Locally Administered Federal-aid Projects Certification Programs Peer Exchange

Sponsored by EDC-3 Locally Administered Federal-aid Projects: Stakeholder Partnering

Hosted by the Oregon Department of Transportation Statewide Programs Unit

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Executive Summary

This report summarizes the Federal Highway Administration peer exchange on Locally Administered Federal-aid Projects: Certification Programs, held April 12-13, 2017, in Salem, OR. The purpose of the peer exchange was to examine the use of certification programs as a means of improving delivery of federally funded local agency projects. Additionally, representatives from each State in attendance—Oregon, Washington, Georgia, and Nevada—explained how they administer their local program.

Each State’s approach to certification was highlighted as participants addressed common challenges in supporting local agency project delivery with Federal-aid Highway Program funds. These challenges were explored in open conversation, with additional focus on the topics of Local Program Staff Funding, Program Oversight, Tracking and Reporting, Disadvantaged Business Enterprise Goals, Non-Certified Local Public Agency Projects, Environmental Oversight, and Right-of-Way Oversight.

Oregon staff shared several recent improvements to the State’s certification program. The previous certification program was a hybrid model that resulted in unclear roles and responsibilities in contract administration and consumed too much staff time and resources. They now offer local agencies three options for federally funded project delivery: become certified to deliver a full project or have the project delivered by another certified agency, exchange Federal for State funds, or have the project directly delivered by the State.

With formalized certification requirements in place, Washington and Georgia representatives were open to opportunities for streamlining. Participants from Washington were looking for new innovations and other improvements they could make to their mature local certification program delivery process. Georgia participants wanted to explore consultant use as a way to bring needed resources to delivering their local program. Participants from Nevada, which does not currently administer full certification, explored whether this is something that would benefit both their State and the local agencies.
Takeaways from the discussions on certification included opportunities for increased cooperation and efficiencies in project areas such as right-of-way and environmental. Washington’s program served to demonstrate that achieving a mature program takes time and ongoing improvement, but starting the process is the first important step.

**Introduction**

The Oregon Department of Transportation (ODOT) and the Federal Highway Administration (FHWA) hosted a peer exchange on Locally Administered Federal-aid Projects: Certification Programs on April 11–12, 2017, in Salem, OR. The event enabled participants from the Georgia Department of Transportation (GDOT), Nevada Department of Transportation (NDOT), and Washington State Department of Transportation (WSDOT) to join ODOT staff to exchange information and ideas for improving local Federal-aid Highway Program processes via certification programs and stakeholder partnering approaches.

Certification programs, along with stakeholder partnering and consultant services, are practices promoted by the FHWA’s Every Day Counts (EDC) program to improve delivery of federally funded local agency projects. Peer exchange participants shared program information and lessons learned with the goal of learning from the experiences of others how certification programs can be used most effectively within their State.

The two-day program began with opening remarks by Phillip Ditzler, FHWA Oregon Division Administrator, and Travis Brouwer, Assistant Director, ODOT. Kevin Chesnik of Applied Research Associates, Inc., outlined the meeting agenda, and participants followed with overviews of their respective DOT local programs.

**Local Programs Overview**

Participants began the peer exchange with high-level summaries of their respective DOT local program. Different approaches to locally administered Federal-aid project delivery were compared, including local program organization, State funding sources, number staff dedicated to LPA programs, and overall program size.
**ODOT’s** Local Program structure consists of a Local Public Agency Coordinator and Certification Program Manager at the headquarters office and five regional Local Program Units, where Local Agency Liaisons serve as LPAs’ primary ODOT contact.

Half of Oregon’s State Highway Funds, which come from the State gas tax, weight mile tax, and vehicle registration fees, go to ODOT and the other half go to the State’s local agencies, with counties receiving 30 percent and cities 20 percent. In terms of Federal funding, 30 percent goes to local agencies.

ODOT is always looking for ways to support the State’s LPAs in delivering their federally funded projects, with the overall goal of increasing local ownership. ODOT’s local program currently certifies LPAs to deliver Federal-aid projects and provides LPAs with State funds in exchange for Federal dollars.

**WSDOT’s** Local Program structure includes a headquarters office and six regions. WSDOT has a longstanding Certification Acceptance program that certifies LPAs to administer projects in accordance with the WSDOT Local Agency Guidelines (LAG) Manual.

**GDOT** has a General Office in Atlanta and seven districts staffed with planning and program engineers who work closely with LPAs. The seven districts cover 159 counties and more than 500 municipalities. GDOT has a Certification Acceptance program that, through a stewardship agreement, delegates some or all authority to a qualified local agency for administering certain project activities and construction administration.

GDOT has one staff member in its General Office who serves as an LPA Liaison under the Office of Program Delivery and 50 project managers who schedule and deliver projects. The LPA Liaison administers the RFPs for local projects and subject matter experts throughout GDOT work as a collaboration team.

GDOT has significantly reduced its workforce over the past decade. However, despite these changes, expectations for program size and delivery remain the same. As a result, GDOT is looking to increase consultant resources to supplement existing State staff and provide increased oversight for local agencies.
**NDOT** has a centralized organization with headquarters in Carson City and three districts. Headquarters has four staff members with LPA responsibilities, and staff from other divisions dedicate time for their LPA project roles.

The NDOT LPA Program includes a project delivery method for federally funded projects where the LPA is the project proponent. The LPA is delegated the authority to design, advertise, award, and administer the construction contract. Each project is delivered according to a cooperative agreement between the LPA and NDOT that outlines specific responsibilities. This method started in 1999 with Enhancement projects, and it is now used for all federally funded projects.

At the time of the peer exchange, there were 90 active LPA projects in Nevada with a combined $210 million in Federal funds. During the previous fiscal year, 16 LPAs administered federally funded projects, and six of these delivered multiple projects.

NDOT is looking at certification programs as an opportunity to address some of the challenges with this model, such as increases in the number, value, and complexity of projects; limited and reduced resources; staff turnover and competing priorities; and changing regulations, along with additional oversight requirements.

**Stakeholder Partnering**

Stakeholder Partnering was one of three strategies, along with certification programs and consultant services, promoted under the second round of FHWA’s EDC initiative on Locally Administered Federal-aid Projects, and it continued through round three. EDC stakeholder partnering brings LPA, State, and Federal representatives together to improve the project delivery process under the Federal-Aid Highway Program through increased communication strategies.

Stakeholder partnering objectives include:

- Identify and address continuing and emerging issues at the State and LPA levels related to the administration of LPA projects
- Provide input to the State DOT related to the management of the LPA program
• Share information about State and LPA changes to processes related to the programming and delivery of LPA projects
• Promote transparency and integrity in the delivery of the Federal-Aid Highway Program
• Promote consistency in LPA program administration and compliance with Federal project requirements
• Improve and streamline the delivery of projects carried out by LPAs
• Promote LPA ownership of projects and delivery schedules
• Use Federal, State, and local public agency staff resources efficiently

Additional Stakeholder Partnering resources are available on the EDC website.

ODOT used the stakeholder partnering model to help implement their Certification Users Group (CUG). ODOT recently chartered the CUG between LPAs, primarily those within the Transportation Management Areas (TMAs); metropolitan planning organizations (MPOs); ODOT; and FHWA to provide peer-to-peer support and collaboratively improve the certification program.

ODOT uses a consultant to facilitate and support the CUG. The consultant has helped with the chartering process, group facilitation, and conference planning, and by setting up a Google Drive to share documents. ODOT plans to renew this support for another couple of years so they can maintain momentum. While previous partnering efforts for certification were piecemeal and ad hoc, using a consultant has provided a collaborative, objective, and dedicated convener.

