STEWARDSHIP AND OVERSIGHT AGREEMENT
November 1, 2012

I. INTRODUCTION/BACKGROUND

Congress has charged the Federal Highway Administration with administering the Federal-aid Highway Program (FAHP) under Title 23, and other associated laws. In addition, FHWA responsibility for administering the FAHP has been clearly outlined in the following legislation: the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991; the Transportation Equity Act for the 21st century (TEA-21) of 1998; the Safe Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) of 2005, and the Moving Ahead for Progress in the 21st Century (MAP-21) of 2012.

Federal funding is provided to assist States and Federal Agencies in providing transportation services through the various FHWA programs. By law, the nature of the majority of these Federal programs is Federal assistance for State administered programs. For many years, the Federal-aid Highway Program (FAHP) has been administered jointly by FHWA and States/others high program recipients. Stewardship efforts include oversight and approval actions, as well as many day-to-day actions that are routinely performed by either or both parties to ensure that the FAHP is administered appropriately. The Stewardship and Oversight Agreement formalizes these delegated responsibilities and agreement to address how the FAHP will be administered.

The flexibility afforded in ISTEA and TEA-21 allows States to assume the U.S. Secretary of Transportation’s responsibilities for design, plans, specifications, estimates, contract awards and inspection of certain Federal-aid projects. While States may assume certain project approval authorities in accordance with 23 USC 106, FHWA is ultimately accountable for ensuring that the FAHP is delivered consistent with the established requirements.

On August 10, 2005, the President signed into law the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). SAFETEA-LU address the many challenges that the transportation agencies are facing today such as improving safety, reducing traffic congestion, protecting the environment, improving efficiency in freight movement, and increasing intermodal connectivity. SAFETEA-LU provided more flexibility to State and Local transportation decision makers for solving transportation problems in their communities. It made it easier and attractive for the private sector to participate in highway infrastructure projects to bring new ideas and resources to the table. On July 6, 2012, the President signed into law Moving Ahead for Progress in the 21st Century (MAP-21), which continues to allow States to assume certain project approvals.

II. DEFINITIONS

1. FHWA Oversight/State Administered. Federal-aid projects administered by the VDOT that require FHWA to review and approve actions pertaining to design, plans, specifications, estimates, right-of-way certification statements, contract awards, contract changes, inspections and final acceptance on a project-by-project basis.
2. Delegated/State Administered. Federal-aid projects administered by the VDOT for which the VDOT has assumed FHWA’s authority to review and approve actions pertaining to design, plans, specifications, estimates, right-of-way certification statements, contract awards, contract changes, inspections and final acceptance on a project-by-project basis.

3. FHWA Oversight/Locally Administered. Federal-aid projects administered by a local public agency or State agency other than the VDOT that require FHWA to review and approve actions pertaining to design, plans, specifications, estimates, right-of-way certification statements, contract awards, contract changes, inspections and final acceptance on a project-by-project basis.

4. Delegated/Locally Administered. Federal-aid projects administered by a local public agency or State agency other than the VDOT for which the VDOT has assumed FHWA’s authority to review and approve actions pertaining to design, plans, specifications, estimates, right-of-way certification statements, contract awards, contract changes, inspections and final acceptance on a project-by-project basis.

5. Other. There may be situations that do not fit the previous four categories. For all intents and purposes, the above four categories should be utilized for the majority of the Federal-aid program. In the event a project does not fit into the above four categories, further communication will be necessary between FHWA and the VDOT as to the roles of the agencies involved.

III. SUMMARY OF VDOT/FHWA REQUIREMENTS AND AGREEMENTS

The following provisions are based on 23 U.S.C. 106. As permitted by the Federal legislation and agreed upon by VDOT and FHWA Virginia Division, VDOT will continue to assume FHWA Virginia Division’s responsibility for the oversight of compliance with Title 23 – U.S.C. for the preliminary engineering, design, plans, specifications, estimates, contract awards, and construction inspection for:

1. All Preventive Maintenance and System Preservation Projects.

2. Interstate Projects estimated to have a construction cost of $1 million or less.

3. NHS Projects (other than Interstate, and including “enhanced NHS”) estimated to have a construction cost of $35 million or less.

a. Determination concerning the $1 million cut-off for Interstate projects and the $35 million cut-off for non-Interstate NHS projects (including “enhanced NHS”) will be made by VDOT when the project is initially included in VDOT’s Statewide Transportation Improvement Plan (STIP). FHWA Virginia Division and VDOT will reconfirm the project status (FHWA Virginia Division Oversight or VDOT Oversight responsibility) at the time of project scoping. After project scoping, oversight responsibility will be fixed and will remain unchanged unless:
1) there is a significant change in the project scope that would significantly alter the estimated construction cost of the project; or, 2) if both VDOT and FHWA Virginia Division agree that there is a reason to change oversight.

