

PART 1

Program Development

Chapter 8

Project Initiation and Authorization

Locally Administered
Projects (LAP) Manual

Chapter 8

PROJECT INITIATION AND AUTHORIZATION

- 8.1 [INTRODUCTION](#)
- 8.2 [OVERVIEW OF THE SYSTEM ALLOCATION PROCESS](#)
- 8.3 [DEVELOPMENT OF THE SIX YEAR IMPROVEMENT PLAN](#)
- 8.4 [STIP DEVELOPMENT](#)
- 8.5 [COORDINATION WITH METROPOLITAN ORGANIZATION](#)
- 8.6 [TYPES OF FEDERAL FUNDING](#)
- 8.7 [SPECIAL FUNDING PROGRAMS](#)
- 8.8 [FEDERAL OBLIGATION AND FEDERAL STRATEGY](#)
- 8.9 [PROJECT PROGRESS](#)
- 8.10 [ADVANCE CONSTRUCTION](#)

Chapter 8 - [Project Initiation and Authorization Checklist](#)

8.1 INTRODUCTION

Ensuring that a project is funded appropriately and included in all required financing plans as well as the LPA's Comprehensive Plan and Capital Improvement Plan is essential for avoiding unnecessary project delays. For federal-aid projects, the LPA is responsible for coordinating with the Metropolitan Planning Organization (MPO) and VDOT so that the project's correct phase is included in the approved State Transportation Improvement Plan (STIP), and where appropriate, in the Metropolitan Planning Organization's (MPO's) Financially Constrained Long Range Transportation Plan, and in the MPO's Transportation Improvement Program (TIP). Federal-aid projects must also be included in either the Secondary Six-Year Plan (SSYP) or the CTB's Six Year Improvement Program (SYIP).

Most federal funds have expiration dates for their obligation, which means that the funds will lapse at a specified time. For most funding programs, the expiration date is three years after the year the funds are first allocated by the FHWA. When a particular phase of a federal project is authorized by agreement with FHWA, all of the project funding associated with that authorization is considered obligated even though the funds have not been spent. However, in accordance with [23 CFR Part 630](#), projects with unexpended balances that have been inactive for extended periods of time, will be flagged and may have their federal funds de-obligated to ensure federal funds are being effectively utilized.

It is incumbent on each recipient of federal aid to implement projects in a timely manner in order to prevent a lapse of funding. A lapse of funding in any LPA may have a detrimental effect on the entire state. For example, a state that does not expend its original federal apportionment in any area is not eligible for additional federal discretionary funds.

8.2 OVERVIEW OF THE SYSTEM ALLOCATION PROCESS

Transportation funding flows to local governments in a number of different ways. The majority of construction funding is made available through system allocations as part of the annual Six Year Improvement Program and Secondary Six Year Improvement Plan development process. The Code of Virginia establishes how transportation funding is divided between the different highway systems and localities. Section [33.2-358](#) of the Code of Virginia provides the following progression for allocation of funding (including federal funds):

- Maintenance first – Interstate, Primary, Secondary, and payments to local governments (cities, towns, and withdrawn counties).
- Administrative and general expenses (as defined by Code).
- Allocated by the Board not to exceed \$500 million in any given year:
 - 25 percent to bridge reconstruction and rehabilitation
 - 25 percent to advancing high priority projects statewide
 - 25 percent to reconstructing deteriorated interstate, primary and municipality-maintained primary extension pavements
 - 15 percent to project undertaken pursuant to the Public Private Partnership Act
 - 5 percent to pave certain unpaved roads
 - 5 percent to the Innovation and Technology Transportation Fund
 - Then, up to 10% (per year) of any remaining funds for financing rail projects that the Board determines will result in the mitigation of highway congestion
 - Then, any remaining funds available for highway purposes, exclusive of federal funds for the Interstate system, and any funds not allocated to a SYP project as follows:
 - 50 percent for the high-priority projects program pursuant to [Section 33.2-370](#)
 - 50 percent for the highway construction district grant programs pursuant to [Section 33.2-371](#)

For additional information on the transportation fund allocation process, please see the [“how the projects are financed”](#) link.

8.3 DEVELOPMENT OF THE SIX YEAR IMPROVEMENT PROGRAM

The Six Year Improvement Program allocates funds for transportation projects proposed for construction, development, or study in the next six years based on the CTB’s policy and goals. The program is updated annually. Typically, the CTB conducts hearings in the fall of each year to gather public and local government input on priorities for transportation funding. These meetings provide local governments with an opportunity to have input on priorities for the Interstate and Primary systems.

Cities and towns in the Urban System also establish or reconfirm their priorities for urban system construction funding on an annual basis. This is done in the fall of each year and documentation of the local priorities is due to the VDOT District Designee (formerly the Urban Program Manager) by December 1. Should the LPA choose to add a project to their program, they must first conduct a public hearing.