Certification Programs

The following section provides an overview of how certification programs fit within each DOT’s local program. WSDOT and GDOT each use a full certification process. NDOT administers a more informal program focused on serving individual agency needs and capabilities. ODOT is transitioning from this individualized approach to a more standard program.

Oregon DOT

Conversation Leaders: Mac Lynde, ODOT; Cole Grisham, ODOT; Tiffany Hamilton, ODOT; and Satvinder Sandhu, FHWA Oregon Division
ODOT’s certification program historically encouraged any interested LPA to apply for certification and allowed LPAs to become certified in different areas of project delivery (consultant selection; design; bridge design; ad, bid, and award; and construction contract administration). Some LPAs sought certification in some, but not all, areas of project delivery, resulting in a complex and sometimes confusing set of roles and responsibilities on “certified LPA” projects.

ODOT has been working toward an overall approach that increases LPA ownership and control of the local project delivery process. They have also recognized the need to increase LPA accountability for timely obligation of funds and program compliance.

ODOT is now focusing certification efforts on LPAs in major urban TMAs that have the staff and project volume to warrant certification. Recent refinements to ODOT’s certification program include the following:

- Requiring LPAs to become certified in all areas needed to deliver a full project life-cycle, giving the LPA increased ownership and control of project delivery
- Shortening the test project cycle by implementing the “demonstration project” concept
- Rebalancing program-level and project-level oversight roles and responsibilities to focus more on getting foundational program requirements in place
- Developing a 3-year compliance review plan

One challenge for ODOT has been providing training and operating the program while still building it. Training is always the first thing cut during a recession. Figuring out how to make a case for continuing training, or finding alternative ways to deliver training, is important. Additionally, having a process framework is crucial for continuity in the case of staff turnover.

Federal Fund Exchange Process

ODOT provides State funds in exchange for Federal funds through two processes. The first is Surface Transportation Program Fund Exchange, which is a formal agreement between ODOT, the League of Oregon Cities, and the Association of Oregon Counties to allow local agencies to give ODOT their
Federal dollars in exchange for State funds at 94 cents on the dollar. The LPA then may construct any State gas tax-eligible project. The second is the State Funded Local Projects (SFLP) process, whereby a local agency that already has a selected Federal-aid project may exchange Federal for State funds on that specific project. Fund Exchange is a long-standing process, whereas SFLP is a pilot.

**Washington State DOT**

_Conversation Leaders: John Ho, WSDOT and Megan Hall, FHWA Washington Division_

The WSDOT Local Programs Division has formalized certification requirements for LPAs to operate under Certified Acceptance (CA). Agencies that are not certified can still administer Federal-aid projects with additional oversight by the State or another CA agency. There are approximately 104 certified agencies in Washington State.

WSDOT’s certification program delegates full project responsibility to LPAs. Exceptions are change orders in Disadvantaged Business Enterprise (DBE), National Environmental Policy Act (NEPA) documents, and right-of-way (ROW) certification, which includes utility and railroads. WSDOT does not require the certification of all counties, and it is not a guarantee that a county will keep their certification once awarded. Counties can also opt out. Currently, all 39 counties are certified, with none opting out.

Agencies certify once every 3 years. If a staffing vacancy occurs in positions listed in the CA agreement as having approval authority, the LPA must notify the WSDOT region local programs engineer, who may schedule an interview of the replacement person. WSDOT uses data from Project Management Reviews and documentation reviews for evaluation.

**Q:** How does WSDOT balance the investment in certification with the likely lack of continuous active projects in some rural areas?

**A:** Even if rural areas do not have an active project, they are still encouraged to keep their certification up-to-date. WSDOT’s LAG Manual is updated twice per year. If there is a change to the manual, all LPAs are notified via email and are expected to use the most recently updated version.
Q: Can projects be delivered by consultants instead of staff?

A: LPAs can hire consultants, and this is encouraged especially on risky projects. They can use both a staff and consultant mix, but in the end, they are responsible for how they deliver the project.

Q: Do locals own the projects?

A: Locals always own the projects. A tribal casino project just off I-5 is one example of how ownership is handled. WSDOT was involved in oversight by administering the construction to make it a project they could accept. WSDOT administered the project and funds were transferred back to WSDOT for these services.

WSDOT Region Local Program Engineers provide project oversight with documentation reviews along the way. WSDOT Local Programs staff reviews the process at the end of the project.

Nevada DOT

Conversation Leaders: William Hoffman, NDOT and Juan Balbuena, FHWA Nevada Division

NDOT has a tiered certification program, but if an LPA is not interested or is not capable of administering a project, then NDOT will deliver it. In that case, NDOT’s costs are charged to the project.

Resident engineers at the district level perform periodic reviews, depending on the project’s duration and complexity. NDOT provides oversight and administration for all environmental projects, but is shifting to LPAs doing more of the day-to-day tasks in this area. These efforts are similar to those of the other DOTs.

There is a need to decide what oversight is and what oversight is not. The level of audit review has to make sense. Since NDOT staff currently spend upfront time reviewing procedures, having standard procedures would be a major time saver. Transferring time to training and the local agency manual would be a time allocation benefit.
To avoid the LPA responsibility being dropped due to other priorities, NDOT has agreed to turn projects around in a given time period on the ROW side on a project-by-project basis. NDOT’s obligation to do local ROW acquisition along with large State and Federal projects often results in either too much or too little in terms of work volume when meeting deadlines.

NDOT has an FHWA Local Technical Assistance Program (LTAP) center at Truckee Meadows Community College in Reno. NDOT recently reached out to them when updating the LPA Manual. NDOT updates the LPA Manual every 4 years, and they are preparing to roll out training to coincide with the updates.

NDOT does not conduct formalized training. Instead, they do a lot of as-needed training with LPAs. When staff turnover occurs, they focus on smaller agencies that are under resourced.

Q: How many training sessions does NDOT hold each year?

A: The number of trainings NDOT holds on an annual basis depends on whether a major project is approaching and on the number of untrained staff involved. If a local agency has delivered enough projects, NDOT can reduce their oversight efforts. NDOT staff is always available to provide training and answer questions.

**Georgia DOT**

Conversation Leaders: Malik Al-Kush, GDOT and Alvin Gutierrez, FHWA Georgia Division

GDOT uses a full certification process that is modeled after WSDOT’s. If an LPA is not fully certified, they will get funds in a limited way that is dictated by GDOT. There is a parallel, State-funded program that can satisfy the funding areas that are short. GDOT signs off on design exceptions and proprietary information.

GDOT’s LPA Liaison conducts training for LPAs that want to become certified to deliver Federal-aid projects. Once an LPA receives certification, it is valid for 3 years.
The LPA Liaison is responsible for communicating with all of the State’s LPAs and the GDOT districts. This includes 100 certified LPAs, 75 of which were active last year. The program has been completely revamped under the current liaison’s tenure. They are now in a fluid mode and are working on an RFP for consultant services to assist the liaison role.

GDOT guides the process for LPAs to identify a responsible charge. Approval must be by a full-time public employee in responsible charge and not a consultant, due to conflict of interest concerns. If there is a change in staffing, the LPA must have a plan in place for training and approval for new employees.

