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DESIGN MEMORANDUM NO. 6-24

TO: Chief District Engineers
Central Office Directors
TEBMs for Project Development

FROM: Tim Layson, P.E., Director *WTL*
Division of Highway Design

DATE: June 25, 2024

SUBJECT: Compliance with Federal Highway Administration Financial Plan Requirements for Projects over \$100 Million

Considering the Federal Highway Administration's (FHWA) directive outlined in 23 USC 106, it is imperative for the Kentucky Transportation Cabinet (KYTC) to maintain a comprehensive understanding of the financial planning requirements associated with projects exceeding \$100 million. This statute underscores the importance of establishing written financial plans to ensure fiscal responsibility and accountability in federally funded transportation initiatives.

Background of 23 USC 106: Section 106 of Title 23, United States Code (23 USC 106), imposes a federal obligation for transportation agencies to develop and submit written financial plans for projects with an estimated total cost exceeding \$100 million. These plans serve as a crucial tool to demonstrate the financial viability of projects, promoting transparency and sound fiscal management.

KYTC Compliance Process: This memorandum outlines the process by which KYTC will ensure compliance with the FHWA's financial plan requirements. In addition, it highlights the documentation through the Project Development Checklist, emphasizing our commitment to thorough project development practices.

- 1. Initiation and Collaboration:** The KYTC Division of Program Management and the KYTC Division of Highway Design will coordinate from the initial authorization of Preliminary Engineering and Environmental funding through the Final Design, Right-of-Way, and Utility preconstruction phases. This collaboration will involve close monitoring of the estimated total project cost.

2. **Financial Planning Threshold:** KYTC will actively engage in the development of preliminary financial plans for projects with an estimated total cost exceeding \$90 million. This proactive approach will help to ensure that we capture all projects whose costs may escalate and meet FHWA's requirements, setting a higher standard for fiscal responsibility.
3. **Project Development Checklist:** The completion of the Project Development Checklist will be an integral part of our process. This checklist will serve as a comprehensive tool to ensure that all necessary steps are taken to meet FHWA requirements, including the establishment of written financial plans.

Next Steps:

1. The KYTC Division of Program Management and the KYTC Division of Highway Design will coordinate efforts to ensure effective communication and collaboration throughout the project phases.
2. KYTC will implement the preliminary financial planning process for projects with an estimated total cost exceeding \$90 million, starting from the Preliminary Engineering and Environmental funding phase through Final Design, Right-of-Way, and Utility preconstruction phases.
3. The Project Development Checklist will be completed for each project, providing a structured framework to assure compliance with FHWA requirements.

This memorandum serves as a commitment to the highest standards of fiscal responsibility and adherence to federal guidelines. Your cooperation and dedication to following the outlined process are essential to our continued success.

For further inquiries or clarifications, please contact Tim Layson Tim.Layson@ky.gov or Ron Rigney at Ron.Rigney@ky.gov.

Thank you for your commitment to excellence in delivery of our transportation program.