Counties also have a programming process that is coordinated between the local Board of Supervisors and VDOT’s Residency Administrator. The Residency Administrator works with the Board of Supervisors to establish or reconfirm their priorities for the Secondary Six-Year Plan (SSYP). Each year the Residency Administrator attends a meeting of the Board of Supervisors for the purpose of preparing a budget for the expenditure of secondary road improvement funds for the next fiscal year.

8.4 STIP DEVELOPMENT

All federal-aid projects are required to be included in the State Transportation Improvement Program (STIP). This includes all projects that will be developed as

federal-aid eligible, including those that will be authorized as advance construction (AC) (see [section 8.10](#)) for future federal conversion. The STIP is a multi-year intermodal program of all FHWA/Federal Transit Administration (FTA) funded transportation projects.

The STIP contains all capital and non-capital projects or phases of projects that will utilize federal funding over a four-year period. It also includes regionally significant transportation projects requiring federal approval or permits even though no federal funds may be used for construction.

The STIP must be financially constrained by year which is determined by comparing federal funding available to project allocations. For a project to be included in the STIP, it must be consistent with the financially-constrained long-range (20 year) transportation plans.

In MPO areas, project selection and TIP approval is done by the MPO and State. TIP projects are then included in the SYIP or SSYP and STIP. Outside of MPO areas, project selection is done by the state in consultation with appropriate local officials.

Other projects included in the STIP are those funded by special federal-funding programs such as the Forest Highway and Public Lands Discretionary. These projects may not be included in the SYIP or SSYP at present, but it has been determined that all construction projects receiving federal aid must be included in future STIPs.

8.5 COORDINATION WITH METROPOLITAN PLANNING ORGANIZATIONS

By federal statute, Metropolitan Planning Organizations (MPOs) are established in areas with an urbanized population greater than 50,000 based on the census. There are currently [14 MPOs](#) in the Commonwealth.

MPOs are responsible for developing, in cooperation with the state and transit operators, a long-range transportation plan and a Transportation Improvement Program (TIP) that is consistent with the long-range plan. All projects in an MPO area that will utilize federal highway or transit funding must be included in the long-range plan and the TIP in order to proceed. Both the long-range plan and TIP must be financially constrained. Each MPO has an established process and schedule for updating and/or modifying their plans and program.

MPOs with populations over 200,000 are designated as Transportation Management Areas (TMAs). TMAs have project selection authority for Regional Surface Transportation Program (RSTP) and Congestion Management/Air Quality (CMAQ) funds, in consultation with the state. These funds are programmed in the MPO TIP and must also be included in the SYIP or SSYP and STIP.

The Clean Air Act requires that any area that does not meet the air quality standards for designated pollutants be designated as “non-attainment.” Once a region is designated “non-attainment”, conformity must be demonstrated as part of the MPO planning process. Transportation conformity ensures that Federal funding and approval goes to those transportation activities that are consistent with air quality goals, and can have a significant impact on the transportation planning process. If transportation conformity cannot be determined, projects and programs may be delayed.

8.6 TYPES OF FEDERAL FUNDING

The system allocation (primary, secondary, or urban) includes both federal and state funding. Eligibility for the various federal funding categories is established by Federal law and regulation. For additional information on the federal funding types and eligibility, please refer to the federal-aid funding guide at:

<http://www.fhwa.dot.gov/federalaid/projects.cfm>

Some federal funds are not included in the system allocation, but are instead available via application to the local MPO (RSTP/CMAQ), application to VDOT (HSIP, Transportation Alternatives) or through discretionary allocation by the CTB (Bridge, NHS, Equity Bonus). If you have questions regarding eligibility and availability of federal funding for your project, please contact your local VDOT contact.

8.7 SPECIAL FUNDING PROGRAMS

There are a number of special funding programs that are available to local governments through VDOT and the MPOs. These include both federal and state aid and many of these are managed by VDOT's Local Assistance Division. Additional information can be found on our Web site at <http://www.virginiadot.org/business/local-assistance.asp>

The Virginia Transportation Research Council has summarized the resources available in their report on alternative funding sources available to Virginia localities. The report is available at the following link:

<http://www.virginiadot.org/vtrc/main/online%5Freports/pdf/06-r17.pdf>

8.8 FEDERAL OBLIGATION AND FEDERAL STRATEGY

Obligation authority is the amount of federal funds that a state commits to put under contract with FHWA within a federal fiscal year. Obligation of funds is a commitment by FHWA to reimburse the state for eligible project expenses. States must obligate all federal funds that are available to them in a federal fiscal year. If the state cannot obligate all available funding it is redistributed to other states. If the state can demonstrate that it can utilize all available obligation authority, then the state may receive obligation authority released by other states.