Uniform practices for LPAs are established through the Local Administered Project (LAP) Manual. The latest update was

**Takeaways**

ODOT has a newly defined program and process for certification intended to better define roles and responsibilities and to provide LPAs with greater ownership and control. The question for ODOT right now is how fast can DOT staff implement changes, consultants be hired where needed, and LPAs be brought up to where they need to be.

WSDOT’s local agency certification program includes about 104 certified agencies. The certification process allows WSDOT to delegate many responsibilities to the certified local agencies, with WSDOT providing oversight of the program. This benefits WSDOT by freeing up resources and provides LPAs greater control over their project delivery schedule.

The program model is older, but WSDOT creates efficiencies in maintaining it. For example, in the WSDOT LAG Manual, they reference other manuals to avoid duplication and obsolete information.

WSDOT can act as a certified agency for those who are not certified or they can hire a big brother consultant, and GDOT has the option to do this as well to cover gaps.

GDOT has a large local program and uses certification for many of their local agencies. They are deciding how to formalize the certification program and include training.

NDOT uses tiered certification rather than a full certification process.

All of the DOTs are reaching their LPA certification program goals in different ways. WSDOT showed that achieving a mature program takes time and ongoing improvement. There are certainly many issues to resolve the faster you go. You cannot implement all at once, and just starting the process is the first important step.
completed in 2016. LPAs are responsible for following the manual. This is the backup to personal training, which might not fit easily into timelines and budgets.

FHWA has been a partner throughout the process in terms of helping identify what GDOT is doing well and where they could improve. As a result, their culture has changed and communication has improved. GDOT is open to learning how to streamline their process.

GDOT is adding procurement to the certification process. This helps LPAs decide if the FHWA requirements are economically worthwhile and whether they should compete for Federal funding.

**Round Table Discussion**

The DOT presentations were followed by a round table discussion on certification programs in terms of local program staff funding, program oversight, tracking and reporting, and DBE goals, as well as on how non-certified LPA projects are handled in relation to certified.

**Local Program Staff Funding**

*How are Local Program staff positions funded?*

**GDOT** uses the money on a project management level. They are trying to find an innovative way to capture funds to pay for staffing. They are looking for other strategies to keep the LPA structure or continue the program as is. They want $1 million in funding for a consultant and are looking at other opportunities. They use project-level charging, but the actual program needs money for overhead items such as management, a database, etc.

**WSDOT**'s Local Program has 55 FTEs on payroll. These positions are funded both with Federal and State dollars. WSDOT does not charge FHWA indirect costs. They do, however, track their time. This time is all funded by State dollars. LPAs do receive a percent of gas tax collected. Appendix D provides the WSDOT Local Programs Narrative Cost Allocation Plan, which may be of interest to States as a way to help staff their Local Programs division and implement a certification program.
**NDOT** builds costs into the agreement with the LPA, including staffing costs, which are usually about $5,000 for design and $5,000 for construction. These costs are for periodic reviews. If the cost is exceeded, NDOT will increase the cost reimbursement in the LPA agreement. This is only a project-based fee, and no indirect funds are collected. If Federal funds are used for construction only, NDOT does not have a mechanism to cover the cost of their review time during the design phase.

**ODOT’s** costs associated with LPA project reviews and oversight are negotiated, and it can be a challenge to determine the correct amount. ODOT also has a “super agreement” with the Association of Oregon Counties and League of Oregon Cities where costs are negotiated. ODOT allocates $350,000 for ODOT administrative costs associated with LPA program funding through this agreement.

**Program Oversight**

Due to tightened budgets and reduced resources at both the Federal and State level, DOTs are finding ways to manage the LPA program more efficiently. Many are looking for risk-based oversight models that better utilize State resources. However, risk-based oversight requires quality training to be successful, and training is often the first program cut.

States need to answer the question of who is financially responsible if a certified LPA-administered project has financial issues due to a contractor’s error. FHWA goes to the State, not directly to the LPA, with the expectation that the State pays. Insurance pays to bond projects, and DOTs need to decide how the certification process is laid-out, because if an LPA fails, it comes back to them.

*On change orders, what kind of oversight is provided under the certification process on the construction side?*
WSDOT change orders are a concern based on audited reports. Their process reviews also indicated this concern with change orders. They review non-certified agencies. Overall, every change order goes through a Local Program staff member. The LPA needs to initially communicate the change order to the region to document the intent for the change. WSDOT reviews the documentation and provides approval to move forward, and then the LPA submits a formal change order request. WSDOT delegates change order approval to certified local agencies for a given dollar threshold and utilizes risk-based stewardship agreements with locals.

**Tracking and Reporting**

ODOT is rebuilding their Federal-aid local project delivery database. Certification program staff developed a gap analysis to understand where each of the local agencies is in the certification process and where to focus efforts first. They want to merge certification needs with project needs so they can anticipate where to go next.

In the past, ODOT attempted to develop a similar database but lost support and resources due to local program reorganization and downsizing. They started with a spreadsheet database and are now using Microsoft Access. In ODOT's experience, you need to have leadership involved and helping connect data resources across the agency to have a comprehensive database. Focusing on the fundamentals before trying to implement more complicated parts of the program can help bring success.

NDOT wanted to understand which type of data would help them manage programs better. They formed several committees, including the State Transportation Innovation Council (STIC) as well as internal performance measure teams. They put efficiency measures in place to make sure they meet deadlines. Deadlines that are not met are typically the result of a lack of communication between the stakeholders.

**Takeaways**

Collecting data can help establish performance targets and manage priorities.

Having DOT leadership involved helps connect data sources across the agency in order to build a comprehensive database.

Focusing on the fundamentals before trying to implement more complicated parts of the program can help bring success.
Disadvantaged Business Enterprise Goals

**NDOT** had evaluated their DBE program and concluded it was race neutral, and therefore they did not need to set attainment goals, then, 5 years ago, the interpretations changed and NDOT started setting DBE goals for LPA projects.

For the first time in 10 years, NDOT has full staffing in both the Civil and Compliance Departments. Both local and DOT delivery has to meet the Nevada State Legislature requirements for DBE goals for FHWA-funded State projects. Now NDOT has doubled their compliance overview workload with no staff increases. They are struggling to meet the workload in this area.

NDOT has a database for tracking purposes but is considering using AASHTOWare (from the American Association of State Highway and Transportation Officials). Civil Rights database migration for NDOT-delivered projects is completed automatically, but others rely on submitting a quarterly report.

**ODOT** has a formalized DBE process. They have unambiguous requirements related to DBEs on LPA projects (the same as ODOT’s) and provide both regional and headquarters support to monitoring goal achievement and DBE payments.

ODOT does not certify LPAs to evaluate DBE goal attainment. Rather, ODOT's Office of Civil Rights administers a statewide DBE program and evaluates project bids for goal attainment at headquarters. ODOT’s regional field coordinators support both ODOT and LPA project teams in monitoring DBE compliance and goal achievement on projects. Both ODOT and LPA project managers are required to document roles and responsibilities during an internal preconstruction conference. Certified agencies also have to submit quarterly reports to ODOT with project cost updates, including the amount paid to prime contractors.

ODOT's Office of Civil Rights provides project managers with a DBE tracking report (and other civil rights program tracking reports) populated with project data stored in ODOT’s in-house database. The database is an outdated system that currently relies on workarounds to garnish project information. Going forward, ODOT has plans to replace the tracking database in 2020 to
enhance its ability to track goal achievement and prompt payment to subcontractor information.

ODOT plans to acquire the civil rights compliance monitoring module of AASHTOWare for use on all ODOT-bid projects. They will have to explore how to also apply the new module on LPA-bid projects. Their goal is to have a crisp, clear process with construction to identify change orders, risk, etc.

