ARIZONA DEPARTMENT OF TRANSPORTATION

Project Delivery Academy

Module 2: Federal Authorization and Resource Administration

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Presentation Overview

- Introductions
- Federal Aid
- Non Federal Fund Sources
- Distribution of federal funds between ADOT and COGs/MPOs
- Resource Administration and Project Authorization
- Questions

Introductions

- Program and Project funding (PPF) is a unit within Financial Management Services
- Serves full lifecycle of Programmatic and Project Funding
- 3 Teams that make up PPF:
    - **Resource Administration:** Responsible for obligating funding to assist with the delivery of the 5 Year Transportation program. Monitor and track federal aid spend down, and ensure projects are appropriately funded and budgets available for projects to begin
    - **Project Accounting:** Responsible for lifecycle management of projects (includes various tasks), approving budget documents in AZ360, processing JVC requests, and currently maintain transit among many other miscellaneous types
    - **Final Voucher:** Responsible for auditing and closing out projects
- PPF Org Chart:
    - **Program and Project Funding Administrator:** Elise Maza
        - **Accounting Manager:** Patrycja Kozaczka
            - **Resource Administration Manager:** Alison Hart
                - Team Lead: Joshua Wilson
                - Accountants: Velia Gomez-Zuniga, Matthew Randall, Ryan Loos, Novalyne Flaming-Buschman

Federal Aid

Federal Aid Highway Program

- Reimbursement program
  - DOT pays costs first, then requests payback through weekly billing process
- Requires a State or Local match
  - Match based on percentage of federal lands in the State. Most states are 80/20
  - Arizona has a match of 5.7% (only Nevada has a lower match at 5%)
- Federal-Aid Highway Program is funded primarily by the Federal Highway Trust Fund, which collects revenue from federal motor fuel excise taxes, heavy truck sales, and tire taxes
- The current long-term reauthorization bill is the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), was signed into law on November 15, 2021, and is expiring this year in September 2026
  - BUILD America 250 is the proposed new five-year transportation bill, $580 billion package

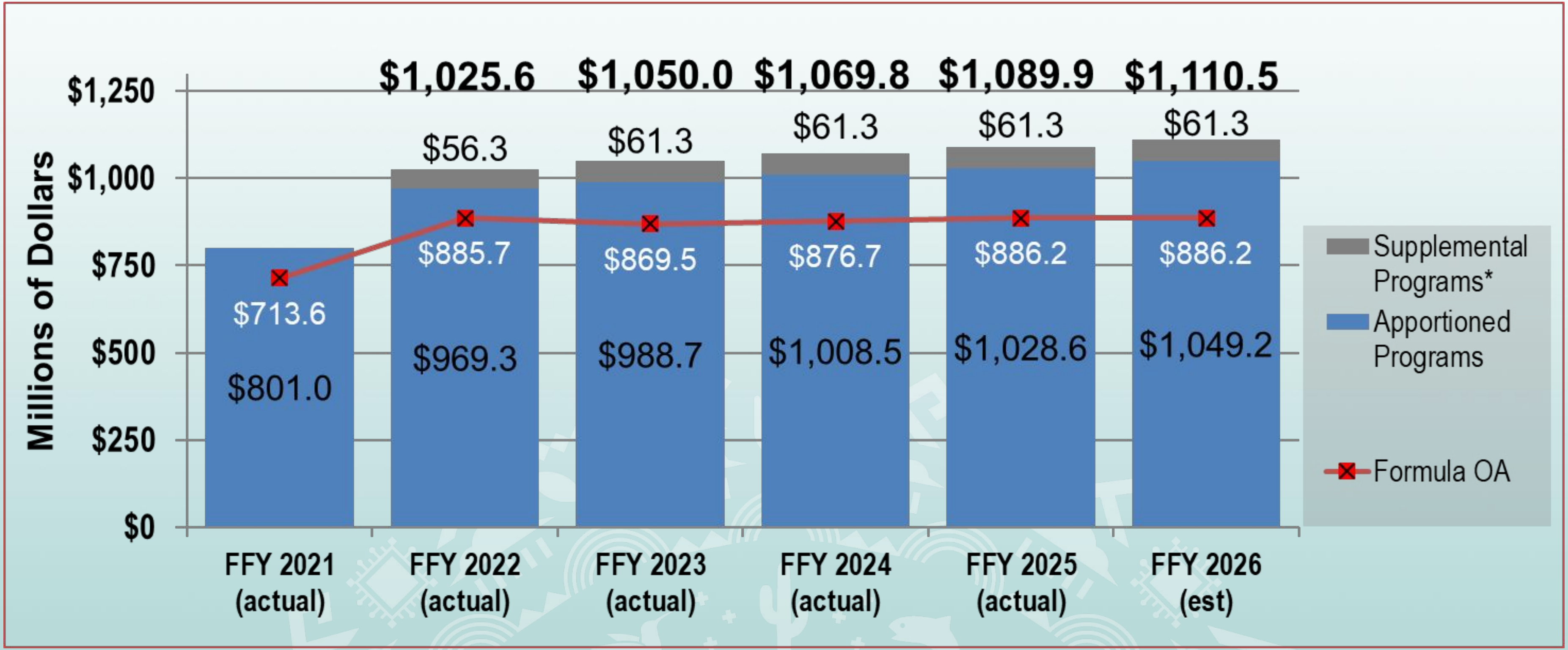
Federal Aid Highway Program

- **Apportionment**
  - The initial distribution of funds by the FHWA to individual states, based on a statutory formula, typically on an annual basis
  - FHWA uses formulas, as established by Congress in authorization acts, to determine each state's share of the total federal highway funding
    - Categories of federal funding: NHPP, HSIP, STBG etc.
- **Obligation Authority (or Obligation Limitation)**
  - A statutory restriction or "ceiling" on the amount of Federal assistance that can be obligated during a specific time period
  - States can commit (obligate) a portion of their apportioned funding only up to the amount of obligation limitation provided to them
  - The obligation limitation is determined annually and can be set in appropriations acts or continuing resolutions
  - OA is use or lose- if a planned project becomes delayed, something similar should be ready to be advanced in it's spot
- Both Apportionments and Obligation Authority are required to fund projects