4. The thresholds above will be effective immediately upon the date of this agreement.

a. FHWA Oversight projects already in construction will remain FHWA Oversight.

b. For any projects still in pre-construction, VDOT will convert these to the oversight levels defined in Section II except in unusual cases where VDOT and FHWA Virginia Division agree to leave the project in its current oversight designation.

In accordance with 23 USC 109(p), 23 CFR 625.3(a)(2) and FHWA Policy, projects off the National Highway System will be designed, constructed, operated, and maintained in accordance with State requirements and there will be no State standards approved by FHWA Virginia Division.

IV. VDOT/FHWA VIRGINIA DIVISION RESPONSIBILITIES

VDOT Project Administration

1. Under Title 23 and non-Title 23, FHWA is ultimately accountable for the oversight of all programs under the Federal-aid Highway Program. The FHWA Virginia Division will continue to assume responsibility for Federal actions required for non-Title 23 programs.

2. “FHWA Oversight” is defined as FHWA Virginia Division involvement in project scoping, preliminary engineering, design, plans, specifications, and estimates (PS&E) approval, concurrence in award, project inspections, work order approval, approval of design exceptions, approval of claim settlement, project acceptance, etc. Oversight does not mean a change in project requirements.

   a. In cases where an individual District has no Federal-aid projects that meet the above Interstate or non-Interstate NHS (including “enhanced NHS”) thresholds for FHWA Oversight, VDOT District, FHWA Virginia Division Area Engineer, and VDOT Central Office (CO) will collaborate to select a project for FHWA Oversight. Each District will have at least one FHWA oversight project to maintain District/FHWA Virginia Division collaboration and effective working relationships.

   b. The FHWA Area Engineer assigned to a VDOT District will initiate the meeting with VDOT staff on an annual basis to discuss and select a project to meet this criterion and document the selection.

3. “VDOT Oversight” is defined as delegation of FHWA Virginia Division oversight responsibilities to VDOT. Delegation removes FHWA Virginia Division direct
involvement in design activities, PS&E approval, concurrence in award, and construction activities. VDOT will act on behalf of FHWA Virginia Division in ensuring that all Title 23 requirements are met. In addition, FHWA Virginia Division reserves the right to conduct reviews, as appropriate, to confirm that the Federal-aid program is being administered in accordance with the applicable laws and regulations.

4. To provide appropriate oversight information to all FHWA Virginia Division and VDOT employees involved in the development of a project, the State project number will be preceded by the designation “FO” to indicate FHWA Virginia Division Oversight or by “NFO” to indicate VDOT Oversight. This designation will also be indicated in the STIP entry for each project.

5. There may be a limited number of projects, in which FHWA Oversight may deviate from the criteria listed above. Reasons for the deviation may include, but are not limited to, project complexity or lack of complexity, need to maintain a Federal presence in a specific VDOT District or Local Public Agency (LPA), or unique/innovative design and/or construction. Project selection will be made in consultation with the appropriate VDOT staff and official notification of any deviation from the above-listed criteria sent to the VDOT Location & Design Engineer and the VDOT Structure & Bridge Engineer.

6. Any modification of, or new work associated with, interchanges or an access point on the Interstate system, regardless of funding source (i.e., including projects with no Federal funds), must be submitted to the FHWA Virginia Division office for review and appropriate action. Further information regarding work associated with interchanges and/or access points may be found in VDOT Instructional and Informational Memorandum 200 (I&IM 200).

7. On FHWA Oversight Projects, the FHWA Virginia Division should have early project involvement. On these types of projects, VDOT will follow the current version of its Project Management Procedure (PMO-1.4) to ensure that early coordination with FHWA Virginia Division is established for the scope of any Federal Oversight project as well as preliminary plan reviews, field inspections and pre-advertisement reviews.

8. FHWA and FTA conduct certification reviews of Virginia’s transportation management areas (TMA) at least every four years in accordance with 23 CFR 450.334(b) to ensure that the metropolitan planning process of the MPO serving a TMA is being carried out in accordance with the applicable provisions of Federal law. These reviews are not just reviews of the MPOs and their staff, but rather review of the planning process conducted by all of the agencies charged with carrying out the planning process in an area. When scheduling reviews, FHWA and FTA will give due notice to all parties involved in the planning process, provide them with copies of questions that may be asked during the review, and identify the divisions within VDOT that should be represented at the review.

