

NORTH CAROLINA

Department of Transportation



Advanced Construction

Van Argabright, PE

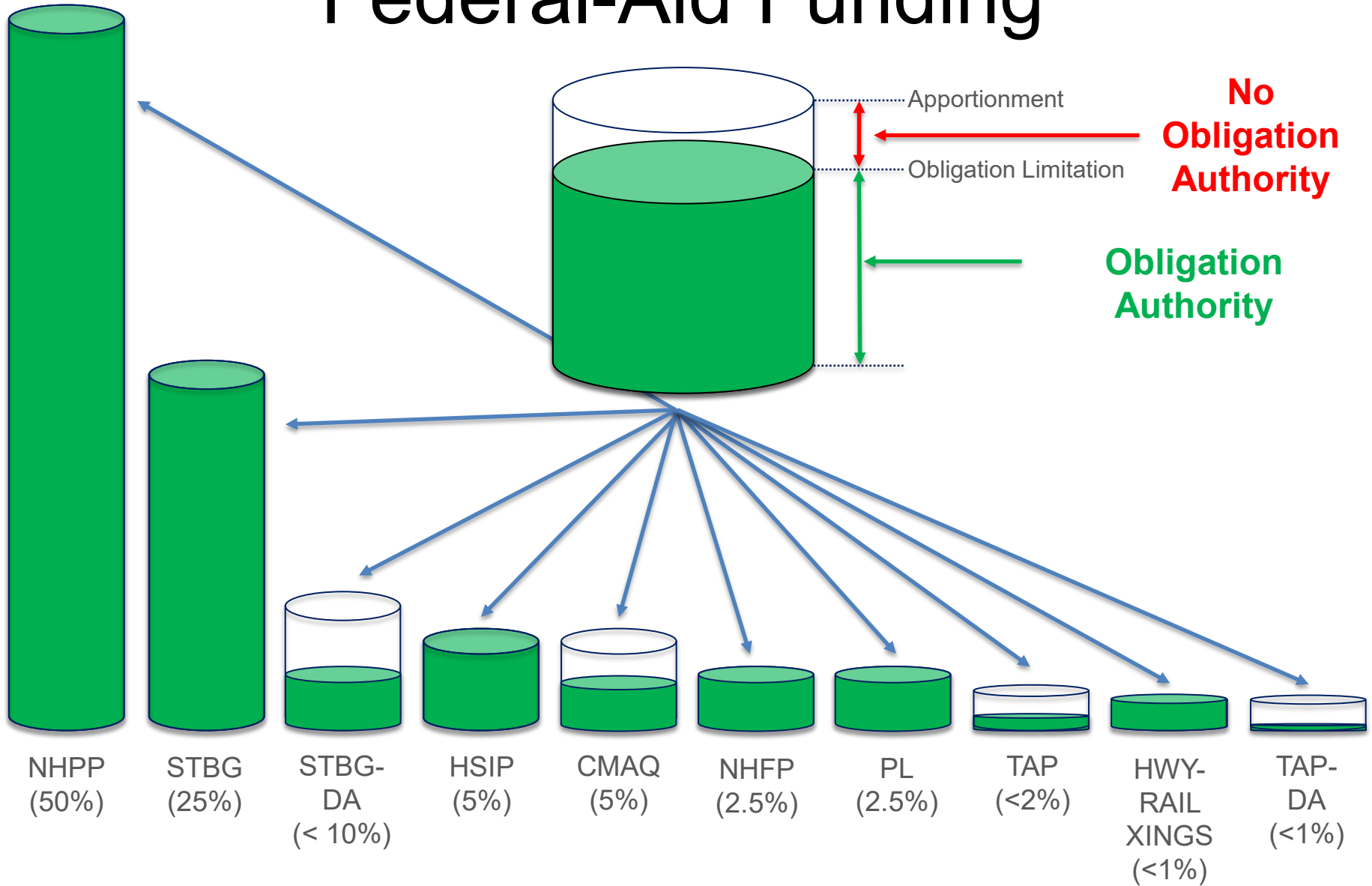
Director

Division of Planning and Programming

November 2020

Review of Federal Funds and AC

Federal-Aid Funding



Project Authorization

NC may obtain Federal Funds to reimburse for a project, if:

- NC has the Budget Authority
(Meaning NC has funds in the appropriate federal funding category)
- NC has Obligation Authority (OA)
(NC as not already assigned over 90% of federal funds to other projects. This limit is set each year so the 90% and amount can change)
- There are funds in the Federal Highway Trust Fund
- Eligible Expense
(The project or expense meets all the requirements defined by the Federal Highway Trust Fund.)

