

Transportation Economic Development Fund Category D Direct Distribution Program FY 2025

October 4, 2024

The Transportation Economic Development Fund Category D (TEDF D) Direct Distribution Program is a voluntary program that will allow local road agencies to receive a lump sum payment to be used to complete a road project on an eligible All-Season Route through their local letting process. It is important to note that this is not a funding exchange program, it is similar to other TEDF grant programs and it will require similar contracts and tracking, including demonstration of a minimum of 20% matching funds. Projects that participate must be on the approved Statewide Transportation Improvement Program (STIP) and programmed with only TEDF D and local matching funds. This would apply to TEDF D funds that are programmed as match to federal funds in a project that is being completed through either the Federal Aid buyout or Local Federal Fund Exchange (LFFE). If a local road agency chooses this option, the federal funds are exchanged from the project and a change request will be made to convert the federal funds to local funds and the TEDF D will remain on the project which then makes the project eligible for the TEDF D Direct Distribution Program. This has the benefit of allowing the local road agency to utilize the TEDF D funds on the exchange project that they are completing through their local letting process.

Overview

The TEDF D Direct Distribution process is limited to the construction phase of a project per Public Act 231 of 1987 Section 12a (2d) *“These funds shall be used for physical construction only and shall not include costs of right-of-way acquisition and engineering”*. Projects must be on the approved STIP, either as part of an MPO Transportation Improvement Program (TIP) or the Rural STIP. This ensures that the projects were selected and programmed through the RTF process and the federal planning process. The participating local road agency must complete the project in the STIP within three years of receipt of the funds. This time frame is designed to align with the Federal Aid Buyout Program. Projects must be completed through the local road agency’s letting and contracting process. The work can be completed either by construction contract or as a force account. If a local agency wishes to utilize the force account process, the local agency shall follow the current MDOT policy regarding the number of force account projects and the total amount of money spent on force account projects in a given fiscal year. The fiscal year limit applies to all force account work regardless of the funding source or if the project(s) are obligated through MDOT local agency programs, the TEDF Direct D, or one of the exchange programs. Each local agencies utilizing force account work are currently limited to no more than 5 projects that total no more than \$400,000 for each fiscal year. The information required on the Final Project Accounting form will serve as the road agency’s self-certification documentation required to ensure that a 20% local match is being spent on projects.

Process

1. Projects are selected through the normal RTF process, programmed by the RPAs, and then move through the STIP amendment process to be included in the STIP.
2. The local agency notifies the RTF Program Manager that they wish to complete the project utilizing the TEDF D Direct Grant Process.
3. The RTF Program Manager double checks the eligibility of the road segments identified in the STIP and the availability of TEDF D funds. The RTF Program Manager will work with the local agency to resolve any issues then notifies the TEDF D staff that the project can move forward.
4. TEDF staff will request obligation of the TEDF D funds based on the programming in the approved STIP.
5. TEDF staff requests an agreement from the Local Agreements Engineer in the Utility Coordination, Permits, & Agreements (UCPA) section, which will be sent to the local road agency for signature.
6. Once UCPA staff receives the signed contract, it is executed by MDOT. An email is automatically sent when the contract is executed that includes a link to download a copy of the executed contract. It is recommended that the local agency NOT enter into the project contract before they receive the executed MDOT contract. The reason for this order of operation in the process flow is to ensure that the local agency has the funding before they commit to the project contract. Until you have an executed agreement the payment is not guaranteed. However, because you are receiving the funding directly and then paying the contractor and because you are using your local letting process the local agency could choose to enter into the project contract before the TEDF D Direct Distribution agreement is executed. The risk in doing that is that the local agency would be responsible for paying the project contract if something happened and the MDOT agreement was not executed.
7. The local road agency will submit payment request to TEDF staff.
8. The local agency will receive the payment.
9. The local road agency completes the project as it is described in the STIP within three years of receiving the payment.
10. The local road agency submits a TEDF Category D Final Project Accounting (5021D) form to report that the project is completed and the other necessary details. The form, 5021D is available [here](#).
11. Any unutilized funds must be returned to MDOT and will be returned to the appropriate TEDF D allocation account.
12. If the project is not completed within the three-year period from the time that the local agency received the TEDF D funds they must be returned to MDOT.