Today, we think nothing of our ability to easily drive into the city for work, or taking the family on vacation and using an Interstate highway to get there. In 1955, President Dwight David Eisenhower told Congress it was essential to the unity of our country to have a transportation system that provided for "the easy transportation of people and goods." His vision has evolved into nearly 4 million miles of roads and streets open to public travel in the United States. One small piece is known as the National Highway System, which includes the Interstate system. The National Highway System carries a majority of the movement of traffic and freight serving economic and strategic priorities. Collectively, the Federal Highway Administration (FHWA), State departments of transportation (State DOTs), and you, as a local public agency (LPA), work together by delivering transportation projects to keep these systems working.

You can think of the national road system like a triangle that has been divided into sections. The Federal government is responsible for about 181,000 miles located in national parks and other federally owned properties, the smallest portion and the apex of the triangle. That is only a fraction of the nearly 800,000 miles that are under State control represented by the middle section. However, LPAs, such as yours, are responsible for the greatest portion at the bottom with about 2.7 million miles of the Nation’s roads. Since the vast majority of the Nation’s roadways are under the control of State and local government agencies, the responsibility for planning, constructing, operating and maintaining roads and highways fall to the State and local governments.

The FHWA and the State DOTs have administered the Federal-aid Highway Program for many years. Jointly, they are tasked with carrying out the Federal-aid program to maintain the national highways.
Exercising sound judgment and good decision-making while managing Federal funds is the basis of what is called stewardship.

Congress and the public hold FHWA accountable for ensuring that the Federal-aid Highway Program is both efficient and effective. The FHWA is tasked with ensuring highway projects approved for Federal funding are consistent with applicable laws, regulations and policies. This lays the foundation for what is known as oversight.

However, in 1991, in recognition of the significant role the States have of maintaining the national road system, the role of State DOTs was formally increased. Legislation made it possible for FHWA to formally assign some of its responsibilities for the Federal-aid program to the State DOTs. While this is true, FHWA is still responsible for ensuring compliance with Federal requirements in the delivery of the Federal-aid program. These legislative changes affect how FHWA implements this responsibility. The law allows State DOTs to act on behalf of FHWA by taking the responsibilities for project development, as well as administering the construction and inspection of many Federal-aid projects.

The FHWA provides assistance to States and LPAs in constructing, preserving, and improving transportation for the movement of people and goods. The Federal-aid program provides the financial resources and mechanism to perform these activities. Tax dollars are allocated and distributed by FHWA directly to the State DOTs, as a direct-recipient for Federal-aid projects or LPAs like yours, as sub-recipients, for “eligible” activities. In turn, the State DOTs provide oversight of LPA projects and ensure that local agencies that receive and deliver federally funded projects comply with Federal and State requirements.

In recognition of FHWA’s assignment of responsibilities to the State DOTs, Congress requires that a formal written agreement be established between FHWA and each State DOT with regard to the use of Federal-aid dollars. The jointly developed Stewardship-Oversight Agreement for each State documents the extent to which the State assumes the responsibilities of FHWA for the highway program. This agreement governs the partnership between FHWA and State DOTs. It also establishes how the Federal-aid program will be administered for each State.

To explain the meaning of stewardship and oversight, stewardship is the efficient and effective management of public funds that have been entrusted to FHWA. Stewardship involves the activities to deliver the Federal-aid program such as leadership, technology deployment, technical assistance, problem-solving, program administration and oversight. The FHWA division office and State DOTs are jointly responsible for how the Federal-aid program is developed and implemented.
Oversight means the act of ensuring that the Federal-aid program is delivered consistent with laws, regulations and policies. Oversight is the compliance or verification component of stewardship activities. Oversight activities enable FHWA and State DOTs to ensure the Federal-aid program is delivered effectively. The Stewardship-Oversight Agreement also provides details of how the State will handle its oversight responsibilities.

So, what does all of this have to do with you as an LPA? It is important that you are familiar with the Stewardship-Oversight Agreement implemented in your State to understand the oversight responsibilities for your local Federal-aid projects.

The Stewardship-Oversight Agreement describes your State DOT’s approval and oversight responsibilities on locally administered Federal-aid projects.

In summary, much of the authority for administering the Federal-aid program falls to the State DOTs, which are responsible for providing oversight and to ensure compliance with Federal and State requirements. Becoming more familiar with your State’s Stewardship-Oversight Agreement will help you as an LPA to understand the various responsibilities and authority when delivering Federal-aid projects. Contact your State DOT for more information on the Stewardship-Oversight Agreement that governs your locally administered Federal-aid projects.

The State DOT, acting on behalf of FHWA, is expected to exercise judgments similar to FHWA based on Federal laws, regulations, and policies. Examples of these responsibilities apply to:

- Transportation planning activities
- Assessing environmental impacts
- Project design requirements
- Civil rights protections
- The purchase of rights-of-way
- Administering construction projects
- Maintenance activities

These responsibilities provide assurance that approval actions will be performed in accordance with State policies, practices and standards and all requirements of federal law.
Additional Resources

- Information and links to stewardship-oversight agreements by State

The content of this document is not a substitute for information obtained from State departments of transportation, appropriate FHWA Division Offices, and applicable laws. Scenarios have been simplified for emphasis and do not necessarily reflect the actual range of requirements applicable to the scenario or this topic. This document was created under contract number DTFH63-11-F-00066 by the Federal Highway Administration, U.S. Department of Transportation, and is offered to the public to heighten and focus awareness of Federal-aid requirements within the local public agencies community and reinforces the importance of these necessary policies, procedures, and practices.

This companion resource is the script content for the video production of the same name.