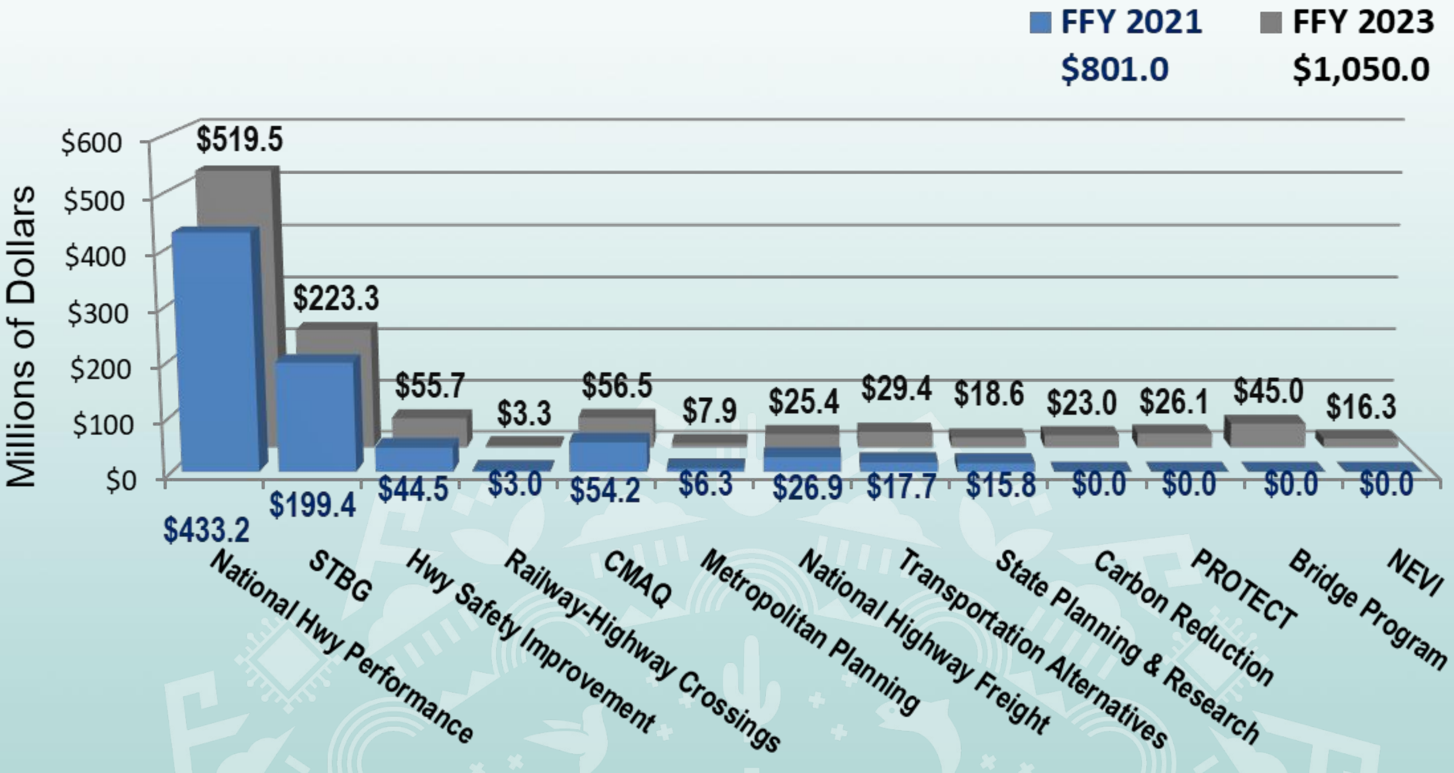
IIJA/BIL Apportionment Estimates

FFY 2022 – FFY 2026

Total Estimated IIJA funding limits: $5.3 billion



FAST v. IIJA Apportionment Comparison



Non-Federal Funding Sources & Local Funded Projects

Highway User Revenue Fund (HURF)

- Arizona taxes motor fuels and collects a variety of fees and charges relating to the registration and operation of motor vehicles on the public highways of the state.
  - Collections include:
    - Gasoline and use-fuel taxes,
    - Motor-carrier taxes,
    - vehicle-license taxes,
    - motor vehicle registration fees
    - Other miscellaneous fees.
- These revenues are deposited in the Arizona Highway User Revenue Fund (HURF) and are then distributed to the cities, towns and counties and to the State Highway Fund

ARIZONA DEPARTMENT OF TRANSPORTATION FY 2025 HURF ACTUAL REVENUE DISTRIBUTION FLOW

NOTES:

/1. Arizona Revised Statutes 28-5926 and 28-5927 transfer 1.6 percent of gas tax revenues to the State Lake Improvement Fund (SLIF) and 0.55 percent of gas tax revenues to the Off-Highway Vehicle Recreation Fund (OHVRF). The $533.4 million of gas tax revenue is before of a total $11.5 million transferred to the above two funds.

