

To clarify the discussion concerning state Preliminary Engineering (PE) charges in the STP-Urban and other programs that has been ongoing among the regional planning organizations, the following summary is offered.

In the past, region-wide projects were created for the federal reimbursement of time expended by Department staff for the development and oversight of all municipal projects in the STP-Urban program within each metropolitan area. At the time this was done, the design of all STP-Urban projects were funded with 100% local funds and there was no federally participating PE phase for any specific project. These region-wide projects were funded with each region's apportionments of STP-Urban funding – not from overhead. Involved staff typically consisted of the Project Development Unit, Consultant Design, and/or State Design. In addition, depending upon the type, complexity and management of the project, the Department's specialized review units also utilized these projects, including Bridge, Traffic, Hydraulics and Drainage, Utilities, Environmental Planning, Soils, and Contract Development.

More recently, the Federal Highway Administration (FHWA) has required that Department charges to the program be more project-specific. This new focus on project-level accountability contributed to the Department's move to shared federal, state and local participation (typically split at 80-10-10) across all project phases in the STP-Urban program. As a result, each project now includes a separate PE phase, and all applicable Department charges are billed to each individual project as opposed to using a region-wide project number. The revised procedures are detailed below.

#### **Initial Project Scoping and Development**

Since the work of the Project Development Unit for scoping and development of projects is typically begun prior to the initiation and federal authorization of any actual project, FHWA acknowledged that a region-wide project for these activities was still appropriate. As such, four "planning" projects have been initiated, based on urbanized areas, which were placed on the Statewide Transportation Improvement Program in 2010 to allow the PDU a source of funding to develop and/or refine a reasonable scope of improvements for STP-Urban applications. The Department, by agreement with FHWA, will report twice annually on the improvement projects scoped and developed under the region-wide planning projects, including a listing of Recommended Project Memorandums or "time-out" meetings (representing completed project scopes) that resulted. These region-wide planning projects were initiated in conjunction with our financial office and in consultation with FHWA. No other Department personnel, including Consultant Design, will utilize these projects. In fact, no other units have access to them.

#### **Preliminary Engineering**

Once a project is initiated for a specific transportation improvement, and federal funding for the PE phase is authorized by FHWA, all preliminary engineering charges are billed to that specific project as opposed to a region-wide project, but the percent of federal dollars being charged has not changed – it is still 80% federally reimbursed for these eligible activities. The major difference is that regions and municipalities will now see a separate PE phase for each major design project in its regional program, rather than a single region-wide project.

Certain projects, specifically pavement rehabilitation/preservation, will be designed with 100% local funds. In these instances there will be a separate PE phase for state oversight charges at an 80% federal 20% state cost sharing-see the attached chart below. The dollar amount applied to an individual project for Department staff oversight will depend upon the project type, scope and complexity, which govern the level of review required by the different disciplines within the Department. Some estimates of state charges have been discussed for recent pavement rehabilitation projects, on the order of \$25,000-50,000. However, these are not applicable to all projects; each estimate is prepared on a project-specific basis.

**Rights of Way and Construction**

Similar to the preliminary engineering phase, once authorization for each of the rights of way and construction phases is obtained from FHWA, applicable oversight charges are billed directly to the individual projects. Many municipalities are already familiar with this process because those phases have always been project-specific. The main difference now is that the municipalities participate in all phases of the projects, so they are also contributing a share to the rights of way and construction costs.

<b>CN PHASE FUNDING SPLITS</b>		
<b>Program</b>	<b>STP-U</b>	<b>STP-U Pvmnt Rehab/ Sidewalk</b>
<b>Federal</b>	80%	80%
<b>State</b>	10%	
<b>Local</b>	10% ***	20%

<b>PE PHASE FUNDING SPLITS</b>		
<b>Program</b>	<b>STP-U</b>	<b>STP-U Pvmnt Rehab/ Sidewalk</b>
<b>Federal</b>	80%	
<b>State</b>	10%	
<b>Local</b>	10%***	100%
<b>State PE Charges</b>	Covered Above	Yes* 80% Fed 20% State

\*Based on the specific type and complexity of the project

\*\*\*No local share if on a state-owned roadway

With respect to the STP-Urban program, funding for the oversight of municipal transportation improvement projects by State personnel is clearly eligible for federal reimbursement. The Department's use of that fund source maximizes the State funds available for other federally non-participating activities and allows the Department to provide the widest and most effective scope of services to its municipalities and the public from a limited set of resources.