Federal-aid 101 and Federally Funded Project Authorization Fundamentals

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FHWA, Financial Manager

Karen Hicks
INDOT, Project Finance Director

Purdue Road School, 2015
Objectives for Today’s Presentation

Provide an Overview of:

- The Federal-aid Program;
- How to receive federal-aid funds for LPA projects;
- Federally funded project authorization fundamentals.
Federal-aid Program

- Established in 1956 at the start of the Interstate era;
- Generally funded every 4-6 years by new legislation;
- Moving Ahead for Progress in the 21st Century (MAP-21)...a two year bill.
- Highway Trust Fund (HTF) is its foundation;
Highway Trust Fund Income

- Gasoline
- Diesel
- Truck Sales
- Tires
- Gasohol
- Truck Use
- Other
Highway Trust Fund Balance
As of 10/31/14

FY 2014 & FY 2015 Projected Estimates for End-of-Month Cash Balances (as of 10/31/14) 1/2/3/4/

Highway Account of the Highway Trust Fund (Includes FHWA, FMCSA & NHTSA)

- Actual
- Projected

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Federal Tax on Gasoline and Gasohol/Ethanol

Tax of 18.4 Cents Per Gallon

Set Aside 0.1 Cent for Leaky Underground Storage Tank Fund

15.44 Cents Highway Trust Fund Account

2.86 Cents Mass Transit Account
Federal Tax on Diesel Fuel

Tax of 24.4 Cents Per Gallon

Set Aside 0.1 Cent for Leaky Underground Storage Tank Fund

21.44 Cents Highway Trust Fund Account

2.86 Cents Mass Transit Account
Apportionments

- “The distribution of funds as prescribed by statutory formula”.
- Often referred to as “Formula Funds”.
- Program specific as per formula.
- Lane miles, population, fuel usage, etc.
- Apportionment does not equal spending authority!
Obligation Authority (OA)

- OA = Spending Authority
- A restriction or “ceiling” on the amount of Federal funds that may be obligated during a specified period.
- Amount and period are determined annually by Congress.
- Not program specific – applies to total program.
- OA ~90%-92% of apportionment.
Indiana Federal Funds

- Indiana’s apportionment = \(~$919.7M\) for FFY 2014.
- Obligation authority = $834.9M or 90.8% of apportionment.
- What happens to the $84.8M difference?
- Unused contract authority.
  - Generally rescinded by Congress
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<th>State</th>
<th>National Highway Program</th>
<th>Highway Surface Transportation Program</th>
<th>Highway Safety Improvement Program</th>
<th>Railway-Highway Mitigation &amp; Performance Program</th>
<th>Congestion Air Quality Improvement Program</th>
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Federal Participation Share

- “Standard” Federal Share:
  - Up to 90% on the Interstate
  - Up to 80% on all other projects
- Can be adjustments under certain programs:
  - Safety – Up to 100%
    - But no more than 10% of apportionments
  - Freight – Up to 95% - under certain conditions. (Interstate 95%, Others 90%)
- Congress can change rules midstream
Reimbursement Process – Local or State CN

**Cycle 1**

1. **FHWA Authorizes Funding**
2. Contractor does work
3. INDOT pays contractor
4. INDOT invoices FHWA
5. FHWA approves invoice
6. US Treasury pays INDOT

**Future Cycles**

1. Contractor does work
2. INDOT pays contractor
3. INDOT invoices FHWA
4. FHWA approves invoice
5. US Treasury pays INDOT
Reimbursement Process -
Local PE, R/W & CE by Consultant

**Cycle 1**

- FHWA Authorizes Funding
  - Consultant does work
  - Local pays Consultant
  - Local invoices INDOT
  - INDOT pays Local
  - INDOT invoices FHWA
  - FHWA approves invoice
  - US Treasury pays INDOT

**Future Cycles**

- Consultant does work
  - Local pays Consultant
  - Local invoices INDOT
  - INDOT pays Local
  - INDOT invoices FHWA
  - FHWA approves invoice
  - US Treasury pays INDOT
To receive Federal-aid Funding Reimbursement

- Federal planning, environmental, and design standards **must** be followed:
  - **Must** be in MPO Transportation Improvement Plan (TIP) and/or Statewide Transportation Improvement Plan (STIP)
  - **Must** follow National Environmental Policy Act (NEPA)
  - **Must** follow the Uniform Act (Right-of-way)
Federal Funding Approval Process

1. LPA Contacts INDOT District LPA Coordinator
2. Determine the phase(s) of work for which Fed-Aid will be requested: PE, R/W, Construction
3. INDOT/LPA Contract is executed
4. INDOT requests FHWA authorization via FMIS
5. FHWA authorizes (obligates) via FMIS
6. Begin phase of work
An approved federal allocation and LPA contract with INDOT **does not** grant permission to begin incurring costs.

The federal allocation, or a portion, **must first be obligated** in the FHWA Fiscal Management Information System (FMIS).

Why? => Without this obligation any cost incurred **will not** be eligible for reimbursement.

