



# “Inactive” Federal Aid Project Authorizations



## Agenda

- Overview of “Inactive Projects”
- Why it matters
- Why projects go “inactive”
- Steps already taken to address “inactive” projects
- Next steps and timeline
- Facilitated discussion



## The Inactive Numbers

As of Arizona's October 31, 2014 quarterly report:

- # of inactive projects: 120
- Total \$ tied up in inactive projects: \$2,586,058
- % of inactive projects based on annual apportionments:  
.4%



## The “Inactive” Challenge

- Inactive projects appear to be idle federal funding
- They tie up regional funding that can be used elsewhere
- They’re being scrutinized due to federal deficit pressure
- They’re a liability related to reauthorization of the program
- Worst case scenario is less funding for Arizona
- One of the top 10 risks for FHWA Arizona Division office
- Goal is under 2%; Arizona did achieve it in FFY 2014



## FHWA Definition of “Inactive” Projects

- Has unexpended federal funding obligation against which no expenditures have been charged within certain timeframes
- FHWA Definition of inactive – 12 months with no reimbursement processed (no expended funds) Regardless of dollar value of balance
- FHWA Auditor Focuses:
  - Unexpended balance >150,000 with no expenditures in past 9 months
  - Project authorized prior to 1/1/14 with unexpended balance > 50,000 with zero processed expenditures
- Guidelines are constantly changing to address needs



# ADOT Inactive Project Guidelines

- Projects with no FHWA billings for 6 months are considered inactive
- 3 month forecast – no billings in 3 months notify PM to reach out to local agency



## Reasons Projects Go “Inactive”

- Authorizing federal funding too early
  - Project isn't ready to go to bid
  - Construction starts more than 9 months after date of authorization
- Lack of invoice for reimbursement from local CA and SA agencies or other project partners
- Lack of notification of the completion of the project



## Steps Already Taken

- ADOT is now:
  - Analyzing and following up on projects monthly
  - Working on internal procedures to ensure timely deobligation
  - Meeting with FHWA quarterly to review all inactive obligations
  - Meeting with COGs/MPOs to discuss/educate
- Joint Project Agreements (JPAs) now:
  - contain provisions requiring local agencies to invoice quarterly
  - are sent to local agency finance manager/director to ensure they are aware of the billing requirements



## Next Steps

- Include advertising date in authorization request letters
- JPA project and billing deadline provisions:
  - Advertise, award and begin work within 9 months of initial authorization
  - Notify ADOT and FHWA of final award amount within 30 days of contract approval
  - Invoice at least once every 90 days during the project
  - Notify ADOT and FHWA within 60 days of project completion
- Certification Acceptance (CA) procedures and contracts will be amended to include project and billing deadlines above at re-certification
- Sponsors, their COG/MPO and ADOT project manager will be notified 30 days before a project goes inactive to keep it from hitting the list
- ADOT will deobligate excess federal funds if a final voucher cannot be processed within 90 days
- These steps were implemented effective July 1, 2011



## Approaches to Keep Projects Active

- Be mindful of authorization timeframes
  - Submit Project Initiation Packets to LPA Section relatively close to bid advertisement
  - Be proactive in regards to State FY close and advertisement schedule
- Submit reimbursements on a monthly basis
- For CA and SA projects, ensure consultant and/or in-house staff are billing on a regular basis
- Proactively communicate billing challenges to ADOT PM/LPA Section
- Submit final acceptance letter to ADOT within 90 days of project completion



## Federal Requirements

- 23 Code of Federal Regulations (CFR) Part 630.106(a)(4):
  - Requires ADOT to adjust project authorizations within 90 days (upon award, completion of a project or phase, design change, etc.) if federal share decreases by \$250,000 or more
- 23 CFR Part 630.106(a)(5):
  - *Requires ADOT to revise the Federal funds obligated for a project within 90 days to reflect the current cost estimate, based on the inactive status guidelines*
- 23 CFR Part 630.106(a)(6):
  - *If ADOT fails to comply, FHWA must revise the obligations or take other action as authorized*
  - FHWA will advise ADOT of the proposed actions and provide an opportunity to respond before actions are taken
  - FHWA will not adjust obligations between August 1 to September 30 each year