9. Process Review/Program Review – FHWA Virginia Division and VDOT will conduct process reviews or program reviews on an annual basis. This annual cycle will also include continuous process improvement (CPI) reviews as determined through annual
discussion. FHWA Virginia Division will use its annual risk assessment process to identify the Top 10 risk areas to focus on for developing reviews. Risks are often negative consequences; however, the FHWA Virginia Division process includes opportunity areas, which would likely generate CPI reviews rather than process or program reviews.

a. FHWA Virginia Division will coordinate the risk assessment with VDOT to ensure VDOT awareness and to provide VDOT opportunities to make suggested adjustments for risks unidentified by FHWA Virginia Division or mitigated by VDOT efforts. Once FHWA Virginia Division completes the risk assessment, FHWA Virginia Division will identify a number of reviews in the annual Division unit plan. FHWA Virginia Division will share the identified list of reviews with VDOT and the Office of the State Inspector General to enhance cooperative opportunities and avoid potential duplication.

b. The FHWA Virginia Division cycle for identifying risks and developing unit plan is April/May of each year. FHWA Virginia Division will contact VDOT during this time to coordinate the effort.

c. In order to conduct individual reviews, FHWA Virginia Division will coordinate with VDOT CO to identify work teams to complete the reviews. Teams would likely include 2-3 individuals from each organization and take place over the course of 1-2 months. Teams would meet, formulate a scope and work plan, and spend approximately one week reviewing projects and then report any findings, recommendations, and implementation strategies to VDOT and FHWA leadership.

d. FHWA Virginia Division and VDOT will continue monitoring the status of review recommendations in conjunction with the Office of the State Inspector General.

10. For VDOT Oversight of Federal-aid Funded Projects or Programs, VDOT shall comply with Title 23 and/or certain non-Title 23, USC Federal-aid program requirements, such as metropolitan and statewide planning, environment, procurement of engineering and design-related services contracts, participation by Disadvantaged Business Enterprises (DBE), prevailing wage rates, acquisition of right-of-way, relocation and accommodation of utilities, and railroad work.

11. The staff of the FHWA Virginia Division office is available for consultation on all aspects of any VDOT oversight project. This could entail consultation about fiscal matters, design issues, contract administration, material and geotechnical issues, new technologies, research application, etc. The Division Office will coordinate assistance of technical specialists from the FHWA Resource Center and Headquarters Offices as appropriate.
12. For Federal-aid Funded Projects on the NHS (including “enhanced NHS”) with an estimated construction cost of $50,000,000 or more ($40,000,000 or more for a bridge project), the VDOT shall conduct at least one Value Engineering analysis to satisfy Federal requirements.

a. VDOT will invite the FHWA Virginia Division Area Engineer to participate in the VE analysis for a FHWA Oversight project.

b. For Federal-aid projects, VE analysis should be completed prior to final design and all approved VE recommendations incorporated into the final design.

c. Prior to approving PS&E package, Area Engineer will ensure that the VE analysis has been conducted when one is required.

d. For a Design-Build contract, a VE analysis should be completed prior to issuing the RFP in accordance with the Code of Virginia. According to MAP-21, a VE study is not required for a Federal-aid design-build project.

13. Projects administered through the Appalachian Highway Program are to be handled in the same manner as FHWA Oversight and Delegated Oversight Projects (as described in this document).

14. Title 23 requires that for any Federal-aid project with an estimated cost of $100,000,000 or more, VDOT shall develop an annual finance plan which shall be made available to the FHWA Virginia Division for review upon request.

**Local Project Administration (LPA)**

1. By legislation, State DOTs have been given authority to transfer Federal-aid Highway Program funds to Local Public Agencies to perform work. Under this authority, VDOT may enter into an agreement with a local public agency to administer phases or portions of VDOT Oversight Projects, FHWA Oversight Projects, or for programmatic administration of VDOT and FHWA Oversight projects. In each case, the agreement shall require the third party to perform work under the appropriate Federal requirements (23 CFR 635.102).

2. As the recipient of Federal-aid funds, VDOT may not delegate to Local Public Agencies the responsibility for ensuring that Federal requirements are met. VDOT is responsible for compliance with Federal requirements by the local public agency and shall provide written guidance to local governments with the review and concurrence from FHWA Virginia Division. In accordance with 23 U.S.C. 106, VDOT shall be responsible for determining that sub-recipients of Federal funds under this title have the following:

a. Adequate project delivery systems for projects approved under this section.
b. Sufficient accounting controls to properly manage such Federal funds. FHWA Virginia Division shall periodically review the monitoring of sub-recipients (i.e., cities, etc.) by the State.