**GDOT’s** use of DBEs in construction is based on resources and where DBE contractors are located. These considerations are all part of the formula for meeting goals. There are numerous items factored into this formula, including region, materials, and resources. For construction, it is the same. This data involves monthly invoices and reporting through LPAs that are manually entered into their system. GDOT’s data depends on these reports and the LPAs. They have an invoicing form that informs them of how close they are to attainment. This also alerts them of problems. They include manually entered data on attainment of DBE in their reports. DBE sub-consultants are also brought in when they are needed to meet DBE goals for the program due to project increases or DBE turnover on specific projects.

In Georgia, if you wait until the project end to measure attainment and if something happens to the DBE subcontractor, you still have to get the work done and might need a waiver. This can potentially lead to lost DBE goal attainment. Goals continue through construction project amendments.

At **WSDOT**, the annual evaluations and reports are sent to a Local Programs staff member for concurrence. They have a software system that tracks project award data. Data entered includes commitment, dollars, etc. If this information concurs with a change order, it is updated in the database. At the end of February 2017, their current attainment was 16.4 percent. Their goal is 11.6 percent. So, the formula was changed to represent this difference.

WSDOT has a tool that tracks all DBE projects called DBE Participation, or DBEP. They update this tool monthly. Contractors enter their data directly and the DOT sends information to a single Local Programs staff member. Between their internal database and DBEP, WSDOT can determine if they are meeting
their goal. This evaluation is done per project. The overall project goals and work are monitored through a tracking process.

**Non-Certified LPA Projects**

Generally, for non-certified agency projects, **WSDOT** does oversight and consultants do the work.

All projects for **NDOT** are treated as non-certified because they do not do full certification. Different NDOT sections review their portion of the project (Design handles their agreement, Hydraulics handles theirs, etc.). The NDOT technical areas complete the technical reviews on local program projects for the State. LPAs submit plans through the coordinators, and the coordinators circulate them through the departments. The level of detail depends on whether it is a local or NDOT project. This process is very similar to how NDOT reviews an encroachment permit in terms of the plan review. They also review the consultant procurement work.

NDOT maintains a core group who fully understand the process, thereby minimizing startup time on new projects. NDOT’s role during the stewardship process is similar to that of the FHWA-State. When the funds transfer occurs, the State assumes an oversight role with the LPA. In some cases, there can be a stakeholder agreement with FHWA being part of a three-party agreement.

Nevada does not currently utilize fully certified local agencies and expressed concern that this type of program may cause LPAs to become resistant to further NDOT guidance and oversight. ODOT advised that certification would not change how local program staff runs the program, but it may bring about changes for other disciplines at NDOT.

**GDOT** receives $1 billion a year in State funding that can be matched with Federal dollars. With these State funds, GDOT has a limited role in LPA project delivery. This program is funded through the State Legislature, i.e., paying more at the pump, which GDOT terms “fuel revenue indexing” rather than calling it a “gas tax.” There is also a $5 tax on hotel rooms. These are local dollars. The challenge becomes which set of rules to follow: State or FHWA.
Environmental Oversight

**NDOT** handles environmental compliance project by project. They used to do all the work, but that has changed. NDOT still has oversight, but now they make it clear to LPAs that they must do their own environmental compliance work. This is an NDOT staffing issue. They cannot keep up with the demand.

**WSDOT’s** Local Program has dedicated environmental staff to support local public agencies. However, the LPAs do the environmental work. WSDOT’s Local Program also has an archaeologist on staff. WSDOT provides technical assistance, review, and approval. Over 90 percent of the projects do not come to the FHWA Division Office. Complicated projects including Environmental Impact Statements (EIS) or Environmental Assessment (EA) require FHWA approval. The owner agency is responsible for preparing all necessary NEPA documents, except WSDOT performs tribal and ESA coordination.

**ODOT** has an agreement with FHWA to delegate tribal environmental concerns to the State, but cannot delegate these issues to LPAs. Typically, tribes do not work directly with consultants on environmental issues, and in fact, want to interact directly with ODOT on project work.

*National Environmental Policy Act (NEPA)*

In **ODOT’s** experience, ROW and environmental projects present some of the biggest NEPA compliance challenges. ODOT has programmatic and contract mechanisms in place and has environmental staff in each of the five regions who handle project-level work. ODOT also has a headquarters-level Geo-Environmental Section that handles policy and process work.

**NDOT** follows NEPA guidelines, and the construction administration oversight is performed by the LPAs. NDOT has a habitat conservation plan (HCP) in southern Nevada. It took many years to get in place. The NDOT Environmental Group has four biologists and eight cultural resources staff. These efforts are centralized statewide. They do 80 percent of projects in-house, but it is overburdening them. This division was downsized during the recession and is experiencing a surge in work.
**WSDOT** has programmatic agreements available for all LPAs. WSDOT Local Programs has dedicated staff to review and approve over 90 percent of the NEPA documents. The WSDOT staff will review the other 10 percent of the documents before they are submitted to FHWA for approval. They find this to be more efficient, and FHWA knows they can count on it to be reviewed. They also meet with environmental staff on a regular basis and do reviews of their LAG manual.

*Which States use a prequalified list of environmental consultants?*

**WSDOT** does not prequalify consultants. However, the annual environmental trainings are open to both LPA and consultants. WSDOT Local Programs has dedicated environmental staff, separate from State environmental work.

**NDOT** does not have a prequalified list of consultants, but they would like one.

**ODOT** has a certification for biology and cultural work that is separate from LPA certification. The certification process includes training and a test. Consultants are hired to do the cultural work on a project. The State cultural law in Oregon is more detailed than that of other States. They also have a Programmatic Categorical Exclusion process that is unique to Oregon.

**In Georgia**, LPAs hire prequalified consultants and sub consultants who prepare environmental documents and provide oversight. GDOT touches it throughout the process, signs off and does a review. GDOT provides in-house expertise to ensure consultants are charging reasonable rates.

*Solutions for providing approved categorical exclusions (CE) in a timely manner?*

**NDOT** wants the final design before review. Design and scope changes create additional project delays. LPAs generally do not have the expertise to fill out the CE forms. NDOT addresses this at the project kickoff meeting.

**ODOT’s** policy is that CEs should be granted before the environmental document is reviewed. The consistency of this depends on staff knowledge. The process is written down, but not always followed by LPAs. Every region has a knowledgeable environmental manager, but they often also oversee
geotechnical, hazmat, and other groups, too. Only one region has an environmental manager who only oversees environmental staff.

What elements of environmental compliance are handled by the State?

**NDOT** requires LPAs to complete the environmental work and provide documentation for regulatory agency coordination and review.

**ODOT's** process is similar to that of NDOT. They do not prequalify all work, rather, just that related to cultural and Endangered Species Act. In some parts of the state, this is done in-house. About 98 percent of time, the LPAs hire and manage a consultant, and ODOT reviews.

**WSDOT** expects the LPAs to deliver it all, and they review. They do provide some shaping guidance but do not prepare documents.

**GDOT** staff reviews environmental documents prepared by prequalified consultants for LPAs and provides oversight.

**Environmental Training**

**WSDOT** is finding that LPAs need a lot of training on environmental. WSDOT provides training on an annual basis and invites the FHWA Division Environmental staff to participate. They have a mature program with four dedicated FTE staff who help train LPAs.

