineering, Highway Planning and Research (HPR), Real Estate and Construction. The Department shall apply indirect and fringe overhead rates to these direct eligible labor costs in accordance with Federal OMB Circular A-87 and ODOT's Cost Allocation Plan.

Federal Pay Back Provisions: Title 23 requires that the Department pay back any real estate funds to FHWA if the Construction phase of work has not commenced within 20 years of the date the funding for real estate acquisition was made available. Likewise, Preliminary Engineering (detail design) funds must be paid back to FHWA if the project has not advanced to the Real Estate or Construction phase within 10 years from the date the project was authorized.

Federal Matching Requirements: The Federal matching percentage is predetermined by the type of Federal funding used (i.e. Interstate is 90%). Additionally, Title 23 does provide for soft match credits such as Toll Revenue Credits which can increase the Federal share of a project up to 100% (refer to Policy 18-002(P) concerning Toll Revenue Credits).

MPO and Large City Allocations: The MPO and Large City annual STP and CMAQ allocations are established using population based formulas. The STP formula includes the Federally required allocations for MPO areas with greater than 200,000 populations. The enhancement program allocations equal 10 percent of each MPO's STP allocation. Funds Management Committee recommends the required federal share be in proportion to the annual increase or decrease ODOT receives in FHWA Funds. Further, the Committee recommends additional discretionary funding over the federal required share.

Billings: Billings will be made to the Federal Highway Administration for reimbursement of Departmental expenditures on a weekly basis in accordance with the Federal Cash Management Improvement Act of 1990 currently effective through June 30, 2004.

Funding of Federal-Aid Projects: Upon receipt of the PID package from the Division of Planning, the Office of Payroll and Project Accounting will immediately enter the proper Federal, State and Local funding into ODOT's Project Management System which includes both State SAC coding and Federal appropriation coding. The Office of Payroll and Project Accounting will determine the appropriate Federal funding for a project.

As part of this funding determination, the Office of Payroll and Project Accounting may request from the District additional plan quantity splits to better utilize Federal funds. The request will be made before the design consultant has been hired or prior to in-house design commencing.

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Final Accounting: All Federal- Aid and Local participating (LPA) projects will receive a final accounting of costs at the close of each project by the Office of Payroll and Project Accounting. Based on final accounting, the Local Public Agency (LPA) will be invoiced by the Office of Payroll and Project Accounting if final costs exceed the amount of their project deposits and applicable credits. If the final costs are less than the LPA deposits and credits, a refund will be processed.

The Office of Payroll and Federal Accounting will follow-up on unpaid final invoices with the LPA for a 60 day period. Unpaid LPA invoices exceeding 60 days will be forwarded to the District Deputy Director for further collection. It is important these invoices be collected, as State funds are initially expended until reimbursement is received from the LPA.

High Priority Funds: Each District is responsible to ensure the complete and timely use of High Priority Funds. Projects using these funds shall be programmed in the Department's Project Management System with appropriate dates and amounts. High Priority funds shall be used for Preliminary Engineering and Right of Way first, unless that work is done at the local's expense, with any remaining funds programmed for Construction.

In those cases where the appropriate LPA and District have determined the project can not be done, the District Deputy Director will communicate this to the Deputy Director, Division of Finance and Forecasting. The Deputy Director, Division of Finance and Forecasting, will forward this information to the Director of Transportation for a final decision on cancellation of the project. If it is determined that the project should be cancelled, the District will communicate this back to the appropriate congressional representative who may be able to get the funds reallocated to another project.

II. AUTHORITY & REFERENCE:

Title 23 United States Code, Transportation Equity Act for the 21st Century, and Federal Directives and Policy Memorandums.

III. SCOPE:

This policy is applicable to all ODOT Capital Program Managers and others responsible for planning, programming, funding, and billing Federal-Aid Highway Projects.

IV. BACKGROUND AND PURPOSE:

Title 23 of the United States Code is the governing authority for “Highways” and includes the laws that govern the Federal-Aid Highway Program. ODOT shall spend Federal funds in accordance with all Federal and State laws and Guidelines. It shall be the responsibility of the Office of Payroll and Project Accounting to monitor these laws and policies. ODOT shall effectively utilize all resources in order to maximize the use of Federal funds, avoid lapsing of Federal funds, and minimize the amount of Federal funds spent but not billed.

V. TRAINING:

Technical training on the use of Federal funds is an on-going objective.

VI. FISCAL ANALYSIS:

It is extremely important the Federal-Aid Highway funds be managed properly. The Department needs to ensure that each Federal dollar is funded correctly, authorized timely, and billings for reimbursement are accurate and timely. The estimated amount of Federal dollars received yearly is one billion dollars.

VII. GLOSSARY OF TERMS:

Accrued Unbilled Costs: This is the amount of dollars that ODOT has already spent and eligible for Federal Reimbursement, but is currently in an unbilled status pending additional federal obligation authority needing applied to the Federal agreement amount.

Advanced Construction: A federal provision where Federal projects have been authorized but not obligated. Initial costs on these projects are supported with State funds until the State converts the project to conventional funding.

Authorization: A federal provision that requires FHWA’s approval of a project for both scope and funds before Federal funds can be utilized on a project. A project can not receive federal funds unless it has been authorized. ODOT requests authorization of each federal project by phase of work (Preliminary Engineering, Right of Way, Construction, Highway Planning and Research). All project costs incurred prior to authorization are ineligible for federal reimbursement.

Lapsing of Funds: Most federal fund type must be obligated within a certain period of time or are subject to lapsing. When funds lapse, they are no longer available for use by the State.

Discretionary Funds: The FHWA administers discretionary programs through its various offices. These discretionary programs represent special funding categories where FHWA solicits for candidates and selects projects for funding based on applications received. Each program has its own eligibility and selection criteria that are established by law, by regulation, or administratively. These programs include Bridge, Corridors and Borders, Ferry Boats, Innovative Bridge Research and Construction, National Historic Covered Bridge, ITS Integration, Commercial Vehicle ITS, Interstate Maintenance, Public Lands Highways, Scenic Byways, Transportation and Community and System Preservation Pilot Program, TIFIA, and Value Pricing.

Cost Allocation Plan: The Office of Payroll and Project Accounting updates this plan annually in accordance with OMB Circular A-87. The plan details the method of cost allocation for the various cost centers (Preliminary Engineering, Real Estate, Construction, and HPR) which are billed to the FHWA through the indirect overhead and fringe rates.

High Priority Projects: This Federal Highway Program provides designated funding for specific projects identified by Congress in TEA-21 each with a specified amount of funding over the 6 years of TEA-21. The designated funding can only be used for the project as described in law.

Right of Way Clearance: All necessary rights of way have been fully acquired or the legal right of occupancy has been obtained.

Environmental Clearance: All requirements of the National Environmental Protection Act have been completed and approved.