3. VDOT established the Urban Construction Initiative (UCI) as a result of a modification to the Code of VA in 2003. Under the UCI, VDOT moved the local administration from direct project level administration to program level administration, providing localities with the opportunity to manage their entire construction programs.

4. In an effort to further enhance the quality and efficiency of construction projects administered by local governments in VA, VDOT and FHWA approved the UCI Certification Program in 2009. This provides flexibility to qualified and capable localities to assume greater accountability for their programs. Localities that are participating in the VDOT Urban Construction Initiative Program may apply to be certified to deliver projects with streamlined oversight from VDOT. Certification with streamlined oversight applies to all projects, except for those located on the National Highway System, that have been noted as requiring Federal oversight or that have been identified by the VDOT Commissioner as requiring VDOT oversight.

5. VDOT will ensure that projects delivered by the local governments that are part of the Urban Construction Initiative Program and other projects that are delivered by local governments outside of the Urban Construction Initiative Program are being delivered in accordance with laws and regulations through reliance on a strong compliance program, which consists of three types of reviews:

a. Project level reviews,

b. Program level recertification, and

c. Process reviews.

6. FHWA is responsible to review the monitoring of sub-recipients by the States. Under this responsibility, FHWA Virginia Division will conduct reviews on VDOT’s processes and procedures for overseeing Local Public Agencies that administered Federal-aid projects. Reviews may include the following areas: consultant selection and billings, environment, design, civil rights, financial management, right-of-way, construction monitoring, and contract administration.

7. On an annual basis, VDOT will provide to FHWA a summary of VDOT’s oversight activities of locally administered projects.
V. PROJECT AUTHORIZATIONS

Obligation of Funds

FHWA Virginia Division has the sole authority to authorize Federal-aid projects since authorization of a Federal-aid project is a contractual obligation of the Federal government under 23 U.S.C. 106. On all Federal-aid projects (FHWA oversight or Delegated oversight), the FHWA Virginia Division will authorize the project by execution of the Project Agreement contained in FHWA’s Fiscal Management Information System (FMIS).

1. All funds will be obligated on a program or project basis as determined by specific criteria pertaining to the type(s), size(s) (as determined by magnitude of estimated construction cost) and/or class(es) of funds and agreed upon by the FHWA Virginia Division Office and VDOT.

2. VDOT will enter all necessary information into the FHWA Virginia Division’s Fiscal Management Information System (FMIS).

3. If a requested authorization exceeds the total estimated cost in the STIP, then the resulting adjusted total estimated project cost must be within the sliding scale’s agreed upon limits for the amount requested to be authorized. The limits are also applicable to the total estimate for grouped line items in the STIP. Otherwise, a STIP amendment is required. VDOT will be responsible for making this determination in consultation with FHWA Virginia Division, if needed. These limits are:

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<th>STIP Estimate Amount (millions)</th>
<th>Limit Requiring Amendment</th>
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<td>Up to $2</td>
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<td>&gt; $20 to $35</td>
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<td>&gt; $35</td>
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4. No additional Federal funds will be authorized without proper justification.

Preliminary Engineering/Environmental Authorizations

1. The project must be on the appropriate Federal-aid system (or functional classification).

2. The project must be the type of work for the type of funds (appropriation code) being used.

3. The project phase must be included in the approved STIP.

4. The requested amount for authorization must be consistent with the STIP or within the limits of the STIP sliding scale as described above; otherwise, a STIP amendment may be required.
Design Authorizations

1. The requirements shown under “Preliminary Engineering/Environmental Authorizations” must be satisfied.

2. The project must have an approved environmental document except for Design-Build projects where a Notice to Proceed for preliminary design activities defined in FHWA Order 6640.1A is issued prior to completion of NEPA.

Right of Way/Utility Authorizations

The initial authorization for right of way (ROW) and utility relocations is given at the preliminary stage of development. However, FHWA Virginia Division requires that VDOT submit a modified project agreement, through FMIS, at such point that the ROW and utility plans are complete or when RFP is submitted for FHWA Virginia Division approval on DB projects in order to request authorization for full ROW and utility relocation work. The following items must be completed prior to any ROW or utility authorizations being executed:

1. The requirements shown under “Preliminary Engineering/Environmental Authorizations” must be satisfied.

2. The project must have an approved NEPA document.

3. In conformance with the memorandum dated March 24, 2011, Obligation of Federal Right of Way at NEPA Approval, Federal obligation of ROW funds may occur upon completion of the NEPA document, subject to requirements and procedures of the March 24, 2011 memorandum.

Construction Authorizations

1. The requirements shown under “Preliminary Engineering/Environmental Authorizations” and those shown under “Design Authorizations” must be satisfied.