A federal strategy is developed annually to demonstrate how Virginia plans to fulfill its obligation authority (OA). The Strategy is based on activity begin dates and allocations programmed in the SYIP and SSYP. The Strategy establishes annual and

monthly goals for Virginia. Reports are provided to the FHWA monthly. All projects with activity begin dates (by phase) are identified in the Strategy, including the planned obligations for that phase. The districts/divisions are responsible to provide the required information necessary to ensure funds are authorized to meet the dates set.

8.9 PROJECT PROGRESS

8.9.1 [Congestion Mitigation and Air Quality Improvement Projects](#)

8.9.2 [Regional Surface Transportation Program Projects](#)

8.9.3 [Highway Safety Improvement Program Projects](#)

8.9.4 [References](#)

It is incumbent upon those localities that are administering federal-aid highway projects to diligently advance those projects in order to meet project schedules as well as state and federal obligation requirements. Failure to advance projects in a timely manner and meet established expenditure schedules may result in loss of project funding by localities. These requirements are included in the standard Federal-aid Project Administration Agreement.

8.9.1 Congestion Mitigation and Air Quality Improvement Projects

Localities receiving CMAQ funds shall ensure that the funds for those projects are obligated within 12 months of allocation and that the project is advanced so that the funds are fully expended within 36 months of their obligation. If the CMAQ funds are not expended within 36 months of their obligation, the CTB may re-allocate any remaining funds to any other eligible project eligible under 23 USC 149. Localities are responsible for funding any amount in excess of the allocation.

8.9.2 Regional Surface Transportation Program Projects

Localities receiving RSTP funds shall ensure that the funds for those projects are obligated within 12 months of allocation and that the project is advanced such that the funds are fully expended within 36 months of their obligation. If the RSTP funds are not expended within 36 months of their obligation, the CTB may rescind any

required matching funds for the federal funds. Localities are responsible for funding any amount in excess of the allocation.

8.9.3 Highway Safety Improvement Program Projects

Localities receiving HSIP funds shall ensure that the funds for those projects are obligated within 12 months of allocation and that the project is advanced such that the funds are fully expended within 36 months of their obligation. If the HSIP funds are not expended within 36 months of their obligation, the CTB may rescind any required matching funds for the federal funds. Localities are responsible for funding any amount in excess of the allocation.

8.9.4 References

[Congestion Mitigation Air Quality Program – 23USC149](#)

[Regional Surface Transportation Program – 23USC133\(b\)](#)

[Highway Safety Improvement Program – 23USC148](#)

[FY 14 Budget Appropriation Language – Item 427 \(B3 & B5\)](#)

8.10 ADVANCE CONSTRUCTION

At times, federal funds may not be available for obligation, but may be anticipated with future budget or administrative actions. If a local government wishes to proceed with its own funds and still establish eligibility for possible future federal reimbursement, it may request an advance construction authorization. The local government must have sufficient funds available to cover project expenses until federal funds become available for reimbursement and must consider the risk that federal aid may never become available. This authorization, known as AC, establishes the date for the beginning of reimbursable activities. When and if federal funds become available, the project is “converted” and funds are obligated. After this is done, the necessary agreements can be processed and invoices prepared for reimbursement. Projects approved for advanced construction must be developed in accordance with all FHWA requirements.


VDOT's policy is to develop all federally eligible projects in the SYIP and SSYP without identified federal aid as advance construction projects. SYIP and SSYP project are granted exceptions to this policy on a project-specific basis. Special state-aid projects, such as revenue sharing and access projects, are not included in the SYIP or SSYP and are programmatically exempted from this policy.

Chapter 8 – Project Initiation and Authorization Checklist

These checklists can be found in their entirety in the [VDOT on line forms library](#)

CH 8 - Initiation and Authorization

Ensuring that a project is funded appropriately and included in all required financing plans as well as the LPA's Comprehensive Plan and Capital Improvement Plan is essential for avoiding unnecessary project delays.

| <i>SUBMIT</i> | <i>COMPL</i> | <i>F</i> | <i>S-V</i> | <i>S-L</i> | <i>T-A</i> | <i>UCI</i> | <i>Requirement</i> | <i>Reference</i> <i>LAP Other</i> | |
|---|--------------------------|----------|------------|------------|------------|------------|--|---|--------------|
| | <input type="checkbox"/> | X | X | X | | | Project and Funding included in STIP and TIP (where applicable) | 8.3 , 8.4 | |
| | <input type="checkbox"/> | X | X | X | | | CTB approves SYP - project is included and made active in "Pool" | 8 | |
|  | <input type="checkbox"/> | X | X | X | | | Local Government Resolution (Urban Localities) | 3.4.3 | Urban Manual |