



# Lump Sum (Capped) VS Pro Rata

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# Lump Sum (Capped)

## ■ Advantages

- Defined Amount Of STP-Rural And State-D For Each Project
- No Projects Will Use More Than Its Share
- The RTF Will Have Sufficient Funding Allocation For Approved Projects
- Funding Percentages Are Set At Obligation To Use The STP-Rural and/or State-D More Rapidly (Example to Follow)

## ■ Disadvantages

- The Local Agency Is Financially Responsible For All Costs After The Cap(s) Is Reached On STP-Rural and/or State-D
- Approved Extras And OVERRUNS Are Only Covered By STP-Rural and/or State-D If The Cap(s) Has Not Been Reached. If The Cap(s) Has Been Reached, All Costs Above the Cap(s) Are 100% Local.

# Pro Rata

## ■ Advantages

- All Participating Costs Are Funded At The Percentages Set At Obligation
- Approved Extras And Overruns Are Funded At The Same Percentages

## ■ Disadvantages

- More Work On RTF Members To Track Costs And Manage Program
- The Projects Submitted To MDOT Toward The End Of The Year May Not Be Funded In The Year Programmed
- Requires The RTF Members To Monitor Costs Of Their Approved Projects
- Requires The RTF Members To Communicate With Each Other On Project Costs Regularly So Any Needed Program Adjustments Can Be Made.

# Example Set Up At Obligation (Lump Sum vs Pro Rata)

- Approved Funding - Pro Rata

- Total Budget: \$500,000
- STP-Rural: \$300,000 60%
- State-D: \$150,000 30%
- Local: \$50,000 10%

- If Lump Sum (Capped)

- Project Initially Funded 80% STP-Rural / 20% State-D Until The STP-Rural Cap of \$300,000 Is Reached
- Once The STP-Rural Portion Reaches \$300,000, The Project's Funding Is Changed To 80% State-D / 20% Local Until The State-D Cap of \$150,000 Is Reached.
- All Remaining Costs Are 100% Locally Funded

# Adjustments To Lump Sum Amounts



- If The Low Bid Comes In At Less Than The Obligation Amount, MDOT Finance Will Lower The Cap Amounts
- Then, If During Construction, Approved Extras and Overruns Cause The Updated Caps To Be Exceeded, FHWA Allows The Caps To Be Increased Back Up To The Original Amount
- MDOT Will Increase The Cap(s) As Needed



# Questions?

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