Pay as You Go Financing

- Do not start a project until all the funding is available. Funds are “obligated” at one time, not stretched over years.
 - Uses full OA and BA

Example:

\$10M Federal Construction Authorization/Obligation

- \$8M (80%) in Federal Funds obligated immediately
 - Entire \$8M deducted from DOT’s OA and BA balance
 - Limits overall amount of projects we can move forward with
- \$2M (20%) remaining covered with State Match
 - This is the same for traditional and AC

Advance Construction (AC)

Definition:

- Advance Construction (or AC) is a funding tool used by all states. It also allows North Carolina to build projects sooner and save money by starting a project when State funds are available and seeking federal reimbursement as the project moves forward. It allows NCDOT to build projects using a cash flow model.

Benefits:

- Projects can begin much sooner.
- Decreases opportunity for inflation costs – if a project is planned and estimated but must wait years for the Federal funds, the cost of building the project can (and usually does) increase.
- Allows for contract lettings to be spread out over the year

Advance Construction (AC)

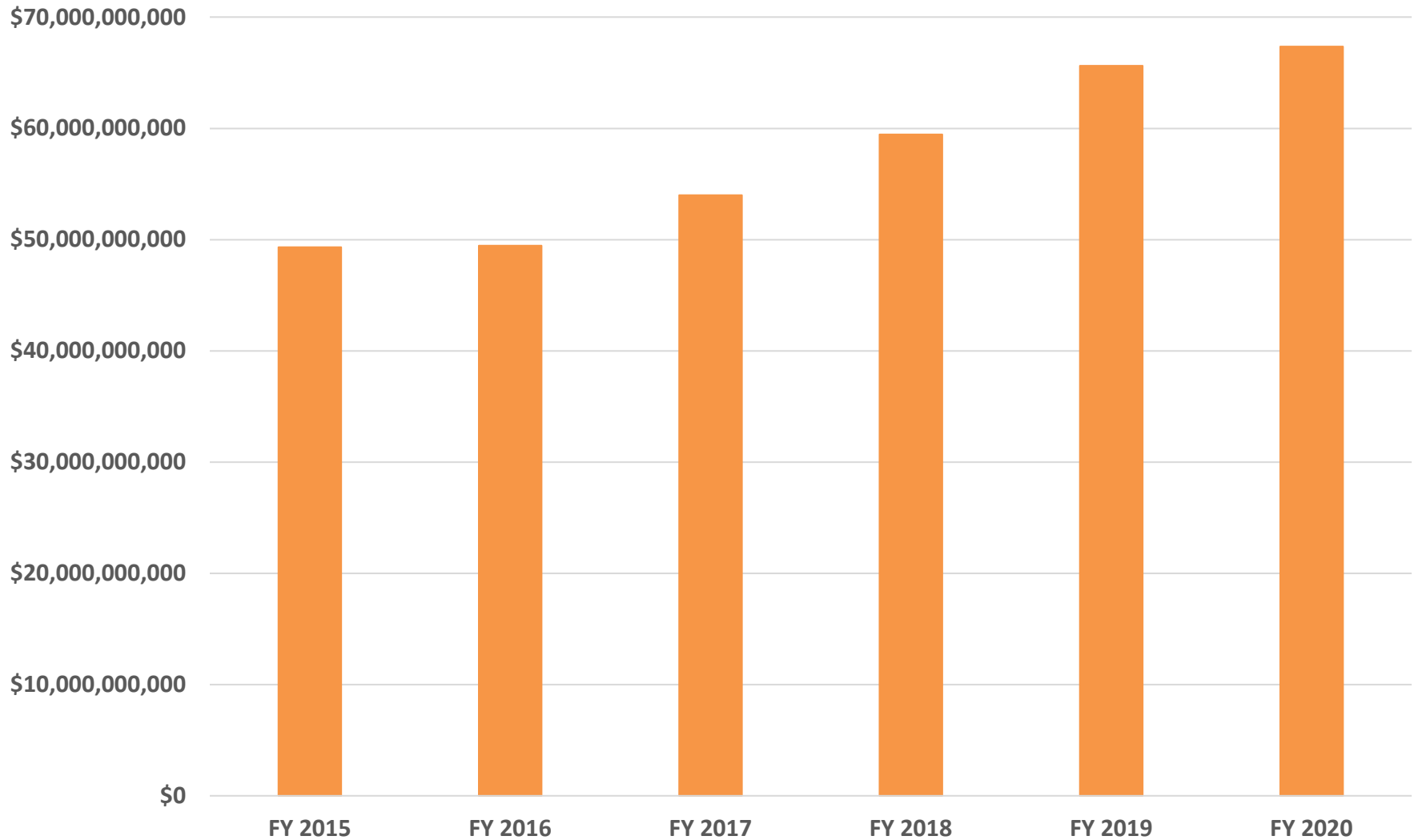
- Obligate funding over several years rather than at the beginning of a project
 - Allows for better management of OA and BA

