



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

KIRK T. STEUDLE
DIRECTOR

September 14, 2009

Mr. John D. Niemela
Director
County Road Association of Michigan
P.O. Box 12067
Lansing, Michigan 48901-2067

Mr. Christopher Hackbarth
Legislative Associate
Michigan Municipal League
208 N. Capital Avenue, 1st Floor
Lansing, Michigan 48933

Dear Mr. Niemela and Mr. Hackbarth:

Bid Savings Distribution Procedures for Local Agency Projects
American Recovery and Reconstruction Act of 2009

This correspondence is intended to provide guidance on the methodology the Michigan Department of Transportation (MDOT) will utilize for the redistribution of un-obligated American Recovery and Reconstruction Act of 2009 (ARRA) funds. Federal regulations require that the obligation be adjusted to the actual low bid at the time of project award. If the low bid is below the final engineer's estimate, the remaining obligation becomes available for use on other projects.

ARRA regulations stipulate that 100 percent of allocated funds must be obligated prior to March 2, 2010. Funds not utilized by this date will be redistributed to other states that have obligated all of their ARRA funds. Therefore, MDOT is monitoring the use of ARRA funds to determine where bid savings have occurred. In order for these savings to be incorporated back into the local program, it is imperative that local projects be ready to capture these available funds.

With over 500 local projects programmed with ARRA funds, the savings per project will range from a negligible amount to tens of thousands of dollars. It will not be possible for MDOT to process large numbers of local projects in the final days of obligation and ensure federal requirements have been met. As such, MDOT is requesting each Rural Task Force (RTF) and Metropolitan Planning Organization (MPO) submit candidate projects of at least \$50,000 or more for the use of bid savings. These projects will use remaining ARRA funding balances available to the RTF or MPO. These projects must go through your existing project selection, prioritization and planning process, be incorporated into the State Transportation Improvement Plan (STIP) and be certified as an ARRA project by the Governor's office prior to MDOT initializing obligation of the funds.

If savings are realized on ARRA projects after March 2, 2010, funds must be redistributed to existing or newly identified projects by September 30, 2010. ARRA lump sum projects cannot be increased. Only projects obligated by pro rata can use other project savings to increase ARRA funding, or cover extras or overruns.

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In the event it is determined by MDOT that there are insufficient ARRA funds available for an entire project, the balance of the project cost, after deduction of ARRA funds and other applicable funding sources, shall be charged to and paid by the local agency. Therefore, change orders must be promptly processed in order to ensure eligibility.

Starting October 1, 2009, MDOT will provide the obligation balances to the RTFs and MPOs on a monthly basis. These balances will show individual projects with one of four stages:

- 1) Project has not yet been obligated.
- 2) Construction contract has been let but not yet been awarded.
- 3) Construction contract has been awarded, with obligation adjusted to the low bid amount.
- 4) Contractor is currently billing to the project.

As your groups determine which projects will utilize the remaining funding, please note the critical dates identified in the July 15, 2009, letter regarding ending dates for the ARRA program. We are making significant progress on delivering this program. As of August 31, 2009, MDOT has obligated \$97 million of the \$204 million available for the local program or approximately 48% of the available funding. This includes nearly 235 projects.

Please provide this information to your constituency. We look forward to the completion of this program and we will continue to partner with your organizations to deliver the projects on a timely basis.

If you have any questions or need further information, please contact Mr. Rudolph S. Cadena, Local Agency Programs Engineer, at (517) 335-2233.

Sincerely,



Bradley C. Wieferich, P.E.
Engineer of Design

cc: R. Cadena
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