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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

KIRK T. STEUDLE
DIRECTOR

February 23, 2012

Metropolitan Planning Organizations
Michigan Municipal League
County Road Association of Michigan

Dear Local Partners:

For FY 2011, the Local Federal Aid Program did not use all of its obligation authority and left a balance of \$54 million dollars. We believe this is a result of many factors, including: bid savings on obligated projects, the ARRA Program consuming federal aid ready jobs, federal government releasing obligation authority late in the fiscal year, and perhaps the lack of local matching funds.

At the end of FY 2011, the Michigan Department of Transportation (MDOT) was able to use the \$54 million dollars of obligation authority on the trunkline program to make sure the obligation authority was not lost to the State of Michigan, and with the intent of repaying the Local Federal Aid Program in the future.

We have developed the following plan to allow the Local Federal Aid Program, recoup the \$54 million in obligation authority over three years, and maintain fiscal constraint of the program as required by the Federal Highway Administration. The Local Federal Aid Program needs to deliver on 100 percent of the apportioned federal aid allocated to each Metropolitan Planning Organization (MPO), Rural Task Force (RTF), and State Administered Program (Bridge, Enhancement, etc). We estimate this will utilize an additional \$18 million to \$20 million in obligation authority each year in the Local Federal Aid Program. If the \$54 million balance of obligation authority is not utilized by the end of FY 2014, the obligation authority will be lost to the Local Federal Aid Program. In order to reach this goal, please be mindful of the following:

- Each fiscal year, 100 percent of the federal allocations need to be obligated. Therefore, if you have a project with bid savings, a project that is going to be delayed to a future year, or a project that is not going to move forward, the federal funds should be reprogrammed to a new job as soon as possible.
- All federal aid rules must be followed, and projects must be included in either the State Transportation Improvement Program or the Metropolitan Transportation Improvement Program. Please work with your RTF or MPO to make sure all projects are amended into the proper document.

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- The \$54 million is obligation authority only. There is no additional federal allocation. Please work within your MPO or RTF to use 100 percent of the annual allocation while maintaining fiscal constraint.
- Conversion of advance construct projects is also an eligible use of this obligation authority.

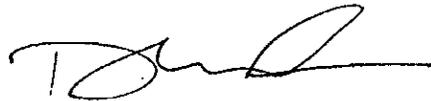
Additionally, MDOT's capacity to obligate additional federal aid at the end of future fiscal years is greatly diminished due to our own financial situation regarding federal aid match. Therefore, beginning in FY 2015, the amount of carryover obligation authority that MDOT will repay the local program from year to year will be limited to five percent of the annual obligation authority designated for the Local Federal Aid Program. If Michigan receives year-end redistribution of federal aid and the local share of redistribution causes the local carryover amount to exceed five percent, the local program will have the following year to deliver five percent plus any redistribution. Amounts will not be allowed to accumulate. Therefore, each year's program must address the previous year's carryover.

We look forward to moving this plan forward and allowing the local units to deliver a robust federal aid program for the next three years. If you have any questions or concerns regarding this plan, please contact Pamela Boyd at (517) 335-2803 or Rudy Cadena at (517) 335-2233.

Sincerely,



Mark A. Van Port Fleet, Director
Bureau of Highway Development



David E. Wresinski, Director
Bureau of Transportation Planning