**ODOT** does not have a formal environmental training program. Instead, ODOT Environmental staff provide ad hoc project-level training, present at statewide forums, and connect LPA staff to other available environmental training opportunities. For example, ODOT developed a standardized environmental Statement of Work template for Federal-aid local agency projects. They anticipate delivering training to both State and LPA staff on the template’s contents, process, and applicability.

**NDOT** provides training on an as-needed basis.

**GDOT** provides several training classes in environmental.

**Where does environmental fall within the design process?**
**NDOT** Environmental staff are part of the initial team and review the original submission. Prior to the kickoff meeting, everyone should be aware of any issues. NDOT provides initial feedback, and the next step is to review the design recommendations. There is a Federal process for this that some States have to follow. NDOT waits until the end because of changes throughout the process. LPAs cannot acquire ROW until environmental is approved.

At **GDOT** the project is scoped out in the concept report and then applied during preliminary engineering. The NEPA document is signed off on before final plans and ROW. They want to be 75–85 percent complete. They have a “locked down plan” for some aspects, but areas that are outside of this, such as environmental, will not change. The conceptual plan follows the planning recommendations after the agreement is completed. The concept plan includes an environmental plan (similar to scope or kickoff). Once these issues are signed off on up front, the preliminary engineering effort can begin.

**ODOT** does design acceptance at 30 percent plans (Design Acceptance Package, or DAP). This is done early to enable the purchase of ROW sooner and clear the environmental process. They realize some ROW and environmental decisions might change depending on whether a programmatic exception needs adjustment due to a change in project scope or classification.

**WSDOT** holds a kickoff meeting similar to NDOT’s where time-consuming issues such as hazmat are brought up. They approve CEs at the 30 percent design level with the understanding that there will be more changes as part of the process. Preliminary design engineering is completed to identify the project impacts.

Projects always go more smoothly if environmental issues are identified sooner. They allow for flexibility within the scope to accommodate change, but need early scoping and processes to decide what can or cannot change.

*Payments and Mitigations Resulting from Endangered Species Act Section 7 Consultations*

**ODOT** has two master programmatic options that cover the entire State Transportation Improvement Program (STIP) Section 7 Consultations based on
design standards. LPAs can pay for mitigation through design cost agreements and in-kind efforts.

At **WSDOT**, the Section 7 mitigation is the responsibility of the LPA.

**State Historic Preservation Office Reviews**

In Nevada, the State Historic Preservation Office (SHPO) review of transportation projects was in the State budget. After 4 years, the SHPO terminated the contract because of a conflict of interest in reviewing transportation projects. **NDOT** went back to a process where things go through reviews several times. The SHPO wanted dedicated resources to review transportation issues to reduce review time.

In Oregon, it is more difficult to get through the SHPO process. **ODOT** provides lots of consultation for LPAs.

**GDOT** negotiates with SHPO on a routine basis. They have a developed relationship.

**Right-of-Way Oversight**

*What is the organizational setup of the ROW section or group overseeing LPA ROW activities?*

**GDOT** has a ROW coordinator in each of its seven districts. LPAs contact their District Local Government Coordinator to request an appraiser, schedule, and complete project inspection with a review appraiser. Ideally, locals buy their own property if it is not a GDOT project. Since ROW has many complexities, GDOT requires 8 hours of training by the locals.

At **ODOT**, headquarters develops the policy and title closing and provides the relocation review. Actual project acquisition is done in five different regions throughout the State headed by a ROW staff member. The auditing runs through headquarters, while the regions deliver the program.

The financial involvement is centralized. Each region is individually responsible. Certified LPAs are handled in the regions where projects are...
delivered. There might be overlap with LPA projects on the highway system. Headquarters has stewardship and oversight and review agreement responsibilities.

LPA personnel involvement depends on what they are authorized to do. Larger urban agencies have staff who are qualified with experience and training to do appraisals. They seek permission from the region, who can approve it.

With smaller LPAs without trained staff, the region functions in an oversight capacity working with consultants. The region reviews who those consultants are, but it is not a formalized consultant selection. It is done through email communication and a qualified appraisal list from ODOT.

ODOT insists that agencies work through these prequalifications on the appraisal list. Resumes are requested for each project to be completed. The capacity of LPAs outside urban areas is limited, so authorization in ROW is not expected. A few are capable of doing this, but most are not.

ODOT has guidance documents and guidelines for qualifications in the LAG manual chapter on ROW. If a consultant is not available, ODOT does the work.

NDOT is similar to ODOT. All acquisition agents are regional. All other staff is located in Carson City. All are in ROW and not specialized in LPA. NDOT looks at the LPA’s staff qualifications for each project. From a ROW standpoint, LPAs are supposed to seek approval before the project begins.

WSDOT just went to a centralized process. They have six regions and a headquarters office and three ROW technical experts. These coordinators take care of everything. Each one has a specialty, and they are now doing a lot of training so the coordinators can handle the process cradle to grave. These specialists take care of the entire state for local programs. WSDOT is helping to develop statewide policy and standardizing procedures.

It is more efficient for WSDOT to do it this way. Previously it took eight staff members, but now it is down to just three. They are all location based and hold regular meetings with internal training for consistency. They have done this for 2 years, and it has allowed for a faster project portfolio processing.
time. They also spot check 25 percent of all active projects prior to the final review before the project is certified. This has also reduced review time.

Agencies needing to acquire ROW and intending to use Federal funds in any phase of a project must be on an Approved ROW Procedures agreement with WSDOT prior to initiating ROW activities. This agreement identifies who is approved to perform the activity—internal staff or a qualified consultant.

LPA staff can do certain ROW functions if they want to and have qualified staff. The agency must demonstrate that current staff is qualified and that their procedures meet LAG manual requirements. They must also notify WSDOT when they have staff turnover, and the new person must submit a resume.

*How do States conduct ROW audits of the LPAs?*

**GDOT** conducts the audits out of its General Office in Atlanta. They can be done during acquisition, and sometimes FHWA performs the audits or GDOT staff will complete them. Certification is needed for every parcel. Random audits do occur throughout the project process.

At **NDOT**, packages are submitted electronically before the audit occurs. Sometimes files are audited randomly. If the certification was questionable, GDOT staff may go on site to conduct a review. They have a checklist of items needed to be compliant. They have a written estimate and all items needed, such as the appraisal. However, if the due dates do not line up with the report, the appraisal may need to be reviewed also.

**ODOT’s** process is very similar to NDOT’s. It is done at the regional level. The senior agent does the audit. ODOT has a checklist that helps identify any red flags. On a large project, FHWA is involved. Most of the time on small projects, ODOT reviews all files. Sometimes random checks are conducted if there is a large number of files that are not complex that they can spot check. They also have systems in place for oversight.

**WSDOT** also uses a checklist. They do a compliance review before certification if Federal dollars are in the ROW or construction phase of the
project. Sometimes the audits are electronic and sometimes they are done in person. WSDOT does not audit every file on a project. The reviewer will use either the sample size calculator to help determine the scope of the certification review or will write a methodology statement describing the reasoning for determining the selected sample size. Compliance issues are addressed on an Oversight Report that is provided to the agency for corrective action.

**ROW Training**

_GDOT_ has a full ROW training course. Their certification is on the same schedule as other training to make it more convenient. They invite an FHWA trainer who covers appraisals, acquisition, certification, plans, negotiations, audits, railway coordination, etc. They also have a subject matter expert who can offer specialized expertise.

In cases of relocation in Georgia, the ROW certification is valid for 1 year. It must be reviewed if relocations have not begun on the project within 12 months of the notice to proceed. All ROW staff attend training every 3 years.

