



U.S. Department
of Transportation

**Federal Highway
Administration**

**Federal Highway Administration
California Division**

October 26, 2012

650 Capitol Mall, Suite 4-100
Sacramento CA 95814
(916) 498-5001
(916) 498-5008 fax

In Reply Refer To:
HDA-CA

Mr. Malcolm Dougherty, Director
California Department of Transportation
1120 N Street
Sacramento, CA 95814

Attn: Fardad Falakfarsa

Dear Mr. Dougherty:

SUBJECT: Federal Reimbursement Rate

During the course of last fiscal year, the Federal Highway Administration (FHWA) California Division Office and the California Department of Transportation (Caltrans) have had several meetings to discuss project authorization by the use of pro rata share and lump sum share. The purpose of this letter is to provide additional clarification on how the federal participating share is established at the time of project authorization.

It has been a long standing practice for Caltrans to establish the authorization/reimbursement rate upon project completion by "truing up" the final cost, particularly for local agency projects. We recognize that this process allows the local agency the ability to leverage their available federal funds and maximize the use of such funds. However, we can no longer be as flexible as we have been in this area. Under the Financial Integrity and Evaluation (FIRE) Program, FHWA has a responsibility to ensure the reasonableness and accuracy of project authorization and expenditures. This includes ensuring that Federal-aid reimbursements are proper payments.

In accordance with 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.*

(2) The pro-rata or lump sum share may be adjusted before or shortly after contract award to reflect any substantive change in the bids received as compared to the STD's estimated cost of the project at the time of FHWA authorization, provided that Federal funds are available.

Effective February 1, 2013, the Federal-aid share of eligible project costs shall be established at the time of project agreement, either by pro rata share or the lump sum method. It is up to Caltrans to determine which method is best to use. Once determined, the method should be

noted in the "State Remarks" section in FMIS. In situations where a locality may not receive the maximum federal eligible share as provided by legislation at the initial authorization stage, you can advance construct the remaining eligible share. This entitles the local agency to receive the full federal participating amount should you decide to convert to Federal-aid funding at a later date. As noted above in 23 CFR 630.106(f)(2), the Federal-aid share may also be adjusted shortly before or after the contract award which is interpreted as 90 days.

If you have any questions, please contact Janice Williams at (916)498-5028 or by email at Janice.Richard@dot.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Vincent P. Mammano". The signature is fluid and cursive, with a large loop at the end.

For
Vincent P. Mammano
Division Administrator

cc: (e-mail)

Norma Ortega, Caltrans
Clark Paulsen, Caltrans
Denix Anbiah, Caltrans
Fardad Falakfarsa, Caltrans
Rihui Zhang, Caltrans
Bill Sandoval, Caltrans
Barry Leaming, Caltrans
Michael Avery, FHWA
Rodney Whitfield, FHWA
Veneshia Smith, FHWA
Rebecca Bennett, FHWA
Gary Sweeten, FHWA
Jean Mazur, FHWA
Matthew Schmitz, FHWA
Janice Williams, FHWA

JWilliams/km