STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES **Policy and Procedure**		POLICY AND PROCEDURE NUMBER **09.01.040**	PAGE 1 of 4
		EFFECTIVE DATE July 1, 2005	
SUBJECT **Local Match for CIP**		SUPERSEDES New	DATED 6/27/5
CHAPTER **Planning, Budget and Research**	SECTION **Capital Budget**	APPROVED BY Mike Barton	

PURPOSE

To establish policy and procedures for highway project cost sharing with local project sponsors.

POLICY

It is the policy of the Department of Transportation and Public Facilities that state match should be used only on those projects that best serve state interests, and that local contributions of matching funds shall be required for surface transportation projects that serve local interests.

Background:
The governor reduced the FY 2003 capital budget for federal-aid highway state match by the amount needed to match lower level functional roads and projects serving a local purpose.

The legislative language in the FY 2006 capital budget supports the governor's policy to use state match funds on higher-function state roads. The language is as follows:

It is the intent of the legislature that the Department of Transportation and Public Facilities shall establish a policy that identifies the degree to which different classes of transportation projects serve a state interest and shall limit the use of the federal-aid highway state match funds accordingly.

Policy Application:
This policy applies to every new project phase or cost increase to existing phases authorized by the Legislature after June 30, 2003, however, the state will provide 100% match for projects with legislative authorization for *construction* prior to that date.

Most of Chapter 82, SLA 2003 appropriations are effective July 1, 2003, so local match for construction would apply. In addition, any cost overruns from any contingency

appropriation will invoke the local match policy. (Also see Table 1, *Use of State Match Funds -- Surface Transportation Projects*)

PROCEDURE

A. When is local match required?

Ownership, functional classification, project type and sponsorship are factors used to determine whether local match is required. Table 1 shows how these factors apply.

The following guidelines are for calculating match according to Table 1:

- The Department's federally approved functional classification shall be used. Division of Program Development, when recommended by regional planning staff, may assign an interim functional classification to new routes and routes that should be reclassified.
- Match source must be eligible according to federal law.
- When components of the project include both local and DOT&PF purposes, the match shares will be pro-rated between the state and the local sponsor according to the estimated costs of the components.
- Donated match, transfers or donations used in lieu of local match may not have been used for credit in the project selection scoring process for the State Transportation Improvement Program.

B. What should the agreement address?

1. Prior to executing the federal-aid agreement with the Federal Highway Administration:
    - The Department and the local project sponsor must execute a master Memorandum of Agreement for the project scope, estimated project cost, schedule for completion, and method of payment of the required local contribution. The agreement will include:
        - for projects with a Department-developed cost estimate
            - 50% contingency prior to design completion

        - 15% contingency after completed design
    - unlimited contingency for projects without a Department-developed cost estimate

- The Department must receive cash contributions at the startup of each phase per the project schedule. Delayed cash may cause project delays and impacts to future projects in the location.

2. The Department and the project sponsor will execute an amendment to the Memorandum of Agreement, if changes are needed to the scope, schedule and budget, that are beyond the Department's control. If the final cost is less than agreed, the Department will recalculate the local contribution and refund any excess cash to the project sponsor.

3. The project sponsor's failure to comply with the terms of the executed Memorandum of Agreement can result in sanctions per 17 AAC 05.175, including current and future project suspensions or closure.

C. How does a local sponsor appeal the local match requirement?

The Commissioner may approve, on a case-by-case basis, appeals of local match determinations that justify why the State's best interest is served to reduce the project sponsor match. The attached exemption template is the required format. The Commissioner's decision is final. Such exemptions are expected to be infrequent, well documented and based on exceptional circumstances.

D. What are some valid reasons for a local match exemption?

The Memorandum of Agreement will document the alternate arrangement, if an exemption is allowed.

1. **Transfer of Ownership and Maintenance.** The project sponsor may agree to take ownership and maintenance of the facility or another *comparable* facility in exchange for the state match. The project sponsor must be legally capable of owning and maintaining the facility per AS 29.04. An automatic exemption is granted but must be documented.

2. **Usable Materials or Right-of-Way Donations.** The donations must be of sufficient quality and quantity needed for the project. (Excess materials or right-of-way cannot be counted toward the required match.)

Donated materials may be used as match (unless donated by the state). Donated right-of-way may be used for state match, however, the match requirement is calculated on the total cost of the project, including the value of the right-of-way (23 USC 323).

The Department and the project sponsor will execute a value estimate and contract defining the terms for right-of-way or materials transfer. The project sponsor or donor is required to sign a waiver to the right to receive fair market value (23 CFR 710.505 – 710.507) for the donation. The construction phase of the project cannot be funded until the right-of-way ownership transfer is legally completed.

3. **Match by Other Program Funds.** The project sponsor may direct funds from other state and federal programs as match, where allowable by federal law, 23 USC 120(k) & (l). An automatic exemption is granted but must be documented.