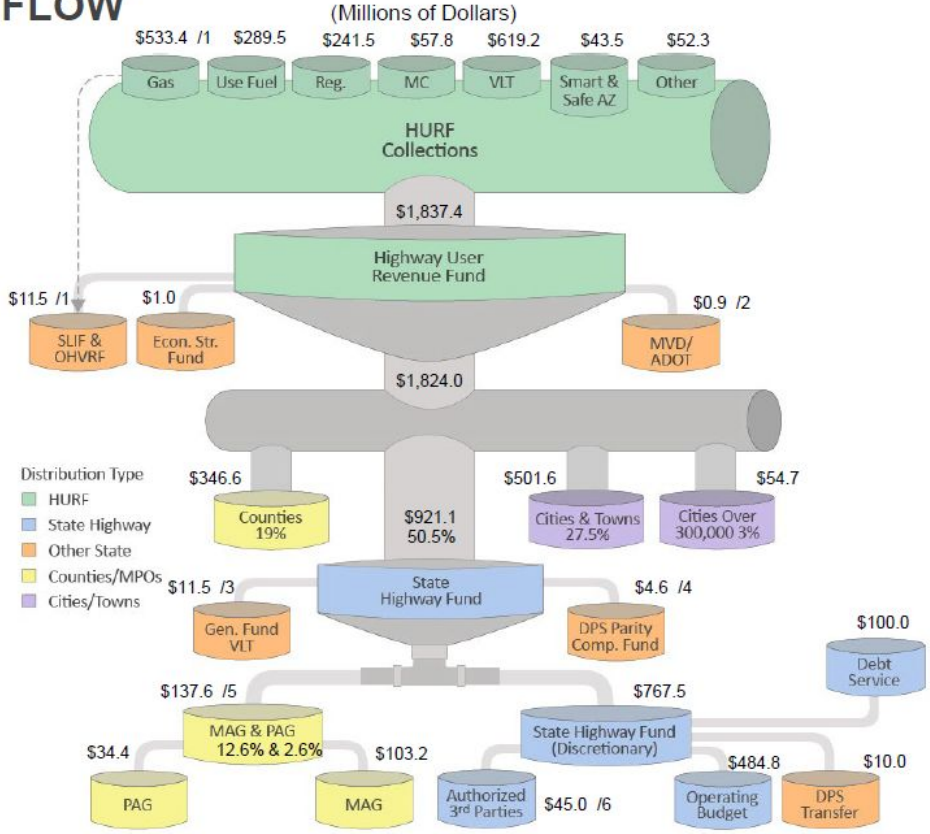
/2. The appropriations from HURF for operating expenses and authorized 3rd party programs are reflected net of any reversions from prior years.

/3. Laws 2011, 1st Regular Session, Chapter 28 (SB 1616) transfers from the State Highway Fund share of HURF VLT generated the difference in the two-year and five-year VLT to the state general fund which totaled $3.9 million in FY 2025. Laws 2010, 7th Special Session, Chapter 12 (HB 2012) an amount equal to 90 percent of the fees collected under 28-4802 (A) and 60 percent of the fees collected under 28-4802 (B) shall be transferred from the State Highway Fund share of HURF VLT to the State General Fund which totaled $5.5 million in FY 2025. Laws 2024, 2nd Regular Session, Chapter 209, Section 135 (HB 2897) transfers $2.0 million from the State Highway Fund share of HURF VLT to the State General Fund in FY 2025.

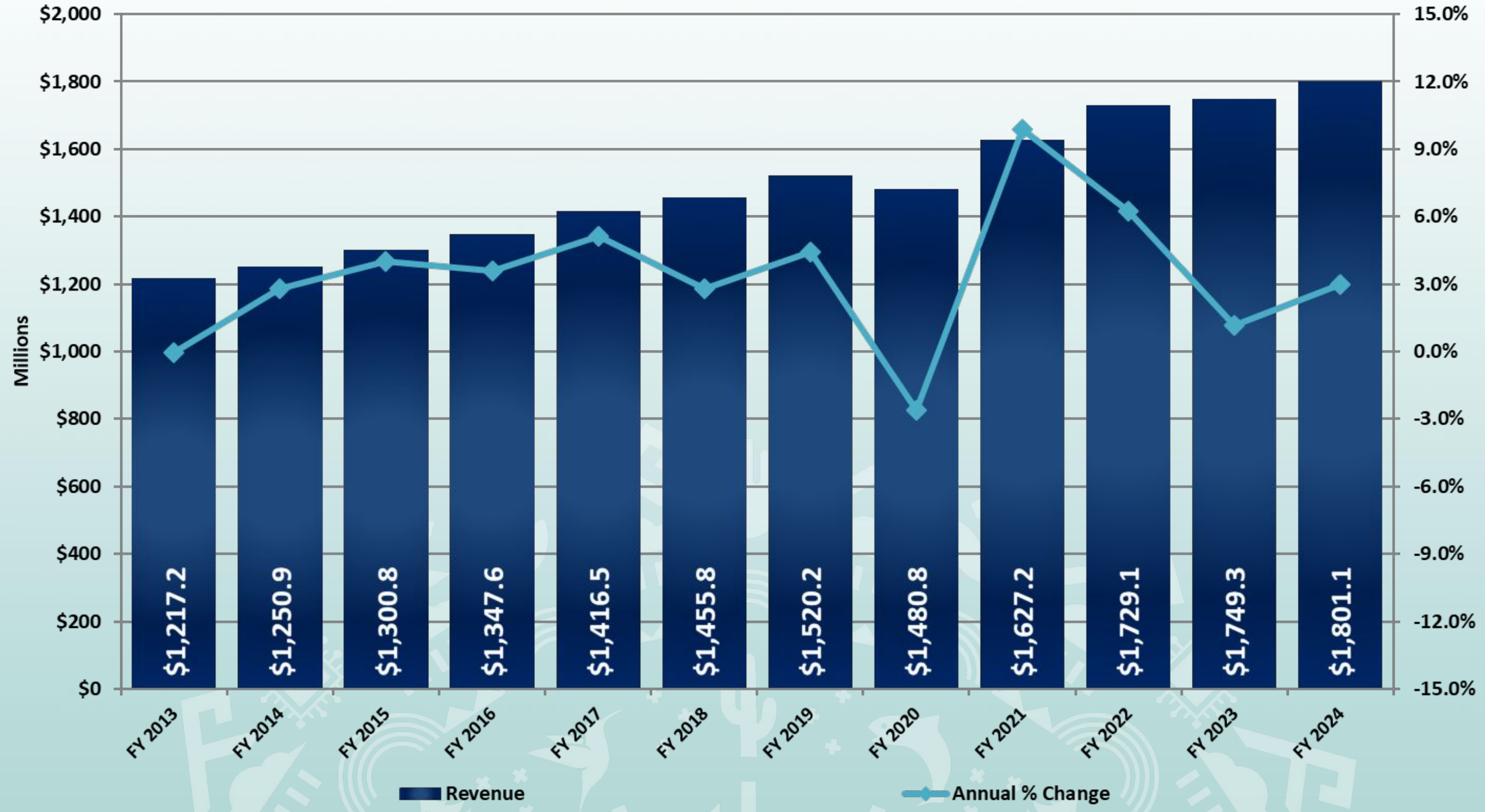
/4. Per Arizona Revised Statutes 28-5808, 1.51 percent of the State Highway Fund share of HURF VLT is distributed to the DPS Parity Compensation Fund.

