

Project Funding & Expenditures

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2.1. Project Numbers & Project Account Coding

Each federally-funded project has a federal project number or numbers assigned to it; this number relates to the federal funding agreement. An FHWA project number identifies the highway the project is on when a single federal route is identified, and includes a sequential project number for that section of highway. An FAA project number identifies the federal program funding the project, the airport, and includes a sequential grant number for that airport under that federal program. These numbers relate to the project grant, and not to expenditures.

Coding of overhead costs on all Capital Improvement Projects (CIP) changed on July 1, 2001. An Indirect Cost Allocation Plan (ICAP) charge is applied to all capital expenses. ICAP revenue supports the overhead activity within the Department.

Coordinate with regional project control to code project expenditures. See chapters 12.5 and 12.6 for more information about the process of coding project estimates.

2.2. Project Funding & Expenditure Monitoring

Prior to the Department advertising a contract for bid, initial funding is set aside for the construction phase of the project. The amount of funding is based on the Preconstruction Engineer's Estimate of the construction cost, plus a percentage of that estimate for construction engineering (CE) expenses. CE costs typically vary depending on the size, location, and complexity of the project. Also included on federally-funded projects, is enough state-only funding to cover the estimated cost of ineligible construction items plus a small additional amount of state-only funding to cover the cost of ineligible CE items. The total funding available for the construction phase of a project varies by project type, funding source, and the way the project was authorized by the state legislature.

Initial funding is established in IRIS through a document known as a Project Development

Authorization (PDA). After the Department awards the contract, this initial funding is adjusted, through a PDA revision, to reflect the awarded contract amount. Subsequent adjustments are the responsibility of the Group Chief/PM and the Project Engineer. Any changes in project costs resulting in an increase or decrease require the preparation of a PDA (request for a) revision.

On federally-funded projects, expenses are divided into two basic categories: participating and non-participating. The federal agency reimburses the Department for a percentage of the cost of all eligible (participating) expenses. The reimbursement percentage is established in the federal funding agreement and varies considerably with the federal agency and the project type. The Department must pay the unreimbursed percentage of eligible expenses (known as state-match funds), as well as the total cost of all ineligible (non-participating) expenses.

Once a construction contract is awarded, the amount of the contract award is encumbered in the accounting system, and referenced to the contractor and contract number. This guarantees that sufficient funds are available to pay the contractor. This is accomplished using an Encumbrance Memo. Each category of funds must be encumbered separately and all funding must be available in the project phase account before the contractor can be allowed to proceed with the work (this applies both to the initial contract and to contract change documents). The Project Engineer and the Group Chief/PM are responsible for encumbering funds as the project progresses, to ensure sufficient funding is available and encumbered to guarantee payment of remaining contract obligations. All contractual obligations (consultant contracts, equipment purchases) and certain vendor stock requests are handled in a similar fashion.

Occasionally the Department may perform work for another governmental agency, or a utility may pay for a portion of the work performed under a Department contract. These outside funding arrangements are set up under Reimbursable Service Agreements (RSAs) or utility agreements. The regional finance unit bills the other agency/utility for the work after the Project Engineer certifies the work has been acceptably performed.

The project control unit designates the Group Chief/PM as the construction phase financial manager for all projects active in the construction phase. This designation makes the Group Chief/PM (or the Project Engineer, as the sub-designee) responsible for maintaining the construction phase financial account in a positive condition at all times. It is critical that both the Project Engineer and the Group Chief/PM closely monitor construction phase expenditures throughout the project to avoid exceeding the available funds. This is particularly important when the project encounters changed conditions or when additional work is contemplated. You can review current project financial information daily in IRIS or through project expenditure reports or special audit trails produced in ALDER. Project expenses will be paid only if sufficient funds are available in IRIS to cover them.

2.3. Federal Funding Agreements

On federally-funded projects, the Department enters into two contracts: one with the federal funding agency and the other with the construction contractor. FHWA and FAA financial programs are set up and monitored differently, but both accomplish the same result—the transfer of federal funds to the Department.