No FMIS Obligation = No Reimbursement!
Inactive Obligations

- Obligations with no expenditure activity for 1 year or greater.
- No obligations for CN unless approved Plans Specifications & Estimate (PS&E) exists.
- No obligations to “hold” or “save” funding for use at a later date.
- Once obligated, expectation is immediate use and monthly billings to INDOT.
- FHWA has the authority to unilaterally deobligate inactive funds.
2 CFR 200 “Supercircular”

- Consolidates duplicative OMB Circulars into one.
- Impact on Federal-aid Program
  - Period of Performance (New Requirement):
    - Requires an end date to be included in the project agreement (FMIS authorization).
      - By Phase – PE, R/W, CN
    - No additional costs may be incurred and are not eligible for reimbursement after project end date.
    - Completed phase contract must be sent into INDOT’s District for Central Office Audit.
    - Must be based on State’s estimated project schedule including required processes to conform with Federal regulations.
    - FHWA required to ensure estimated schedule is in line with a State’s established policies, procedures, and project schedules.
Obligating Funds Process

- Prior to beginning any activity for which federal reimbursement would be requested, contact the District LPA Program Director (PD).
  - District LPA PD will request Central Office through CAPWise to request federal authorization through the FMIS.
  - FHWA reviews and if acceptable, electronically signs the authorization.
  - INDOT’s Central Office notifies the District and the District notifies the LPA.
  - Federally reimbursable costs can only be incurred after the FHWA FMIS approval date.
Phase of Work Requirements

- PE - Follow the LPA Guidance

Document and federal funding requirements:

- Executed contract with consultant
- LPA contract with INDOT; this is the same contract if LPA is a Group 3 or Group 4 entity.
- Notice of Authorization from District that federal funds have been authorized in FMIS prior to performing any reimbursable work.
- Purchase Order w/INDOT for federal portion of cost.
- Phase contract end date – contract documents delivered to INDOT District Office.
Phase of Work Requirements

- **R/ W - Follow the LPA Guidance**
  - Document and federal funding requirements:
    - LPA contract with INDOT; this is the same contract if LPA is a Group 3 or Group 4 entity.
    - Certified environmental document
    - Notice of Authorization from District indicating federal funds have been authorized in FMIS prior to performance of any reimbursable work
    - Purchase Order with INDOT for federal portion of cost
    - Phase contract end date - contract documents delivered to INDOT District Office.
Phase of Work Requirements

- UT - Follow the LPA Guidance Document and federal funding requirements:
  - Executed contract with Utility.
  - LPA contract with INDOT; This is the same contract if LPA is a Group 3 or Group 4 entity.
  - Matching funds submitted to INDOT, if applicable:
    - No match required if the Utility belongs to the Local. Submissions for reimbursements are for federal dollars only.
    - Matching funds must be submitted to INDOT if utility is not owned by Local.
Phase of Work Requirements

- **UT continued:**
  - Notice of Authorization from district indicating federal funds have been authorized in the federal system prior to performance of any reimbursable work.
  - Purchase Order with INDOT for federal portion of cost.
  - Phase contract end date – contract documents delivered to INDOT District Office.
Phase of Work Requirements

- RR (Rail Road) - Follow the LPA Guidance Document and Federal Funding Requirements:
  - Executed contract with Railroad.
  - LPA contract with INDOT; This is the same contract if LPA is a Group 3 or Group 4 entity.
  - Matching funds submitted to INDOT, if applicable.
  - Notice of Authorization from district indicating federal funds have been authorized in FMIS prior to performance of any reimbursable work.
  - Purchase Order w/INDOT for federal portion of cost.
  - Phase project end date – contract documents delivered to INDOT District Office.
Phase of Work Requirements

- CN (Construction) – Follow the LPA Guidance Document and Federal Funding Requirements:
  - A contract will not go to letting if all of the documentation identified in the LPA Guidance Document is not submitted.
  - Federal authorization is carried out by INDOT through the letting process.
  - INDOT contracts with the Contractor.
Phase of Work Requirements

- CE (Construction Engineering) - Follow the LPA Guidance Document and Federal Funding Requirements:
  - Executed contract with Consultant.
  - LPA contract with INDOT; This is the same contract if LPA is a Group 3 or Group 4 entity.
  - Notice of Authorization from district indicated federal funds have been authorized in FMIS prior to performance of any reimbursable work.
  - Purchase Order with INDOT for federal portion of cost.
  - Phase project end date - contract documents delivered to INDOT District Office.
Tracking Tools Used by INDOT

- **INDOT Scheduling Project Management System (SPMS):**
  - Multiple milestones moving project from phase to phase;
  - Each phase shows anticipated start dates;
  - Shows when project is expected to go to letting;
  - Milestones are used to keep the project on target.

- **Please refer to the LPA Document Guidance Manual and work with the assigned District Project Manager to help utilize this tool and keep your project on target.**
Tracking Tools Used by INDOT

- **CAPWise Database - Project Finance**
  - CAPWise is used for obligating federal funds when requested by Districts for all projects;
  - Once approved & authorized by FHWA, approval is captured in CAPWise which maintains the balance of available federal funds.
  - Similar concept as a “checkbook” – Keeps the balance remaining.

- **This does not replace the tracking done by the Local Programs Management Division in CO. They are responsible for the allocation of federal funds as approved by the initial project request for eligibility.**
INDOT LOCAL Program Directors

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  Email: dault@indot.in.gov

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  Email: chudson1@indot.in.gov

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Future of the Federal-aid Program

- MAP-21 expired in July, 2014
- Congress extended MAP-21 & funding through May, 2015
- New bill in ??
- Emphasis on tying performance management/outcomes to funding;
- Funding level and resources are big questions.
Financing in the Future

- Fuel taxes will be one of principle revenue sources for the foreseeable future.
- Alternatives to fuel tax will need to be explored.
  - Mileage based user fees, i.e. VMT tax.
  - Tolling
    - Major bridge projects
    - Interstate construction/reconstruction
Questions?

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