/5. The 12.6% (statutory) and 2.6% (non-statutory) allocations from the State Highway Fund share of HURF distributions.

/6. Revenues to the State Highway Fund are reduced by the amount retained by Authorized Third Parties for the collection of VLT.

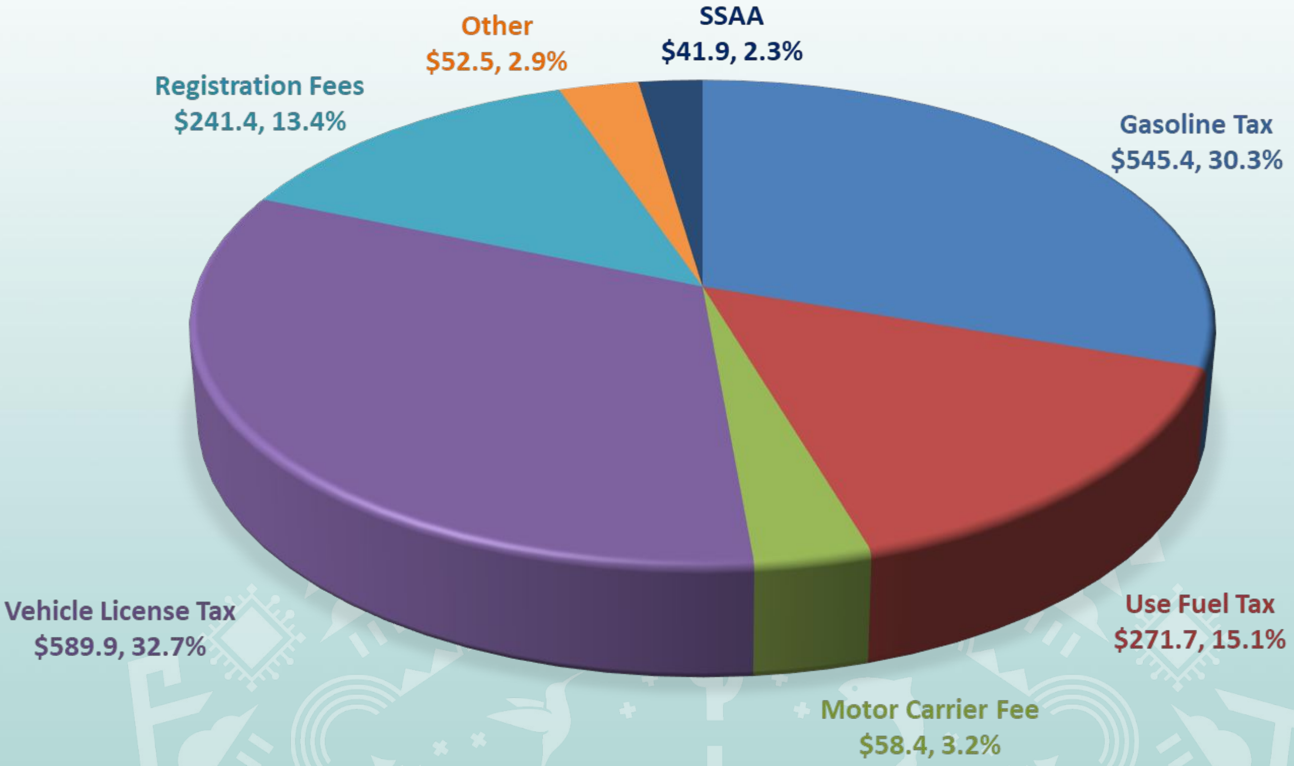


HURF: Revenue History



Breakdown of HURF Revenue

FY 2024 - $1,801.1 Million



Regional Area Road Fund (RARF)

- Often referred to as the "half-cent sales tax"
- Tax on business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities
- Previously prop 400 which expired in December 2025, this tax was approved again under prop 479 from 2026-2045 (20 years)
- How it is distributed:
  - 40.5 percent to the Regional Area Road (RARF) fund for freeways and other routes in the state highway systems, including capital expenses.
  - 22.5 percent to the RARF fund for major arterial streets, intersection improvements and regional transportation infrastructure including capital expenses and implementation studies.
  - 37 percent to the Public Transportation Fund for

MARICOPA COUNTY TRANSPORTATION EXCISE TAX
FY 2025 ACTUAL REVENUE DISTRIBUTION FLOW

NOTES:

/1. Prop 300 expired on December 31, 2005 and Prop. 400 became effective on January 1, 2006 and will expire on December 31, 2025. Collections and distributions are a blend of both Prop. 300 and Prop. 400. Prop. 300 monies will continue over time due to adjustments, refunds and audits. Prop. 300 revenues totaled -$1,002.85 in FY 2025.