4. **State Interest.** A bonifide state interest must be demonstrated, such as minimal preventive maintenance to preserve the state's investment on a state-owned facility or cost-effective reductions to the cost of other state services—health care, education, etc.

Attachments:

Table 1—Use of State Match Funds Surface Transportation Projects

Local Match Exemption Request

AUTHORITY

Commissioner's Policy Directive

IMPLEMENTATION RESPONSIBILITY

Regional Directors

DISTRIBUTION

All state employees via the DOT&PF website, Regional Directors, Director of Design and Engineering Services and Director of Program Development

Table 1--Use of State Match Funds - Surface Transportation Projects			
Project FC or Type	**100% DOT&PF match**	**50% DOT&PF match**	**0% DOT&PF match**
DOT&PF Owned and Sponsored (1) Projects			
Local Roads	A		X(2)
Minor Collector	A		X(2)
Urban or Major Collector (non NHS/non AHS)	X		
Minor Arterial (non NHS/non AHS)	X		
Other Principal Arterial (non NHS/non AHS)	X		
NHS, AHS or Highway Safety Improvement Program	X		
Improvements on DOT&PF roads to serve local needs, eg. frontage roads or intersection improvements for commercial areas, or local interests			X
Bridge projects eligible for Bridge Rehabilitation or Replacement Program	X		
TRAAK, ITS, Ferry System or Transit	X		
Scenic Byways Grants			X
Planning or other non-construction.	X		
CMAQ	C		X
Congressional earmark—DOT&PF Sponsored or DOT&PF supported only	X		
Non-DOT&PF Owned or Non-DOT&PF Sponsored Projects			
Local Roads		A	X
Minor Collector		A	X
Urban or Major Collector (non NHS)	A	X	
Minor Arterial (non NHS)	A	X	
Other Principal Arterial (non NHS)	A	X	
Highway Safety Improvement Program	A	X	
Sanitation or Health Facility Road Construction -- ANTHC or VSW managed projects that include village ownership agreements.	A		X
Other Sanitation Roads			X
TRAAK, ITS, Transit, Scenic Byways or Ferry Systems			X
Planning or other non-construction.			X
CMAQ	C		X
Congressional earmark—Not State Sponsored, regardless of Functional Class, category or ownership.		A	X

A -- Only with a transfer agreement that transfers ownership and maintenance of the road being upgraded OR another comparable state-owned road, ferry or airport to the project sponsor.

C – Must be a Primary Committed Control Measure included in the State Implementation Plan (SIP) for Air Quality and in the appropriate transportation improvement program OR is a control measure required to implement a Primary Committed Control Measure. Primary control measures are programs that must be implemented within the timeframe of the SIP to attain or maintain the National Ambient Air Quality Standards. Contingency Control Measures outlined in the SIP are those deemed necessary to assure prompt correction of any violation of the health standards. If implemented, contingency measures will be granted match from the state. Priority for funding will be given to Primary Control Measures over Contingency Control Measures if funding limitations exist.

X – Default match requirement.

(1) -- Without local match or transfer agreement, DOT&PF will contribute 100% match for only minimal/judicious preventive maintenance to protect the state's investment on these DOT&PF-owned local and minor collector roads.

(2) -- Those DOT&PF-owned road (not TRAAK) improvements included in a Metropolitan Planning Organization Transportation Improvement Program qualify as DOT&PF-Sponsored.

Local Match Exemption Request

Project Name:
Scope:
AKSAS #
CDS Route # and Milepost:

STIP ID#
Functional Class:

1. Who is the responsible local government or sponsor?
   a. Have they exercised Road Powers? ☐ (under AS 29.04) If not, why?
   b. Who currently owns the route/facility?
   c. Who currently pays for maintaining the route/facility?
2. Explain how the project serves a broader state transportation interest more than a local or regional interest?

3. Explain how this project is being done in a cost effective manner:
   a. What has been done to reduce the cost of the project?
   b. What other alternatives were considered and why were they rejected?
   c. What scope reductions were considered and why were they rejected?

4. If the local government or sponsor is willing to commit to some other arrangement beneficial to the State as compensation: Attach resolution or statement of intent.
   a. Describe the arrangement
   b. What is the dollar value of the compensation?
   c. Will the local government contribute match for future project costs?

   If not, attach a letter from the local government or project sponsor indicating why they are unwilling or unable to provide the match or another compensation agreement and why the state should provide the match.

5. Current Project Status

Phase	Expenditures to Date	Authority to Proceed Dates
2		Reconnaissance Environmental Document Plans, Specifications & Estimates
3		Appraisal & Acquisition
7		Utility Relocation
4		Construction
8		Planning

6. Future Project Costs and Current STIP Schedule

Phase	Latest Estimate	STIP FFY	STIP Estimate
2			
3			
7			
4			
8			

Program Development Verification

Regional Director Signature Date

Recommended Yes? ☐ No? ☐

Deputy Commissioner Signature Date

Approved Yes? ☐ No? ☐

Commissioner Signature Date

Cc: Regional Director
Director, Division of Program Development