

## PROJECT FUNDING AUTHORIZATION

### CHAPTER 4

#### 4.1 Authorize Funding by Phases

Federal-aid Highway funds are authorized by Congress to assist the States in providing for construction, reconstruction, and improvement of highways and bridges on eligible Federal-aid Highway routes and for other special purpose programs and projects. Other federal funds, such as American Rescue Plan Act / State and Local Fiscal Recovery Funds (ARPA/SLFRF), are provided to Colorado via transfer and include unique federal requirements. For simplicity, the ARPA/SLFRF funds are referred to as “Federal Recovery Funds” for the remainder of this Desk Reference. The Federal Recovery Funds and state funds are authorized by the Colorado State Legislature and the Transportation Commission for implementation of state programs and projects in accordance with applicable state and federal laws and requirements.

CDOT has assumed the oversight role for all state and federal locally administered projects that are not designated as federal “Projects of Division Interest”<sup>1</sup>. CDOT is responsible for collecting and reviewing the necessary documentation detailing scope, schedule, and budget prior to project funding authorization.

This Desk Reference uses “CDOT Project Manager” to refer to the CDOT staff member responsible for providing assistance to the Local Agency. The CDOT Project Manager is also referred to as the CDOT Local Agency Coordinator.

The Local Agency should provide the scope of work and project schedule by phase (design, right-of-way, environmental, utility, construction, and miscellaneous) along with an updated cost estimate to the CDOT Project Manager who will work through the CDOT Region Business Office to request funding for each phase of the project from CDOT Office of Financial Management and Budget (OFMB). Establishing a realistic schedule ahead of time and adhering to it are the best way to assure that phase funding authorization is obtained in a timely manner. This includes providing a reasonable

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<sup>1</sup> Projects of Division Interest (PoDI) – Projects that have an elevated risk, contain elements of higher risk, or present a meaningful opportunity for FHWA involvement and oversight to enhance meeting project objectives or advancing key initiatives. Very few Local Agency projects are selected to be PoDI projects.

project end date as well as communicating to CDOT any need to extend the end date when necessary.

On Federal-aid Highway projects, CDOT and FHWA have transitioned to a risk-based review process that occurs prior to project phase authorization. For state or local “assumed authority” projects, OFMB has the responsibility to collect and hold project documentation such as CDOT Form 1180 – Standards Certification and Project PS&E Approval, CDOT Form 128 – Categorical Exclusion Determination - Environmental, CDOT Form 463 – Design Data and the cost estimate. Once CDOT OFMB completes its review, and before work can begin, FHWA must formally authorize the project phase in the Federal Management Information System (FMIS) and assign an “FHWA Agreement Date” which will be returned to the state and populated in its own financial system. Once the Agreement Date is populated and funds are in place, CDOT personnel may officially create a federally “participating” commitment (aka Option Letter). For state-funded projects or for non FHWA funded projects provided through the State (such as Federal Recovery Fund projects), each phase is formally authorized by CDOT OFMB upon final approval of the phase budget, but the FHWA Agreement Date is not populated within SAP. In these cases, the Option Letter or commitment to pay, will be coded in SAP as “nonparticipating”.

The CDOT Project Manager notifies the Local Agency when each phase has been authorized. Any work performed prior to project phase funding authorization and Notice to Proceed is not eligible for reimbursement.

The Inter-Governmental Agreement (IGA) Option Letter, as discussed in Chapter 3, is used to encumber funding and is requested by the CDOT Project Manager after each project phase has been authorized. An encumbrance is a conditional commitment of federal or state funds to be reimbursed to the Local Agency on the local agency project. The Option Letter may encumber funds to the design (D), environmental (E), utility (U), miscellaneous (M), right of way incidentals or construction (C) phases on a project, but not right of way acquisition/relocation or railroads. If additional funding is authorized in future years, the Option Letter can be used to encumber funds to appropriate phases.

The right-of-way phase is initiated by budgeting the funds with the local matching funds. However, the funds will not be encumbered for reimbursement back to the Local Agency until Part B of the CDOT Categorical Exclusion Form 128 is signed, the right-of-

way plans are approved, appraisals are reviewed and acceptable, and Fair Market Values (or Waiver Valuation if under \$25,000) are established. Please see Chapter 8 of the CDOT Right-Of-Way Manual for more information on this process at the following link: [CDOT ROW Manual](#) .

Construction phase funds will not be authorized until a CDOT Form 1180 package, consisting of the final CDOT Form 463 – Design Data, CDOT Form 1180 - Standards Certification and Project PS&E Approval, environmental clearance, and updated cost estimate have been submitted by the Region Business Office to CDOT OFMB. The Local Agency cannot advertise for bids until the construction phase is authorized and CDOT's concurrence to advertise has been issued and received by the Local Agency.

### **Requests for Reimbursement / Project Billing**

Any work performed prior to authorization is not eligible for federal or state funding participation or reimbursement. Upon CDOT issuance of Notice to Proceed with design, the Local Agency is able to charge eligible design costs to the project. Billing charges are to be submitted once a month or every 60 days to the CDOT Project Manager during the project development phase. In accordance with Chapter 11 of this Desk Reference, final project billing should be submitted by the Local Agency within six months after project acceptance or in accordance with the IGA.

## **4.2 Roles and Responsibilities**

- **Local Agency**
  - Verify the Local Agency project is programmed correctly in the TIP, if applicable, prior to requesting project phase authorization.
  - Provide a realistic project schedule to the CDOT Project Manager. Project phases should be listed separately and include start and end dates.
  - Throughout the project, communicate the need to change the project end dates to the CDOT Project Manager.
  - Prepare an independent cost estimate with an appropriate breakdown of the work or labor hours, types or classifications of labor required, other direct costs and a consultant's fixed fee for the defined scope of work to be used as the basis for negotiation.
  - Provide updated cost estimates to the CDOT Project Manager as requested.

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  - | ○ **Project Manager/Local Agency Coordinator**
    1. Assemble project phase authorization documents and forward to the Region Business Office for budgeting.
    2. Notify the Local Agency once project phase authorization has been approved.
    3. Prepare Option Letter request documents and forward to the CDOT Agreements Unit.
    4. Confirm that a unilaterally signed Option Letter has been sent to the Local Agency.
    5. Provide Notice to Proceed to the Local Agency.
  - | ○ **Region Business Office**
    1. Verify with the project is listed in the Statewide Transportation Improvement Program (STIP) prior to requesting phase authorization.
    2. Budget project phase funds and forward request for authorization along with supporting documents to OFMB.
  - | ○ **OFMB**
    1. If a non-PoDI project, review request for project phase authorization and supporting documents. For PoDI projects, forward request and supporting documents to FHWA for review and approval.
    2. Notify the Region Business Office and CDOT Project Manager of authorization of project phase.
  
- | • **FHWA**
  - | ○ For non-PoDI projects, approve the project phase authorization in FMIS. For PoDI projects, review the project phase funding authorization request and supporting documents. Authorize the project phase in FMIS.