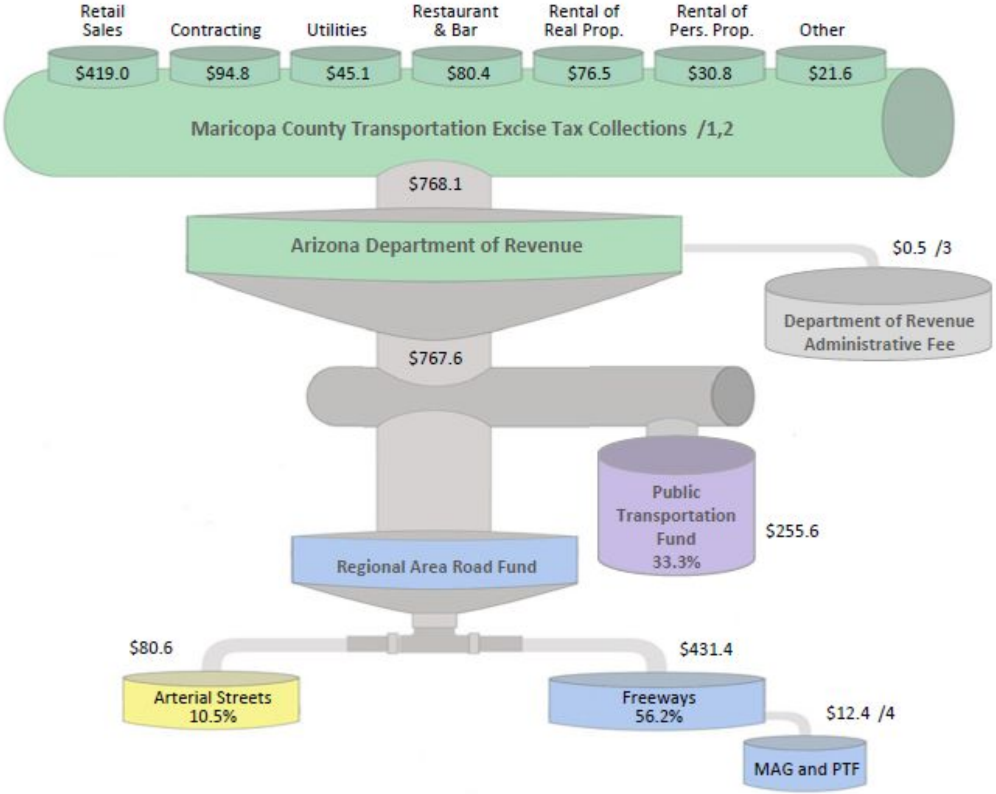
/2. Under Prop. 400, the Regional Area Road Fund (ADOT) receives the Freeways 56.2% and the Arterial Streets 10.5% revenues. MAG programs projects for the Arterial Streets 10.5% monies and then ADOT is billed for the costs.

/3. Reflects the deduction from collections of a fee paid to the Arizona Department of Revenue pursuant to Arizona Revised Statutes Section 42-5041 to recover a portion of administrative, program and other operating costs incurred in collecting the transportation excise taxes. Enacted by Laws 2022, Ch. 321 (HB 2871), effective for FY 2023 through FY 2028.

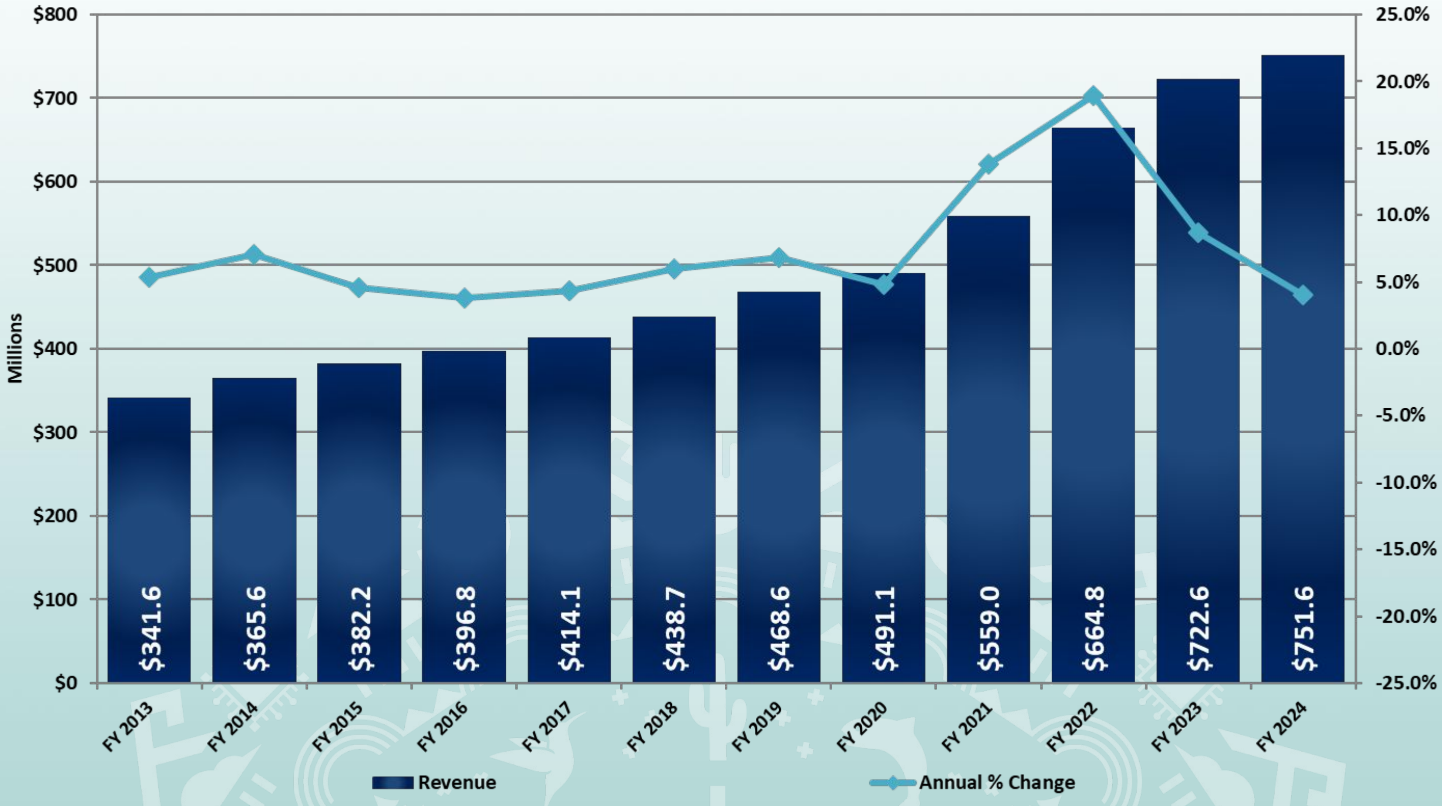
/4. Per ARS 28-6305 B and C, a portion of the Freeways 56.2% monies are distributed equally between MAG and the Public Transportation Fund to be used for planning and administering the regional transportation plan. The amount depicted reflects the transfer done in late FY 2025 for FY 2026.