2. The PS&E package must be complete, in accordance with 23 CFR.

3. Except for Design-Build projects, all design exceptions must be identified and approved prior to PS&E package submittal (design exceptions must be approved in accordance with Exhibit 1 before Construction Authorization is given).

4. All access point modifications must be approved for projects on the interstate system.

5. Except for Design-Build projects, a written certification must be made that all right-of-way has been acquired in accordance with the current FHWA Virginia Division directive(s) covering the acquisition of real property or that acquisition of right-of-way is not required.
6. Except for Design-Build projects, a written certification must be made that all utility and railroad work has been completed or that all necessary arrangements have been made for it to be undertaken and completed as required for proper coordination with the physical construction schedules. Where it is determined that the completion of such work in advance of the highway construction is not feasible or practical due to economy, special operational problems and the like, there shall be appropriate notification provided in the bid proposals identifying the utility and railroad work which is to be underway concurrently with the highway construction.

7. Except for Design-Build projects, where utility facilities are to use and occupy the right-of-way, the State must demonstrate that the provisions of 23 CFR 645.119(b) have been fulfilled.

8. All public involvement shall be in accordance with 23 CFR 771.

9. Except for Design-Build projects, all necessary permits must have been obtained for the project.

10. Except for Design-Build projects, all hazardous waste or contaminated materials must be identified (to the extent practicable) and removed or appropriate bid items included in the contract.

In addition to the items listed above, the FHWA Virginia Division office must have the following information in order to execute an authorization for construction:

11. Except for Design-Build projects, 21 calendar days are required to process the PS&E package, and to approve project authorization in FMIS to ensure all Federal requirements are being met prior to project advertisement.

12. Responses to the FHWA Virginia Division’s previous written comments (submitted in accordance with the guidelines outlined in the Project Reviews and Comments/Responses section) prior to PS&E submittal.

Also, VDOT must verify in FHWA’s FMIS to assure that the project has been authorized prior to it being advertised except for Design-Build projects. No authorizations will be given after the project has been advertised except for Design-Build projects. Exceptions to the above-listed requirements will only be considered in special cases. The VDOT Construction Engineer, Programming Division Administrator, Chief Financial Officer, Chief of Planning and Programming or the Chief Engineer must make all requests for exceptions. Approval of such requests is reserved for the FHWA Virginia Division Administrator or the Assistant Division Administrator.

Any revisions to FHWA Virginia Division approved PS&E must be submitted to FHWA Virginia Division and approved prior to opening of bids.
Emergency Relief

In emergency situations, VDOT may need to begin emergency repairs immediately without prior FHWA Virginia Division authorization. Documented costs will later be reimbursed once the FHWA Virginia Division Administrator makes a finding that the disaster is eligible for emergency relief funding.

The purpose of the Emergency Relief (ER) program is to provide funds to the State to aid in the repair or reconstruction of Federal-aid highways that have sustained serious damage resulting from natural disasters or catastrophic failures from an external cause. Natural disasters such as floods, hurricanes, earthquakes, tornadoes, severe storms, or landslides all potentially qualify under this program. Catastrophic failures refer to the sudden and complete failure of a major element or segment of the highway system that causes a disastrous impact on transportation. Regulations currently define eligible disasters as those with damage exceeding $700,000 of Federal share per event. Individual sites must comply with a minimum threshold of $5,000.

All ER projects must comply with Federal and State requirements (e.g., Form FHWA-1273 included in contracts).

All ER projects must be in compliance with the definitions and procedures stated in the current version of the FHWA Emergency Relief Manual.

ER projects will be divided into emergency repairs (essential to restore traffic) and permanent repairs. Emergency repairs may start prior to FHWA approval, provided that VDOT provides proper documentation within the timeframe established if the disaster is eligible for ER funding. VDOT must have FHWA authorization prior to starting permanent repairs.

FHWA may conduct final inspections of ER projects.

VI. DESIGN-BUILD CONTRACTS

Design-Build delivery method allows expedited project delivery and opportunities for innovations by providing the contractor responsibility for design and construction of the project. VDOT uses Design-Build procurement on multiple projects each year. Design-Build projects are advertised at the time of release of the Request for Qualifications (RFQ) for two-phase or Request for Proposal (RFP) for single-phase procurement process. The release of an RFQ does not require FHWA Virginia Division approval; however, a copy should be provided to FHWA Virginia Division prior to release for their information. The process for FHWA Virginia Division approval and Project Authorization for the RFP release is as follows.