**Closing Discussion**

The peer exchange allowed participants to discuss and examine certification program processes in terms of efficiencies, challenges, and available solutions, both in general and within the context of each State.

**Takeaways**

ODOT suggested that ROW is difficult to give up for any DOT. This is where things go wrong fast because it is the riskiest piece of the project development process. ODOT does not certify in ROW at this time, but there might be opportunities to delegate more ROW duties to LPAs in the future.

The ROW process needs to be well laid out to minimize risk. It is very important to minimize the possibility of confusion, especially at the beginning of the process.

There are a lot of concerns and issues with mistakes. Focused training is crucial.

The process is often internalized at the DOT because of the amount of risk. Litigation happens a lot. DOT control is important to minimize risk.

ROW is a difficult process, but one that can be addressed through Stakeholder Partnering. Real estate is often brought up in Stakeholder Partnering committees, and sometimes there is not an easy solution, but it is a productive conversation in terms of increased understanding of the issues.
Common certification challenges discussed included:

- Risk and oversight levels—different headquarters staffing models
- Program balance between urban and rural agencies with different levels of staffing and expertise
- Certification program maturity level—operating the program while still building it

ODOT's Efficient Use of Federal Funds initiative resulted in changes to the certification program. Improvements include targeting certification to LPAs with high project volumes and increasing strategic use of State funds through the SFLP option.

Participants agreed there are opportunities and precedents for certification to facilitate greater environmental and ROW roles for LPAs. ODOT Local Programs still has opportunities to cooperate and increase efficiencies by working with their Environmental and ROW sections. ODOT is also planning a follow-up onsite meeting with WSDOT to learn more about their certified LPA project compliance review process.

From ODOT’s standpoint, the benefit of certification is a reduction in staff time devoted to day-to-day project management—time that instead can be spent in training and oversight.
### Appendix A: Peer Exchange Agenda

**Location:** East Salem Complex | Building X Conf. Room | 855 Airport Rd SE | Salem, Oregon

**Day 1:** April 11, 2017 | 8:30 a.m. – 4:30 p.m.

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Facilitators</th>
</tr>
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<tbody>
<tr>
<td>8:30–8:45 a.m.</td>
<td><strong>Welcome</strong></td>
<td>Philip Ditzler, Division Administrator, FHWA Oregon</td>
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<td></td>
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<td>Travis Brouwer, Assistant Director, Oregon DOT</td>
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<tr>
<td>8:45–9:00 a.m.</td>
<td><strong>Introductions</strong></td>
<td>All</td>
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<tr>
<td>9:00–9:30 a.m.</td>
<td><strong>Oregon DOT Local Program Organization</strong></td>
<td>Mac Lynde, Oregon DOT</td>
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<td></td>
<td>Cole Grisham, Oregon DOT</td>
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<td></td>
<td></td>
<td>Satvinder Sandhu, FHWA Oregon Division</td>
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<tr>
<td>9:30–10:00 a.m.</td>
<td><strong>Washington State DOT Local Program Organization</strong></td>
<td>John Ho, Washington State DOT</td>
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<td>Megan Hall, FHWA Washington Division</td>
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<tr>
<td>10:00–10:15 a.m.</td>
<td><strong>Break</strong></td>
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<tr>
<td>10:15–10:45 a.m.</td>
<td><strong>Nevada DOT Local Program Organization</strong></td>
<td>William Hoffman, Nevada DOT</td>
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<td>Juan Balbuena, FHWA Nevada Division</td>
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<tr>
<td>10:45–11:15 a.m.</td>
<td><strong>Georgia DOT Local Program Organization</strong></td>
<td>Malik Al-Kush, Georgia DOT</td>
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<td>Alvin Gutierrez, FHWA Georgia Division</td>
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<tr>
<td>11:15 a.m.–12 noon</td>
<td><strong>Stakeholder Partnering Overview</strong></td>
<td>Kevin Chesnik, ARA, Inc.</td>
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<tr>
<td>12:00–1:00 p.m.</td>
<td><strong>Lunch</strong></td>
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<tr>
<td>1:00–2:45 p.m.</td>
<td><strong>Local Program Certification Process Round Table Discussion</strong></td>
<td>Tiffany Hamilton, Oregon DOT</td>
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<tr>
<td>2:45–3:00 p.m.</td>
<td><strong>Break</strong></td>
<td></td>
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<tr>
<td>3:00–4:30 p.m.</td>
<td><strong>Project/Program Oversight Round Table:</strong> CA Agreements and Construction Oversight; DBE Goals; Concurrence in Award, Construction and Documentation Reviews; MRs; and Non-CA Agencies Oversight</td>
<td></td>
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</table>
Day 2: April 12, 2017 | 8:30 a.m. – 4:00 p.m.

<table>
<thead>
<tr>
<th>Time</th>
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<tr>
<td>8:30–8:45 a.m.</td>
<td>Day 1 Recap</td>
<td>Kevin Chesnik, ARA, Inc.</td>
</tr>
<tr>
<td>8:45–10:00 a.m.</td>
<td>Environmental Reviews</td>
<td>DOT Environmental Staff</td>
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<td>NEPA Support, ECS, Cultural Resources</td>
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<tr>
<td>10:00–10:15 a.m.</td>
<td>Break</td>
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<tr>
<td>10:15–12:00 p.m.</td>
<td>Certification Process Round Table</td>
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<tr>
<td>12:00–1:00 p.m.</td>
<td>Lunch</td>
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<tr>
<td>1:00–2:00 p.m.</td>
<td>Right-of-Way Oversight Round Table</td>
<td>Region and HQ Staffing, ROW Certification, Approval of Procedures</td>
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<tr>
<td>2:00–3:00 p.m.</td>
<td>Coordination with Other Agencies</td>
<td>All</td>
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<td>Use of Consultants, LTAP</td>
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<tr>
<td>3:00–3:30 p.m.</td>
<td>General Issues and Additional Questions</td>
<td>Kevin Chesnik, ARA, Inc.</td>
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<tr>
<td>3:30–4:00 p.m.</td>
<td>Wrap Up and Closing</td>
<td>Kevin Chesnik, ARA, Inc.</td>
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<td></td>
<td>Oregon DOT and FHWA Oregon Division</td>
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</tbody>
</table>
Appendix B: Peer Exchange Participant List

Georgia

- Tshaka Malik Al-Kush, LAP Coordinator, GDOT, malkush@dot.ga.gov
- Alvin Gutierrez, Project Delivery Team Leader, FHWA Georgia Division, alvin.gutierrez@dot.gov
- Bobby Hilliard, LPA Representative, GDOT, bhilliard@dot.ga.gov
- Tiffany Robinson, Right-of-Way Specialist 2, GDOT, trobinson@dot.ga.gov

Nevada

- Juan Balbuena-Merle, Safety & LPA Program Engineer, FHWA Nevada Division, juan.balbuena@dot.gov
- Ruth Borrelli, Chief, NDOT, rborrelli@dot.nv.gov
- Jeffrey Freeman, Construction Engineer, NDOT, jfreeman@dot.state.nv.us
- Bill Hoffman, Deputy Director, NDOT, whoffman@dot.state.nv.us
- Kirsten Kehe, Engineer–LPA Program, NDOT, kkehe@dot.nv.gov
- Teresa Schlaffer, Compliance Manager, NDOT, tschlaffer@dot.nv.gov
- Kristena Shigenaga, Design Engineer-Design Services, NDOT, kshigenaga@dot.nv.gov
- Jacob Waclaw, Field Operations Team Leader, FHWA Nevada Division, jacob.waclaw@dot.gov
- Chris Young, Environmental Services Manager, NDOT, cyoung@dot.state.nv.us