Note: Totals may not add due to rounding.

(Millions of Dollars)

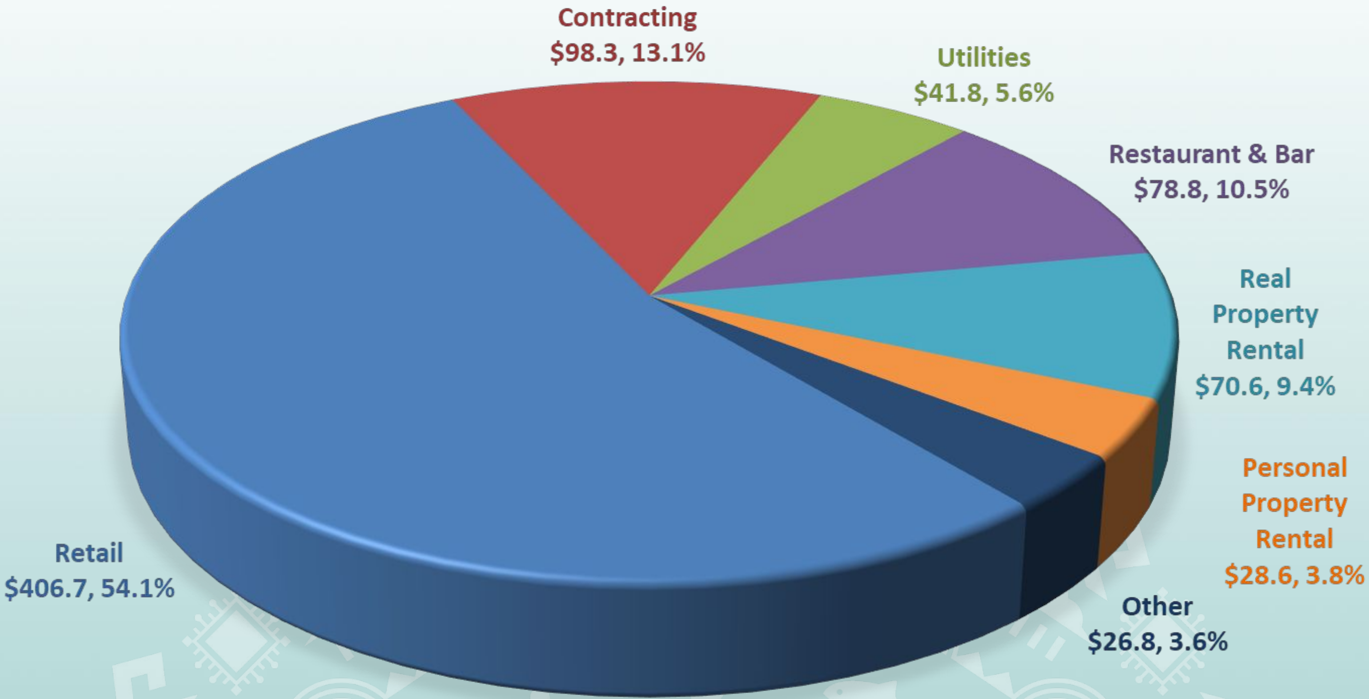


RARF: Revenue History



Breakdown of RARF Revenue

FY 2024 - $751.6M



Other Funding/Special Funding

- Agency is getting new, complex types of funding:
  - **Legislative appropriations** (and ex-appropriations)
    - AZ State Legislature has dedicated funding for specific transportation projects
  - **Congressional Earmarks/Congressionally Directed Spending (CDS)**
    - Provisions in federal congressional spending bills that direct funds to specific projects (must follow federal guidelines)
  - **AZ SMART**
    - Program administered by the ADOT to help eligible local governments compete for and match federal surface transportation grants
      - Grant support: Reimburses up to 50% of costs for developing and submitting federal grant applications (for select smaller towns and counties).
      - Local match: Provides non-federal matching funds required to secure awarded federal discretionary grants.
      - Design services: Covers reimbursement for design and engineering services meeting federal standards.
  - **Grants** – Increase in Grant Funding with IIJA