➤ Example:

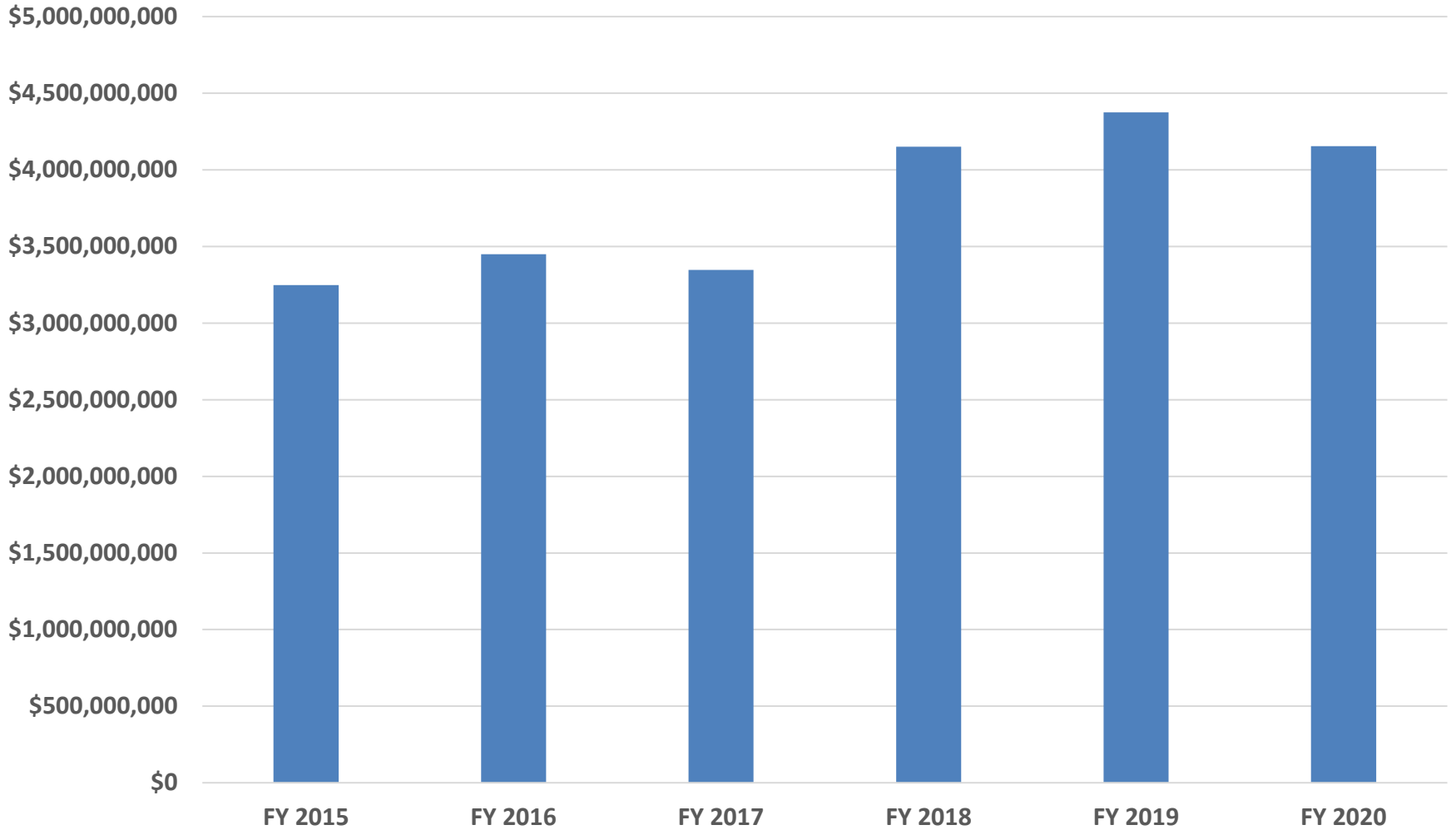
\$10M Federal Construction Authorization