Oregon

- Keith Benjamin, Senior Right-of-Way Agent, Oregon DOT, keith.sbenjamin@odot.state.or.us
- John Boals, Right-of-Way Program Manager, Oregon DOT, john.c.boals@odot.state.or.us
- Cole Grisham, Local Public Agency Coordinator, ODOT, nicholas.grisham@odot.state.or.us
- Tiffany Hamilton, Certification Program Manager, ODOT, tiffany.hamilton@odot.state.or.us
- Mac Lynde, Active Transportation Section Manager, ODOT, mcgregor.lynde@odot.state.or.us
- Mike Morrow, Field Operations Team Leader, FHWA Oregon Division, mike.morrow@dot.gov
- John Raasch, Environmental Resources Manager, ODOT, john.raasch@odot.state.or.us
- Satvinder Sandhu, Local Programs Manager, FHWA Oregon Division, satvinder.sandhu@dot.gov
• Mike Stone, Assistant State Right-of-Way Manager, Oregon DOT,
  mike.stone@odot.state.or.us

Washington State

• Megan Hall, Programs/Research & T2 Engineer, FHWA Washington State,
  megan.hall@dot.gov
• John Ho, Project Development Engineer, WSDOT, hojohn@wsdot.wa.gov
• Dianna Nausley, Local Programs Right-of-Way Manager, WSDOT,
  nausled@wsdot.wa.gov

FHWA Resource Center

• Michael Smith, Project Management Engineer, michael.smith@dot.gov


• Kevin Chesnik, Principal Engineer, kchesnik@ara.com
• Sonya Darter, Marketing Specialist, scdarter@ara.com
Appendix C: Resources

GDOT Local Administered Project (LAP) Manual


NDOT Local Public Agency Manual

https://www.nevadadot.com/doing-business/about-ndot/ndot-divisions/engineering/design/local-public-agency

ODOT Local Government resource page, with separate links to the Local Agency Guidelines (LAG) Manual, Certification Program guidance, and Certification User Group information


WSDOT Local Agency Guidelines (LAG) Manual

http://www.wsdot.wa.gov/LocalPrograms/LAG/

FHWA EDC-2 Locally Administered Federal-aid Projects

https://www.fhwa.dot.gov/innovation/everydaycounts/edc-2/lpa.cfm

FHWA EDC-3 Locally Administered Federal-aid Projects: Stakeholder Partnering

Appendix D: WSDOT Local Programs Narrative Cost Allocation Plan

The following document may be useful to States that are getting started with certification programs and looking to staff the Local Programs Divisions within their DOTs.
December 21, 2015

Mr. Rick Judd
Financial Manager, Washington Division
Federal Highway Administration
Suite 501 Evergreen Plaza
711 South Capitol Way
Olympia, WA

RE: Annual certification- Local Programs

Dear Mr. Judd,

Local Programs has completed its most recent Narrative Cost Allocation Plan. Enclosed is a complete copy of the plan for FY 2017.

The plan is based on principles outlined in the 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards. If applicable, proposed changes will be submitted to and approved by FHWA during the upcoming year.

We are submitting the enclosed plan for your review. Please sign acknowledging your approval and certification of the plan and return a copy of this letter in the envelope provided.

Thank you and your staff for your on-going coordination with us on our billed central service process. Questions may be directed to Cindy Kay at (360) 705-7513.

Sincerely,

Jennifer Dahl
Director, Division of Accounting and Financial Services

Cognizant Agency Acceptance: [Signature]

Date: 1/21/2016

Enclosure

Cc: Amy Arnis, WSDOT Assistant Secretary, Financial Administration
Kathleen Davis, WSDOT Director, Local Programs
Doug Vaughn, WSDOT Budget Director, Budget & Financial Analysis
Eileen Leingang, WSDOT Administrative & Business Manager
Cindy Kay, Assistant Director, Financial Systems
Dionne Tarter, Assistant Director, Financial Reporting and Consulting Services Manager
Scott Kibler, Assistant Director, Central Accounting Operations
Brent Pierson, WSDOT Financial Systems
Table of Contents:

1. Indirect Cost Allocation Plan Summary
2. Organization Chart
3. Billing Methodology
4. Narrative Cost Allocation Methodology
5. Allowable Costs
6. Certification
7. Exhibit A

Washington State Department Of Transportation
Local Programs

Narrative Cost Allocation Plan
Proposal for FY 2017
Section 1
Indirect Cost Allocation Plan Summary

Local Programs

Program Description
Washington State Department of Transportation's (WSDOT) Local Programs is responsible for administration of federal and state funds that support city and county transportation systems. Under Washington State Department of Transportation's Stewardship Agreement with the Federal Highway Administration (FHWA), Local Programs serves as the program manager for all FHWA funds that are used locally to build and improve transportation systems of cities, counties, ports, tribal nations, transit agencies, and metropolitan planning organizations (MPO) and regional transportation planning organizations (RTPO) statewide. This program also provides program and policy oversight for sidewalks, bike lanes, trail, pedestrian, and transit-riding crossing improvements and other non-motorized community connections.

Catalog of Federal Domestic Assistance (CFDA) number 20.205 is the CFDA that governs the Federal-Aid Highway Program. The CFDA states in the Program Information section “By law, the Federal-aid highway program is a federally assisted State program that requires each State to have a suitably equipped and organized transportation department.” In Washington State’s transportation department, the entity that manages and supervises the reimbursement of federal-aid funds that are passed through to local entities is Local Programs.

Local Programs is authorized under RCW 46.68.110 and RCW 46.68.120 to receive funding from the State of Washington for the purpose of providing supervision of work and expenditures of such counties and county roads thereof and of such incorporated cities and towns on the city and town streets thereof, including the supervision and administration of federal-aid programs for which the department of transportation has responsibility.

In recognition of the need to explore new financing strategies, FHWA allows Finance Program – Test and Evaluation Project (TE-045) in a Federal Register notice dated April 8, 1994. The program was established using statutory authority granted under Section 307(a) of Title 23 of the U.S. Code. Section 307(a) permits FHWA to engage in a wide range of research projects, including those related to highway finance. As part of this research effort, FHWA was able to waive selected policies and procedures so that specific transportation projects could be advanced through the use of non-traditional financing concepts.

Local Programs received approval on August 15, 2012 for an Innovative Financing proposal under the TE-045 initiative to develop and implement an indirect cost allocation plan using a Narrative Cost Allocation Methodology (NCAM) that would reimburse WSDOT for the federal share of costs for administration activities related to the supervision of local agency federal-aid projects. This stewardship related activity will be performed by WSDOT on local agencies' federal-aid projects by Local Programs.
WSDOT will be reimbursed for the federal share of the stewardship costs using federal funds in accordance with an FHWA approved NCAM via an innovative finance research project using a narrative indirect cost allocation methodology consistent with 2 CFR 200, Appendix VII, Section F, Paragraph 3. Local Programs requested and received approval from FHWA to employ a NCAM cost reimbursement work plan to fund oversight activities on local agency federal-aid projects.