Unprecedented Discretionary Grant Opportunities

		Eligible Applicants					
Grant	**$**	**State**	**COG/MPO**	**LPAs**	**Tribe**	**PA[1]**	**Others[2]**
Prioritization Process Pilot Program	50 M	✓	✓			✓	
National Electric Vehicle Tech Assistance	500 M	✓		✓			
Safe Streets and Roads for All program	5 B		✓	✓	✓		
PROTECT Grant	1.4 B	✓	✓	✓	✓	✓	✓
Charging & Fueling Infrastructure Program	2.5 B	✓	✓	✓	✓	✓	
Congestion Relief Program	250 M	✓	✓	✓			
Bridge Investment Program	12.5 B	✓	✓	✓	✓	✓	✓
Reconnecting Communities Pilot Program	1 B	✓	✓	✓	✓		
Rural Surface Transportation Grants	2 B	✓		✓	✓		
INFRA	8 B	✓	✓	✓	✓	✓	✓
National Infrastructure Project Assistance (MEGA)	5 B	✓	✓	✓	✓	✓	
Local and Regional Project Assistance	7.5 B	✓	✓	✓	✓	✓	
Reduction of Truck Emissions at Ports	400 M	*None specified in IIJA; NOFO expected to contain details*					
Wildlife Crossings Pilot Program	350 M	✓	✓	✓	✓	✓	✓
FY 22-26 Total	**$46.45 B**						

1/ Special purpose district/public authority with transportation function 2/ Includes Federal Land Management agency, non-profits and territories
Source: Bipartisan Infrastructure Law, Overview of Highway Provisions presentation, available at https://www.fhwa.dot.gov/bipartisan-infrastructure-law/summary.cfm

Distribution of Federal Aid between ADOT and COGs/MPOS

- ADOT distributes federal-aid highway and planning funds to Arizona's 12 Councils of Governments (COGs) and Metropolitan Planning Organizations (MPOs) through formula suballocations
  - Federal Funding Programs passed through to COGs/MPOs:
    - TAP Funding (MAG/PAG)
    - PL (MPOs/TMAs)
    - SPR
    - STBG <5, STBG 5-50, STBG 50-200
    - CMAQ (MAG)
    - CRP (MAG, PAG)
    - CRP 50-200K (MPOs)
    - HURF Exchange (Not Federal Aid but in exchange of STP funding)
  - Projects planned out in Local and State TIP's
  - Local project sponsors incur project costs, and ADOT handles the federal reimbursement process since ADOT remains the official direct recipient accountable to the federal government

ADOT Competitive Programs for Local Projects

- ADOT Federal Aid available for local projects based on a competitive application process
    - Competitive Programs:
        - Off System Bridge (STBG w. Match & BFP 100% Fed)
        - Transportation Alternative (TA) Program (New)
        - Congestion Mitigation Air Quality (CMAQ) (Nogales)
        - Highway Safety Improvement Program (HSIP)
    - Local sponsors are responsible for all cost increases; ensure project estimates are as accurate and up to date as possible before applying.

Local Projects Prior to Federal Authorization

- Project must be in the TIP
- A project Initiation Letter is generated by ADOT
- A project manager is assigned to the project
- ADOT and Federal Aid number are assigned to the project
- Joint Project Agreement (JPA)/ Intergovernmental Agreement (IGA) must be executed.
- All local funding, match and 100% contribution must be received by ADOT prior to authorization.
- 5 Year Program funding is “use or lose”, projects not authorized timely can lose their funding

Resource Administration

Resource Administration Tasks

Responsible for obligating funding to assist with the delivery of the 5 Year Transportation program. Monitor and track federal aid spend down, and ensure projects are appropriately funded and budgets available for projects to begin

- **Attend Project Review Board Meeting (PRB)**
  - Preview of what projects to expect
  - Provide financial guidance/answer questions
  - Review/validate all financial elements on form: budgets, project master, fed ID, and fund source
  - Process time: Aim for 7 business days after RA receives PRB final decision packet (unless it requires PPAC & STB action)
    - Delays in processing times include but are not limited to:
      - Pending eSTIPs- FHWA does not accept pending eSTIP's so there is sometimes a delay in eSTIP approval and when we can send to FHWA
      - Depending on project type we may need to reach out for additional documents: Map, Auth letters (HSIP, NEPA), ROW parcel info, etc.
      - Project Master requests not submitted to get ADOT Project number and federal aid number assigned prior to coming to PRB
  - Once authorized at FHWA, RA will load the budget into AZ360 and send a copy of the final authorization request to Project Manager/PRB Requestor

Resource Administration Tasks Continued

- **Attend Construction Advertising Huddle**
  - Discuss Advertising/Authorization dates
  - Provides processing dates for both RA/FHWA
  - Helps us plan the next quarter and fiscal year end to ensure federal spenddown
- **Construction Obligation Requests**
  - Obligation Request Sent to RA - FMIS4 Coding Form & Recap (Excel), MONEYADM (Word), DocuSign Cover Letter, JPA/IGA (if applicable), TIP or STIP (cannot be pending), Map – showing the vicinity/exact location where project is taking place.
  - Documentation is reviewed for consistency and completeness
    - RECAP totals must match all forms
    - FMIS4 elements are accurate
    - Project Name is consistent on all documents
    - Detailed map of project location included
    - Local funds received if applicable
      - Analyst will confirm if monies have been received through A/R log or directly in AZ360
  - Project is sent to FHWA for approval
    - FHWA 2nd signature provides approval to authorize (typically email is sent from FHWA)
    - FHWA 3rd signature provides approval to load funding
  - Once fully authorized at FHWA, RA will load the budget into AZ360 and send a copy of the final authorization request to requestors