FHWA Virginia Division Approval of RFP and Project Authorization of PE, ROW, and Construction for projects with approved NEPA Documents:

1. The project must have an approved environmental document.
2. Known design exceptions on Design-Build projects considered for new or revised interchange access approval must be documented and recommended before submitting access approval requests to FHWA Virginia Division.

3. A written statement on a Federal criteria sheet must be made that all right-of-way, utility, and railroad work has been completed or has been included in the Request for Proposal as part of the Design-Builder’s scope of work or that acquisition of right-of-way, utility and railroad work is not required.

4. A written statement on a Federal criteria sheet must be made that all necessary permits have been obtained for the project or has been included in the Request for Proposal as part of the Design-Builder’s scope of work.

5. For any FHWA Oversight/State Administered Design-Build project with an estimated total cost of $500 million or more, VDOT is required to provide an initial finance plan prior to approval of the RFP and authorization of funds. The final financial plan shall be approved by FHWA Virginia Division prior to award of the Design-Build contract as outlined in FHWA Major Project guidance.

6. For FHWA Oversight/State Administered Design-Build projects, VDOT is required to get FHWA Virginia Division approval and project authorization in FMIS prior to releasing the RFP document. FHWA Virginia Division approval of the RFP carries the same significance as PS&E approval that includes release of PE, ROW, and Construction.

7. ROW aspects of Design-Build projects and what must be included in the RFP can be found at 23 CFR 710.313.

8. For any FHWA Oversight/State Administered Design-Build Project, the RFP Approval and Project Authorization process will be as follows:
   
a. VDOT will submit advance copy of the Final RFP (Part 1, 2, Exhibit 1 to Part 3 and Information Package), Federal Criteria Sheet, and Estimate to FHWA Virginia Division for review and comments. VDOT will also submit the project authorization request in FMIS for PE, ROW, and Construction.

b. FHWA Virginia Division will provide review comments to VDOT within twenty-one calendar days of VDOT’s submittal.

c. VDOT will incorporate appropriate comments in accordance with guidance provided in section “Project Development Review, Comments, and Responses”
and resubmit revised RFP to FHWA Virginia Division within seven calendar days.

d. FHWA Virginia Division will review and approve Final RFP and project authorization for PE, ROW, and Construction within seven calendar days of the submittal.

9. For Federal-aid Design-Build projects with Delegated oversight (NFO), FHWA Virginia Division concurrence or approval is not required for issuance of the RFP. However, the project authorization in FMIS for PE, ROW, and Construction is required. Therefore, VDOT will submit the project authorization request in FMIS for PE, ROW, and Construction along with courtesy copy of the RFP. FHWA Virginia Division will process project authorization for PE, ROW, and Construction within 21 calendar days of the request.

10. Should there be any addendum or other revision that significantly impacts the RFP Scope requiring FHWA Virginia Division review and/or approval, FHWA Virginia Division will complete such action within 21 calendar days of receipt of an addendum/revision.

11. VDOT should award design-build contracts within nine (9) months of project authorization.

12. VDOT and FHWA Virginia Division may agree to change the targeted days to advertise or award on select FO projects (VDOT will retain this decision for Delegated projects).

FHWA Virginia Division Concurrence of RFP and Project Authorization for Preliminary Design Activities Prior to completion of NEPA

1. As stated in 23 CFR 636, a State or local agency can issue a request for proposal (RFP), proceed with awards of Design-Build contracts, or issue a Notice to Proceed for preliminary design activities as defined in FHWA Order 6640.1.A. A concurrence from the FHWA Virginia Division must be received before carrying out any of these activities. 23 CFR 636 precludes the Design-Build contractor from proceeding with the final design or construction of any permanent improvements prior to the completion of NEPA.

2. For any FHWA Oversight/State Administered Design-Build project, VDOT will submit to FHWA Virginia Division an advance copy of the Final RFP (Parts 1, 2 and Exhibit 1 to Part 3) for concurrence prior to issuance of the RFP. The review and comment period will be the same as noted above for projects with an approved NEPA.

3. VDCT will submit the project authorization request for PE funds in FMIS.

4. None of the other processes listed above would apply until after the NEPA document has been approved.
VII. PUBLIC INTEREST FINDING

1. A public interest finding of cost effectiveness (or a determination that an emergency exists) must be made as required by 23 U.S.C. 112, when construction by some method other than competitive bidding is to be used.

2. A public interest finding of cost effectiveness must be made for any Federal-aid participating State force account work.

3. A public interest finding of cost effectiveness must be made for any Federal-aid participating proprietary products and State-furnished equipment or materials. In cases where both proprietary and non-proprietary products are available, specifications that allow the contractor to choose amongst as many acceptable products and technologies as possible would not require a public interest finding.

