



## APPROVAL AND OVERSIGHT OF DEPARTMENT OF TRANSPORTATION ADVANCE CONSTRUCTION FUNDS

**NCDOT Policy**  
D.01.0106

<b>Business Category:</b> Financial Management & Program Development		<b>Business Area:</b> Chief Financial Officer- Financial Management Division	
<b>Approval Date:</b> 3/10/2021	<b>Last Revision Date:</b> N/A	<b>Next Review Date:</b> 10/31/2021	
<b>Authority:</b> <a href="https://www.govregs.com/uscode/title23_chapter1_section115">https://www.govregs.com/uscode/title23_chapter1_section115</a>		<b>Select all that apply:</b> <input checked="" type="checkbox"/> N/A <input type="checkbox"/> Requires Board approval <u>Click to type Board name.</u> <input type="checkbox"/> Requires Federal Highways Administration (FHWA) approval <input type="checkbox"/> Requires other external agency approval: <u>Click here to enter external agency name(s).</u>	
<b>Definitions:</b> <p>“Department” – shall mean the North Carolina Department of Transportation.</p> <p>“BOT” – shall mean Board of Transportation.</p> <p>“Finance” – shall mean Finance Committee of Board of Transportation.</p> <p>“FPC” – shall mean Financial Planning Committee.</p> <p>“FHWA” – shall mean Federal Highway Administration.</p> <p>“AC” – shall mean Advance Construction.</p> <p>“GARVEE” – shall mean Grant Anticipation Revenue Vehicle</p> <p>“Budget Authority” – shall mean Authority provided by law to enter into financial obligations that will result in immediate or future outlays of federal government funds, which includes appropriations.</p> <p>“Appropriation” – shall mean distribution of funds using a formula provided in law which makes the funds available for obligation by the State in accordance with Federal law by program.</p> <p>“Obligation Authority” – shall mean federal-aid obligation limitation, established annually by Congress in appropriation acts, which controls the amount of apportioned contract authority that can be obligated for reimbursements by the states in a given fiscal year. Obligation authority limits the total obligations that can be reimbursed for Federal-aid highway programs during a year.</p>			

**Policy:**

NCDOT will maintain fiscal responsibility and oversight of AC by performing yearly analysis of this FHWA program. Information will be presented to the Secretary, Chief Operating Officer, Chief Engineer, and Chief Financial Officer. After their review and input it will be presented to the FPC and the Finance Committee of the BOT. In this analysis all components of this program will be presented with additional analysis of the usage of traditional AC (non-GARVEE.)

**Background:**

As codified in 23 U.S.C. 115, Advance Construction of Federal-Aid Projects allows States to request and receive approval to construct Federal-aid projects in advance of the apportionment of authorized Federal-aid funds. The use of Federal AC funds is a funds management tools that is an effective way to accelerate the flow of federal transportation dollars by maintaining eligibility for future reimbursement without a commitment of current Budget Authority and Obligational Authority. State DOT's have used this tool effectively since the late 1980's and has allowed many federal projects to be completed in a cost effective and efficient manner.

This funds management tool authorized in federal law, is unique in contrast to the general rule under federal appropriations law that requires a federal agency to obligate (commit) federal funds for the full federal share of any project at the time it approves the project. AC allows the Federal Highway Administration to approve a project without obligating federal funds. A state may subsequently request federal funds for the project as it advances or after it is completed.

When analyzing AC usage at NCDOT, a distinction is made between AC used for **GARVEE** project tracking and **NON-GARVEE traditional AC**.

**GARVEE** is a type of bond or similar financing method used by a state to finance transportation projects and is a specific type of AC. While outstanding GARVEE debt is included in the Department's AC balances it should be viewed differently. The North Carolina General Assembly has imposed restrictions on the use of GARVEE to ensure that the Department's use of this funding technique remains within reasonable levels. Prior to an issuance of GARVEE bonds, the limits imposed by the General Assembly are checked to ensure that the Department will remain in compliance. State law constrains the total amount of GARVEE debt so that the total GARVEE outstanding principal amount cannot exceed the previous year's total federal budget authorization or the debt service cannot exceed 20% of anticipated annual future federal revenues. No further tests are needed within the agency.

**Traditional AC** projects requires that the State initially pay cost associated with work authorized using the AC technique with state funds. As the AC project progresses, NCDOT will obligate federal funding and bill FHWA for expenditures that have occurred (typically at 80 percent).

**Development of Annual Analysis of Non-GARVEE traditional AC**

To ensure that AC levels for non-GARVEE projects remain within reasonable levels, two limits will be checked yearly and reported.

- Amount of unreimbursed state funds expended (by funding source) should not exceed 1 year of federal apportionments.
- AC balance (by funding source) should not exceed 4 years of anticipated federal apportionments.

*To ensure AC usage is monitored and used prudently, Federal funding needed for GARVEE payments will be subtracted prior to performing tests. AC used on Disaster Events will also be excluded due to projects being converted to Emergency Relief Funding in the future.*

**Oversight and Modifications**

The AC funding levels will be reviewed each year prior to the beginning of a new federal fiscal year (in September). The CFO and staff will update the FPC and BOT Finance Committee members at this interval and if the AC Funding levels may exceed prescribed limits during the year. Working in conjunction with Planning and Programming staff, decisions will be made which may include reprogramming the STIP to ensure the Department remains within the prescribed limits and maintains fiscal accountability and responsibility.

Scope: Approval and Oversight of Departmental Use of AC Funds

**Procedures:** The Financial Management Division in conjunction with the Secretary of Transportation will oversee the use of AC Funds to ensure fiscal responsibility and ensure the levels of AC funding remain within the approved and prescribed limits. The use of AC Funds that would cause limits to be exceeded must be reviewed by the FPC and BOT Finance Committee.

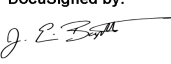
**Related Documents:** N/A

## Revision History

Revision Date	Revision Number	Description

## Policy Approval

*Signing below certifies that the aforementioned policy has been vetted by the business area representative, applicable legal counsel (AG's office, etc.), and executive staff member(s).*

Business Area Representative	<div style="border: 1px solid black; padding: 2px; display: inline-block;">                     DocuSigned by:  <i>Stephanie King</i>                      5BB78051F6C44CA...                 </div>	3/16/2021
_____	Signature	_____
Legal Counsel <i>(Responsible for the Unit)</i>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">                     DocuSigned by:  <i>Daniel Johnson</i>                      C72FE17948324D1...                 </div>	3/18/2021
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Executive Staff Member <i>(Responsible for the Unit)</i>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">                     DocuSigned by:                        2CD73228B5AA49B...                 </div>	3/18/2021
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Executive Staff Member <i>(Responsible for the Unit)</i>	_____	_____
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