Resource Administration Tasks Continued

- **Construction Budget Increases**
  - Additional funds requested for project after initial approval
  - Come in DocuSign format approved by State Engineer's Office
- **Construction Awards**
  - Contractor has been awarded the project and adjustments are made to original approved funding
  - Once projects have been approved by STB, award should be submitted to RA within 10 days
  - Encumber contractor amount after award adjustment is complete so vendors can be paid monthly
- **Non-construction Projects**
  - MPD projects (2 Year Work Program for Planning and Research, Arizona State Parks, COG/MPO Authorizations, etc.)
  - Miscellaneous (Fuel Tax Evasion, Landscape/Litter, Annual Training, BECO, etc.)
- **Project Master**
  - Project Accounting is the owner ….. RA is one of the signers in the approval process for F and T prefix projects
  - Project master feeds AFIS/PIRT/Fast so it is important that the information is accurate and complete
    - Any change needs to go through Project Master: i.e.- Project Manager name change
- **Monitor Receipt of Local Funds**
- **Track/Update Project End Dates & Inactive Projects**

Resource Administration Hot Topics

- **Pending eSTIPs**
  - If there are amendments to an eSTIP we cannot request FHWA authorization until it is approved

- **FMIS4 Coding Form Location Details**
  - Correct Congressional District, Functional Class, and System code are important to have for FHWA's financial system. Ensure the FMIS4 coding form is accurate when submitting or that project master is when requesting the project number

- **FHWA Authorization Letter**
  - Local contributions over required match are not being identified correctly in the letter
    - Just because it is not using federal aid, does not mean the work is ineligible for federal aid
  - Project total on first page needs to match total amount being requested, not just federal

- **Final push to phase closure and/or project closure**
  - Phase closure – email resourceadmin@azdot.gov
  - Project closure – Submit FV request through Smartsheets

Project End Dates

- The requirement for project end dates was implemented in December 2014 on federally funded projects
- The project end date is the final date when the recipient may perform work to be allowable for reimbursement on a federally-funded project
- The end date helps determine the Period of Performance for a project or project phase (original authorization date of phase through to the end date is period of performance)
- If work is performed after the end date of the period of performance it becomes ineligible for federal reimbursement
- If the project end date is modified after the previously approved end date has passed, work performed during the lapse period are not allowable and will not be reimbursed
- The end date should be selected based upon the schedule of the scope of work under agreement, not the completion of the entire “project.” (For example PE, ROW, or construction phases separately)
- The date should be modified if there is a documented change in the project that affects the completion schedule of the project
  - Examples include change orders, contractually allowable delays, delays in award or re-advertisement, litigation delays, etc.

Managing Project End Dates

- Any requests to change an end date should be submitted 90 days prior to the end of the current end date or can be changed when adding a new phase to the project agreement (prior to existing end date expiring)
  - ADOT staff to email resourceadmin@azdot.gov with extension request

- Resource Administration monitors federal project end dates very closely
  - Reviewed on quarterly basis using FHWA reporting and other various internal reports
  - Communication with PM’s occurs in advance of end date expiring to get extension needs and allow time for us to extend with FHWA

- After a Projects End Date
  - All project documentation is collected and prepared for final records, potentially a project audit, and project closeout
  - The billing (liquidation of obligations) for eligible costs incurred during the performance period may occur up to 90 days after the end date unless an extension is otherwise approved
  - 2 CFR 200.344 **Effective November 12, 2020-** The recipient must submit, no later than 120 calendar days after the project end date, all financial, performance, and other reports (e.g. final voucher) as required by the terms and conditions of the Federal award

- Why is it important to close projects promptly?
  - Project closeout is important because it facilitates sound internal and funds control
  - Provides FHWA reasonable assurance that the recipient has timely met Federal requirements for the project and charges to the Federal government are accurate and timely
  - Unexpended balances can be promptly released for re-obligation for other purposes

Inactive Projects

- An inactive project is an eligible transportation project with unexpended Federal obligations for which no expenditures have been charged against the Federal funds within the past 12 months or more

- All projects with an unexpended balance greater than or equal to $150,000 with no activity for the past 9 months are subject to review as well as those projects with an unexpended obligation of $50,000 to $150,000 which were authorized more than 9 months ago and have no expenditures.

- All Federal Funds available to Arizona must stay below 2% inactive - status is being closely monitored by FHWA & FMS
    - These activities help to ensure FHWA has accurate financial reports and there is a clear accounting of balances available, obligated and expended from the Highway Trust Fund

- We can lose Federal funding on these projects if we don't get activity and/or are above the 2% threshold

- Recipients must demonstrate that obligations for the projects remain proper and that inactivity is beyond the State DOT's control
    - These justifications are documented and submitted to FHWA on a per project basis

Managing Inactive Projects

- Proper timing of Authorizing Phases- do not authorize a project or phase unless you are ready to start working

- Frequency of project billing – either monthly or quarterly
  - Regularly billing a project to expend obligations is important to avoid inactive status

- Timely submission of invoices to ADOT FMS
  - Lack of timely billing from sub-recipients is not a sufficient justification for the inactive obligation
  - Activity that will clear an inactive project can be as simple as an invoice for staff time

- Ongoing monitoring is a primary component of proactively managing obligations to prevent the obligation from becoming inactive

- FHWA has quarterly critical inactive reporting- FMS works on these projects to determine if an invoice can be paid or if the project is ready for closeout
  - FMS must provide FHWA valid explanations for any project(s) not cleared by end of quarter or funding could be lost
  - ADOT Staff has access to Inactive Reporting that is updated daily in the Project Dashboard which can be found in adotdw

ARIZONA DEPARTMENT OF TRANSPORTATION

Resources

- FHWA BIL/IIJA link
  - https://www.fhwa.dot.gov/bipartisan-infrastructure-law/
- FHWA Notices link
  - https://www.fhwa.dot.gov/legsregs/directives/notices/
  - https://www.fhwa.dot.gov/legsregs/directives/notices/n4510864/
- ADOT Grants link
  - https://azdot.gov/planning/adot-grant-coordination-group

Questions?

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