- \$8M (80%) in Federal Funds authorized but not fully obligated until expenditures accrue
 - Convert and Obligate \$2M in year 2
 - Convert and Obligate \$4M in year 3
 - Convert and Obligate \$2M in year 4
 - Frees up OA and BA for use on other projects each year
- \$2M (20%) remaining covered with State Match
 - This is the same for traditional and AC

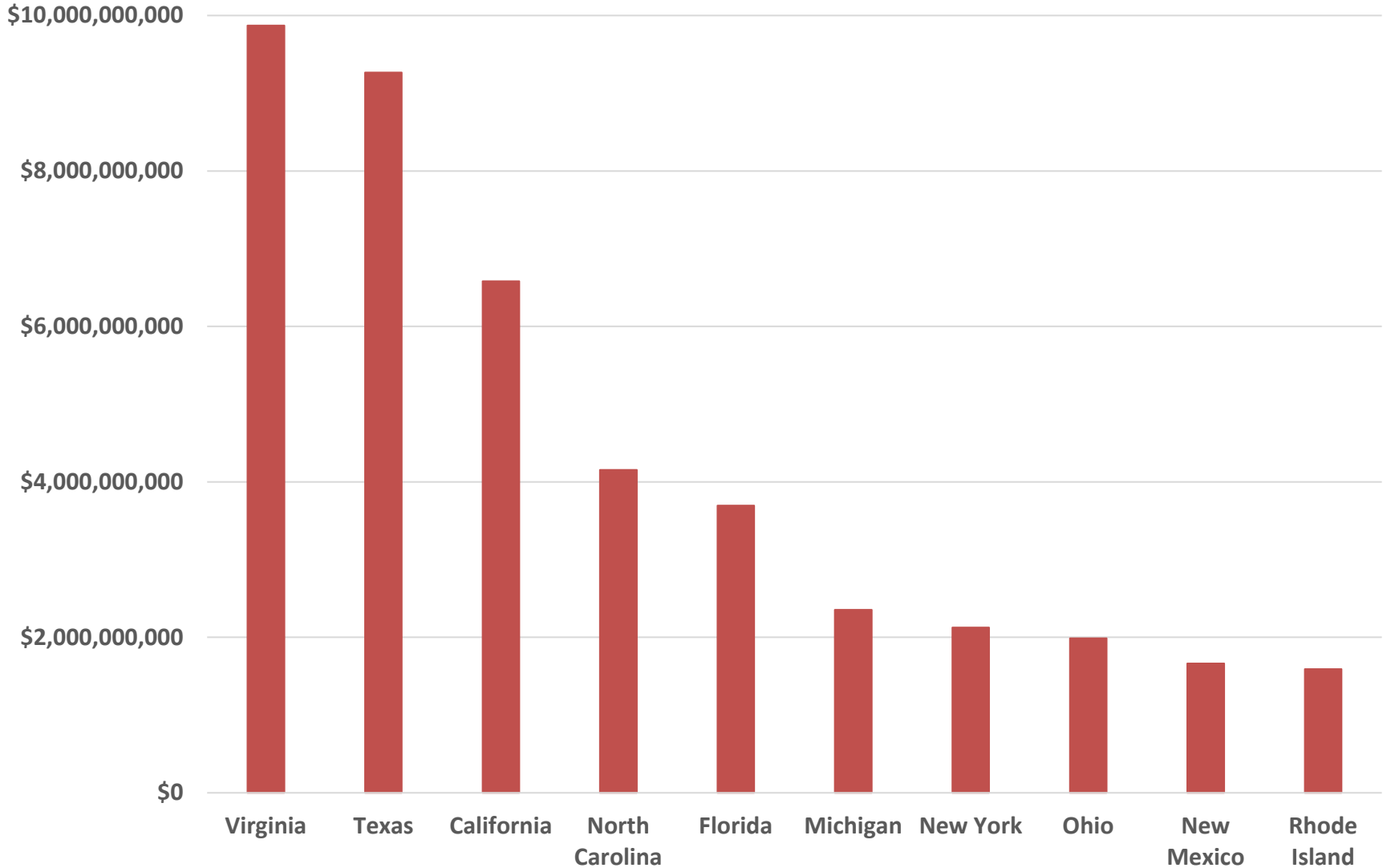
Total Nationwide AC



NC's Use of AC over the Years



Advanced Construction Balances of Top 10 States



Questions?

