

**MEMORANDUM OF AGREEMENT  
BETWEEN FEDERAL HIGHWAY ADMINISTRATION  
AND (INSERT STATE NAME) STATE DEPARTMENT OF TRANSPORTATION  
ACCOUNTING FOR DEBT SERVICE REIMBURSEMENTS**

**BACKGROUND**

(insert State name) Department of Transportation will issue bonds to accelerate the construction of specified Strategic Projects, such bonds being issued in anticipation of future federal funds being made available to reimburse the state for debt service costs including principal, interest and issuance costs. The federal legislation that enables reimbursement of such costs is included in Title 23, Sec. 122 (NHS Act Sec. 311).

The (insert State name) DOT Transportation Commission has identified (projects) high priority Strategic Projects, all of which are eligible for Federal Aid funding. Each Strategic Project is in the STIP as a corridor project, with defined beginning and ending mileposts, improvement types, and other required demographic data. Within its own accounting system (insert State name) DOT will establish several individual projects to account for specific work within each Strategic Project, and will maintain specific relationships for individual projects to each STIP project.

**DEBT SERVICE PROJECTS AGREEMENT AND AUTHORIZATION**

As Bonds are issued, (insert State name) DOT will establish Debt Service Projects for each Strategic Project receiving benefit of the bond funding. These corridor projects will be budgeted and obligated as Federal Advance Construction, utilizing (insert State name) DOT's current Federal Aid agreement/authorization process and documentation. The Debt Service projects will be authorized for the estimated amount of principal, interest and issuance costs attributable to each over the life of the bonds. The agreement document will specify that authorization is requested under Title 23 Sec. 122 (NHS Act Sec. 311). Required statistical data will be provided to FHWA at the time of agreement for each of the corridor projects.

**BUDGETING BOND PROCEEDS AND AUTHORIZATION OF INDIVIDUAL PROJECT COSTS**

In (insert State name) DOT's financial system, bond proceeds will be budgeted to the individual projects within each Strategic Corridor STIP project. (insert State name) DOT will establish a unique provider code for each bond issuance as an audit trail and control for the application of bond proceeds to pay for construction costs. The budgeting and internal (insert State name) DOT obligation of the bond proceeds will include the unique provider code. Each individual project will be cross-referenced to the appropriate Strategic Corridor project via the STIP project number.

**DEBT SERVICE PAYMENTS, BILLING FHWA**

Debt service and bond issuance payments will be made by (insert State name) DOT and pro-rated to each of the Strategic Corridor Debt Service Projects based upon the construction expenditure activity in the related (insert State name) DOT individual projects at that time. As authorized amounts change, Debt Service payments will be adjusted accordingly. (insert State name) DOT's Federal Aid Billing System will account for the Debt Service costs as Accrued Unbilled until federal funds become available. When (insert State name) DOT converts all or part of the Advance Construction

to a billable Federal Aid project, the Debt Service costs will be billed to FHWA through the normal billing process.

## **INDIVIDUAL PROJECT COSTS**

The individual projects will accumulate actual construction costs in (insert State name) DOT's financial system in the normal manner. Those costs identified as funded with bond proceeds will be billed to and reimbursed by the Bond Trustee. (insert State name) DOT will maintain documentation for individual project costs in the normal manner, as well as maintaining documentation for the basis of billing the Bond Trustee for reimbursement of costs to be paid by bond proceeds. Normal Federal Aid project expenditure edits will be in place to ensure that costs reimbursed with bond proceeds are eligible for Federal Aid funding.

## **CLOSURE OF PROJECTS**

The closure of individual projects will follow the normal process for phase and project closure. The Strategic Corridor Debt Service Projects will remain open until the debt service has been retired for all bond issuances budgeted in each. At closure the principal amount paid on each Strategic Corridor Debt Service Project will not exceed the total eligible construction expenditures incurred on the related (insert State name) DOT individual projects. Normal project closure paperwork will be submitted to FHWA for each Debt Service Project.

(insert State name) FHWA Division Office has the authority to approve and/or review any of the costs incurred and billed by (insert State name) DOT.

CONCURRENCE:

\_\_\_\_\_ Date \_\_\_\_\_ Date \_\_\_\_\_

Division Administrator  
Federal Highway Administration

(insert State name) Department of Transportation