



Office of Local Assistance

Pro Rata vs. Lump Sum Guidance

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PRO RATA VS. LUMP SUM

- Why Do I Have to Choose?
- How Do I Choose?
- What's the Difference?
- Which Method Is Best For My Project?

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WHY DO I HAVE TO CHOOSE?

23 CFR 630.106

- (f)(1) The Federal-aid share of eligible project costs shall be established at the time the project agreement is executed in one of the following manners:
 - (i) Pro rata, with the agreement stating the Federal share as a specified percentage; or
 - (ii) Lump sum, with the agreement stating that Federal funds are limited to a specified dollar amount not to exceed the legal pro rata.

Note: As of February 1, 2013 FHWA requires that Caltrans begin formally documenting which method is to be utilized. (DLA-OB 13.01 – Establishment of Pro Rata or Lump Sum)

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WHAT'S THE DIFFERENCE? cont.

Cost Savings At Final

The only significant difference between the two methods occurs at project completion if a cost savings is realized.

- With Pro Rata, FHWA agrees to pay a certain percentage of your project. If the project has cost savings, then the savings is expected to be shared with FHWA.
- With Lump Sum, FHWA agrees to pay a certain dollar amount for the project (as long as it is not more than the legal pro rata for the fund type). If the project realizes cost savings, you will still receive the lump sum amount.

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WHAT'S THE DIFFERENCE? cont.

Example:

Total Project Cost	Fed. Reimb %	Federal	Local
\$1,000,000	50%	\$500,000	\$500,000

Progress Invoice #1: Total Direct Costs To Date - \$500,000

Pro Rata Amount reimbursed - \$250,000 Federal funds remaining - \$250,000 Fed Reimb % - 50%	Lump Sum Amount reimbursed - \$250,000 Federal funds remaining - \$250,000 Fed Reimb % - 50%
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Final Invoice: Total Project Costs - \$950,000

Pro Rata Amount reimbursed - \$225,000 Federal funds remaining - \$25,000 Fed Reimb % - 50%	Lump Sum Amount reimbursed - \$250,000 Federal funds remaining - \$0 Fed Reimb % - <u>\$2.6%</u>
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WHICH METHOD IS BEST FOR MY PROJECT?

District recommendations:

Lump Sum is the recommended method for all local agency projects with one exception.

Exception:

- Highway Bridge Program projects – All HBP projects are fully funded (88.53%) through all phases of the project.

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