VIII. CONSTRUCTION AND CLOSE-OUT

FHWA Virginia Division Inspections

The FHWA Virginia Division may inspect those projects defined as Full Oversight/State Administered as deemed appropriate. Inspections may consist of an office review and/or field inspection of construction activities. The office review is intended for VDOT staff to inform FHWA Virginia Division representative of any on-going activities on the project such as work orders, claims, and progress of work. The field inspection is intended for FHWA Virginia Division representative to observe VDOT’s oversight of contractor’s on-going activities, as well as completed products. In addition, the field inspection gives the FHWA Virginia Division representative an opportunity to meet with VDOT inspectors in the field to discuss the project and any other relevant topics.

The FHWA Virginia Division may also perform a final inspection as part of the inspection activities. This activity is most efficiently and effectively accomplished when done at the time of the VDOT final inspection. Therefore, VDOT should notify the FHWA Virginia Division as soon as a final inspection is scheduled.

Final Acceptance of FHWA Oversight Projects by FHWA

Final Acceptance of FHWA Oversight Projects is made at the time FHWA Virginia Division office makes final payment after VDOT submits final voucher for reimbursement. Prior to final acceptance, the FHWA Virginia Division office must have the following forms:

1. C-5 – Reporting Starting and Completion of Projects

2. TL-131 – Certification of Materials – Required for all FO projects on the NHS

3. C-26 – Computation of Extension of Time and Liquidated Damages or Bonus
4. Reasons for Differences Report – Contract and Final Quantities (Site Manager)

Claims

FHWA Oversight/State Administered Projects: The FHWA Virginia Division shall be made aware by VDOT of the details of any claim at an early stage so that coordination of efforts can be satisfactorily accomplished. It is expected that VDOT will diligently pursue the satisfactory resolution of claims within a reasonable period of time. VDOT not allowing FHWA Virginia Division the opportunity for input could be the basis of not participating in the settlement of a Notice of Intent. FHWA Virginia Division participation in the settlement of a claim will be in accordance with 23 CFR 635.124.

Delegated/State Administered Projects: VDOT may approve Federal participation in claims for those projects that do not have FHWA Virginia Division oversight, but must evaluate and document the time extension as if they were doing it for the FHWA Virginia Division. Federal participation in claims approved by VDOT is still subject to FHWA Virginia Division oversight through periodic process reviews.

IX. PROJECT REVIEWS AND COMMENTS/RESPONSES

The Federal-aid program is a State-administered, Federally-aided program. The Commonwealth of VA, as represented by VDOT, is the owner of the facilities and direct recipient of the Federal funds. As such, VDOT maintains extensive authority for deciding how to proceed with project development, including which projects to develop, which standards to use, contracting techniques, etc. FHWA Virginia Division has legislative authority and accountability for overseeing Federal funds. As such, FHWA Virginia Division too has a range of authority for project and program oversight.

In exercising these dual authorities, VDOT and FHWA Virginia Division have agreed to collaborate on numerous processes within VDOT’s project development process. This encourages efficient project development that adds value and avoids or minimizes changes or disagreements occurring late in project development. Examples include NEPA document reviews, scoping meetings, PS&E reviews, specification reviews, etc. VDOT initiates new actions or revisions. FHWA Virginia Division reviews and comments, and where applicable, approves these actions. VDOT involves their various offices and, in many cases, local municipalities, private partners, and/or other state or Federal agencies. The following elements of this agreement are for guiding VDOT and FHWA Virginia Division interaction but could be considered as examples for collaboration with any of these other organizations.

When VDOT initiates project development, it is incumbent upon both VDOT and FHWA Virginia Division staff to proceed with reviews, comments, and resolution in a timely and well-documented fashion. Timeliness allows projects to remain on schedule and deliver value to the public as soon as possible. Documenting the process, comments, and resolutions satisfies participants, adds clarity to the development and resolution, and helps prevent delays associated with confusion and conflict late in project development. Documentation also provides an administrative record to satisfy audits or lawsuits.
When VDOT initiates project development steps on an FHWA Oversight (State or Locally Administered) project, they will invite FHWA Virginia Division to participate in the formal development steps in accordance with Project Management Policy (i.e., initial scoping meeting, etc.). The FHWA Virginia Division representative will make efforts to attend or send an alternate. When the FHWA Virginia Division representative submits review comments, he or she will submit a list of clear, concise comments and will identify the nature of the comments as:

1. Requirement – item/comment must be added, deleted, or modified to comply with Federal regulations or policies. FHWA Virginia Division representative may also point out apparent conflicts with state or local regulations or policies since Federal projects must also comply with these except where Federal law supersedes.