2.3.1 FAA

The signing of the FAA Grant Agreement usually takes place before the construction contract is awarded. The FAA's program consists of individual grants to airport sponsors (the Department is a sponsor). FAA awards grants on a project-by-project basis. The grant program is established/renewed by Congress, usually in three to five year increments, with the program name and emphasis varying.

A single FAA Grant Agreement may involve reimbursement for design engineering, land acquisition, construction improvements and construction engineering (CE); purchase of aircraft rescue and fire fighting (ARFF) vehicles, snow removal equipment, and buildings. The Department could manage each separate item under a separate grant; however, the FAA prefers to consolidate grants. Design engineering is typically included under the same grant with the related construction activity.

The parties to the grant agreement usually sign before the construction contract is awarded. FAA's Airports Division and the Department's Statewide Aviation unit sign the document. In addition to establishing the maximum dollar amount of federal reimbursement,

the grant agreement includes a written description of the work items that are eligible for reimbursement. State funds cover improvements not in the grant agreement and the sponsor's matching share.

Amendments to the grant agreement are possible. The Department (sponsor) is limited to fifteen percent in additional funds to cover allowable and reasonable expenses on the project, such as:

- Construction changes
- Claims
- Engineering costs
- Overruns

Justification is required to back up the increased costs. Grant amendments cover changes in grant description and financial concerns. The Project Engineer should be familiar with a signed copy of the grant, the special conditions, and any subsequent amendments.

2.3.2 FHWA

The signing of the FHWA Project Agreement, authorizing the construction phase, always occurs prior to advertising the project for bid. The FHWA's program consists of individually funded agreements, handled on a project-by-project or a phase-by-phase basis. Like the airport grant program, Congress establishes/renews the FHWA funding program in multi-year increments, each bearing a different title and different emphasis. FHWA Project Agreements can fund preliminary engineering (design), land acquisition, construction improvements, construction engineering (CE), and utility relocation all under one agreement or each under a separate agreement.

The Project Agreement that provides the initial funding for the construction phase is usually signed at the same time that the FHWA issues their Authority to Proceed (ATP) for advertising the construction contract for bids. The document is signed by the FHWA's Alaska Division and the Department's Federal Aid unit, both located in Juneau.

Project Information Document (PID) Form: In accordance with 2 CFR 200.210, a Federal-aid project agreement must have an identified period of performance for the scope of work authorized. The period of performance includes both a start and end date, which identifies the period of time when costs can be incurred (work performed) on a project for the authorized scope of work to be eligible for reimbursement with Federal funds. No additional Phase IV costs can be incurred on the project for

federal reimbursement after the Authority to Proceed (ATP) end date.

Construction or Design (depending on regional practices) will submit the PID Form for Phase IV in an electronic program called eWorX. The PID indicates basic project information, scope, and ATP beginning and end dates. See web link:

<https://portal.eworx.com/>

For further information on establishing and modifying ATP End Dates, refer to the FHWA Project Funds Management Guide for State Grants and FAQ's on ATP End Dates at the following respective links:

<https://www.fhwa.dot.gov/cfo/projfundsmgtal.cfm>

https://www.fhwa.dot.gov/cfo/projfundsmgt_qa.cfm

Following award of the contract, the Department submits a Project Agreement Estimate (the cost of the construction contract plus an additional allowance for the CE) to the FHWA, and the Project Agreement is modified to reflect the contract award amount. The Project Engineer should secure a copy of both the Project Agreement Estimate and the Project Agreement, as well as all subsequent revisions to either, and should become familiar with them. See Section 7.7 for further information.

The FHWA uses a system of Work Type Codes (also known as FA Codes) to track and account for expenditures of their funds. The codes appear on the Project Agreement and subsequent amendments, and must also appear on the Final Estimate. Questions on the proper application of these codes should be directed to the Group Chief/PM, regional project control, or to the FHWA area engineer.

For more information about managing Project Funds, use web link:

<https://www.fhwa.dot.gov/cfo/projfundsmgt.cfm>

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