In this plan, Indirect Costs are those incurred for a common or joint purpose benefitting more than one cost objective and not readily available to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Washington State typically has over 1,000 local agency federal-aid agreements that are open in the Fiscal Management Information System (FMIS) at any point in time. WSDOT, Local Programs staff that are considered indirect can be working with over 50 local agency federal-aid projects in varying capacities throughout the course of a week. Local Transportation Authorities Municipal Planning Organizations and Regional Transportation Planning Organizations (“MPO’s and RTPO”) only allocate their region’s federal funds for actual project costs. They don’t provide additional funding to all of their region’s selected projects for WSDOT, Local Programs indirect costs for administration and oversight. In addition, local agency projects don’t submit requests for reimbursement for construction expenditures on a routine time period. As a result, WSDOT Local Programs would encounter time periods where they don’t recover the costs associated with their administrative expenses, thus experiencing deficits in their fund account, if they were using an overhead rate versus this NCAM.
Section 3

Billing Methodology

Actual monthly expenditures are billed to the federal-aid project. Billing to federal and state fund sources will be processed by the WSDOT accounting system as expenses are incurred based on approval of the distribution of expenses by FHWA. Expenses will be distributed to Local Programs objects of expenditure by Work Order.

Section 4

Narrative Cost Allocation Methodology

The Narrative Cost Allocation Method follows 2 CFR 200, Appendix VII, Section F, Paragraph 3 as opposed to the use of an indirect cost rate also in Appendix VII. Monthly expenditures are charged to the federal-aid project. However, the amount authorized to be charged to federal-aid project for reimbursement is based on the budgeted level ("WSDOT 15-17 labor pricing template") for the positions that will be charging to the federal project. Although 2 CFR 200.430 (l) (1) (viii) states that "budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim
accounting purposes*, FHWA has approved that the budgeted allocation within this plan does qualify as the support for changes to the federal award, and as a final allocation.

The Washington State Department of Transportation (WSDOT), Local Programs Division has a staff of over 59 positions that are responsible for the administration and oversight of the local agency federal-aid program in the State of Washington. Consistent with WSDOT’s Stewardship Agreement with FHWA, Local Programs is responsible for maintaining local agency compliance with all federal regulations associated with all FHWA federal-aid projects. This narrative indirect cost allocation plan will charge expenditures to a federal-aid project for all federally eligible costs for some of the Local Programs staff conducting the following local agency administration and oversight activities for federal-aid projects:

- Local agency support federal funding authorization and federal reporting (TIGER, Transparency Act)
- Local agency environmental documentation review and approval
- Local agency construction administration and construction training
- Regional local agency design, right-of-way, and construction oversight
- Local agency bridge stewardship, including bridge inventory management

Monthly expenditures for Local Programs staff carrying out these functions will be billed to a single federal-aid project. Each of these staff conducting these tasks will be billed to WSDOT work orders, which will then be assigned to a single federal-aid project in WSDOT’s accounting system, Transportation Reporting and Accounting Information System (TRAINS).

The specific Cost Centers (programs) that will be charging indirect costs to a specific funding source are the following:

- Local Agency Guidance (LAG)
- Local Agency Bridge
- Program Management
- Real Estate
- Local Agency Environmental Support
- Local Agency Regional Engineering Support
- ADA Support

Positions selected to be included in this NCAM were based on those positions in the identified cost centers whose functions fully support federal activities. These positions exist for the delivery of the local federal-aid program. Each of the positions sole purpose is to support local agencies delivery of federal-aid projects within federal guidelines and regulations. Excluding de minimis activities that are a fraction of each of these positions time and duties, staff in these positions work solely on federal-aid project activities. This includes the nominal amount of time and effort it will take to administer the Connecting Washington Account (CWA) created as a result of 2ESSB 5968. Over a 16 year period there are less than 35 locally led CWA earmark projects, and 23 tiered bicycle pedestrian, and safe routes to school (some of which are federally
funded) projects. With over 1,000 active federal projects to manage each year, efforts to manage the CWA is considered de minimis.

From a reasonable standpoint, each of these positions sole functionality is associated only with federal-aid projects. The amount of time and effort that these positions contribute to non-federally related activities is not measurable from a practical standpoint. The positions selected for this NCAM meet these criteria, and are therefore included in this NCAM.

In addition, to offset any potential de minimis activity Local Programs only charge labor costs to the NCAM.

The plan is for 29.6 Full Time Equivalent (FTE) units to bill their charges to this NCAM. The total estimated cost that would be charged is $3,419,451, for the annual time period from July 1, 2016 to June 30, 2017. This planned amount of $3,419,451 is based on 2017 projections using the WSDOT required 15-17 labor pricing template, step M for all positions. This tool calculates the salary based upon the Washington State Department of Personnel Salary Schedules. It is the sum of all the identified salaries and benefits that total to the amount authorized on the federal-aid project. The table below displays the FTE’s, number of positions, and the planned expenditures for the administrative staff by cost centers that will be charging their costs to the narrative cost allocation plan.

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<thead>
<tr>
<th>Work Order</th>
<th>Cost Centers / Program</th>
<th>Amount Required for SFY 2017 for NCAM</th>
<th>Full Time Equivalents (FTEs)</th>
<th>Positions Federally Funded (Partially or @ Maximum Federal Share)</th>
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<td><strong>Totals</strong></td>
<td><strong>$3,419,451</strong></td>
<td></td>
<td><strong>29.6</strong></td>
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</tbody>
</table>

Billing to FHWA will be based on a pre-approved pro rata share of expenses between federal and state fund sources. The distribution between state and federal fund sources is based on budgeted labor expenditures, and future adjustments of the distribution on a basis of actual expenditures will not be required by FHWA. Local Programs will have a
federal-aid project to fund their operating budget for staff supporting local agencies delivering federal-aid projects. The federal/state split for this NCAM project will be 86.5% federal funds and 13.5% state funds.
Section 5
Allowable Costs

FHWA reviews the Chart of Accounts, to make a determination of object codes that are eligible for federal participation. The work orders are set up to ensure that expenditures receiving reimbursement are those associated with federally eligible object codes. The periodic review by FHWA is the process that ensures that only allowable categories of costs (e.g., labor expenditures) are being charged to the federal-aid project. See attached supporting documentation that identifies the positions billing to the federal-aid project Exhibit A.
Section 6

Certification of Indirect Cost Allocation Plan

Local Programs

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

1. All costs included in this proposal are used to establish cost allocations or billings for Fiscal Year 2017 and are allowable in accordance with the requirements of the Federal award(s) to which they apply and 2 CFR Part 200.400 et al., Subpart E, “Cost Principles” Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan or have prior approval of FHWA.

2. All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements or as authorized by FHWA. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct:

Governmental Unit: Washington State Department of Transportation

Signature: [Signature]

Name of Official: Jennifer Dahl

Title: Director, Division of Accounting and Financial Services

Date of Execution: Month, Day, Year

[Signature]

12/31/15

Every Day Counts • Locally Administered Federal-Aid Projects
### Appendix A

#### WSDOT 15-17 Labor Pricing

#### Local Programs

For All FTEs - Fill in ONLY the Highlighted Columns

<table>
<thead>
<tr>
<th>Position</th>
<th>Position Code</th>
<th>Code</th>
<th>Employee Name</th>
<th>Percent Time</th>
<th>FTEs</th>
<th>Annual Salaries</th>
<th>Total Benefits</th>
<th>Total Compensation</th>
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</table>

*Note: Estimated*
EDC-3 Locally Administered Federal-aid Projects

Michael R. Smith
Project Management Engineer/Team Leader
Construction Project Management Technical Service Team
FHWA Office of Technical Services/Resource Center
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Oregon DOT Local Programs

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Local Public Agency Coordinator
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