2. Recommendation – these are comments that FHWA Virginia Division feels would add value to the project or implement target initiatives for evaluation. All participants may make such observations and recommendations. VDOT and FHWA Virginia Division will collaborate to determine whether to proceed with addressing such comments on the subject project. VDOT and FHWA Virginia Division agree that, once this type of comment is considered and documented, it will not be pursued later in the project unless both organizations agree that it is worth additional consideration.

3. Clarification – these are comments simply intended to resolve confusion in wording, typographical errors, changes in approach from one project to another, etc. Project reviewers often notice conflicting items either within a project or from one project to another, and the project development process is the opportune time to clarify. VDOT and FHWA Virginia Division will strive to resolve confusing or otherwise unclear language prior to the next major project development step (e.g., language in a contract proposal prior to advertising) in order to avoid confusion or delays.

X. DISPUTE RESOLUTION

VDOT and FHWA Virginia Division work as partners to deliver the Federal-aid transportation program in Virginia. As much as possible, the project and program decision making will take place at the project level staff. Much time and energy are lost when decisions are elevated to higher levels. However, if staff do not agree and must elevate decision making in order to reach consensus and keep delivery on track, VDOT and FHWA Virginia Division agree to work together to resolve disputes in a timely manner in accordance with the following elevation matrix. In cases where the current decision-making level cannot identify a solution and reach a decision, they will inform the next level and elevate the matter to that level for consideration (when elevating a decision, it is important for staff to let their equivalent-level counterparts know in advance so the other organization can prepare internally for elevation).
<table>
<thead>
<tr>
<th>VDOT</th>
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<tr>
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<td>Environmental Specialist, etc.</td>
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<td>District ADA</td>
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<td>Deputy/Commissioner</td>
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<td>3 calendar</td>
</tr>
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</table>

In cases where VDOT intends to approach FHWA HQ for a matter (either as an elevation beyond the matrix levels above or as a political matter), only the Commissioner, Chief Deputy Commissioner, or Chief Engineer will make such appeals to FHWA HQ. In such cases, VDOT leadership will inform the VA Division Administrator or Assistant DA in order for the VA Division to be aware and contribute when HQ consults the Division Office.

**XI. OTHER TYPES OF PROJECTS AND PROGRAMS**

**Preventive Maintenance and System Preservation**

Timely preventive maintenance and preservation activities are necessary to ensure proper performance of the transportation infrastructure. Experience has shown that, when properly applied, preventive maintenance is a cost-effective way of extending the service life of highway facilities and therefore is eligible for Federal-aid funding. The types of work that can be accomplished under the “Preventive Maintenance and System Preservation” must be clearly of preventive measures as opposed to reactive. The AASHTO defines preventive maintenance "as the planned strategy of cost effective treatments to an existing roadway system and its appurtenances that preserves the system, retards future deterioration, and maintains or improves the functional condition of the system without increasing structural capacity." Projects that address deficiencies in the pavement structure or increase the capacity of the facility are not considered preventive maintenance. All activities that are eligible as Preventive Maintenance or System Preservation are defined by the latest version of the FHWA-VDOT letter of agreement regarding “Eligibility of Preventative Maintenance on Federal-aid Projects”. VDOT will have oversight responsibility for all Preventative Maintenance and System Preservation projects.

**Major Projects**

A major project is a project with an estimated total cost in the year of expenditure of over $500,000,000 and one that involves any amount of Federal financial assistance.

1. FHWA Virginia Division and VDOT will place special emphasis on major projects including more extensive review of project cost estimates, through the development of project management plans (PMP), through risk analysis and through the development of finance plans. Detailed guidance on FHWA’s expectations for major projects is found
on the FHWA Project Delivery website at: 

2. Although FHWA Virginia Division’s decision on whether or not a project is a major project triggering FHWA Virginia Division’s formal reporting is made around the end of the NEPA stage, FHWA Virginia Division will examine and begin more detailed monitoring when the potential for a major project is identified during the planning stage. In the early development of a potential major project, VDOT and FHWA Virginia Division should prepare an analysis of project management challenges or major areas of risk. The FHWA Virginia Division will utilize a document titled “Risk Management Tool for Managing the Planning/Environmental Phases of Prospective Major Projects,” located on the FHWA Project Delivery website.

3. The Virginia Division will examine the cost estimate of a potential major project the first time the potential major project appears in the STIP and TIP, and also each time the State/MPO update their STIP/TIP.

4. Cost estimates for major projects shall be re-evaluated and updated if necessary at the draft EA or EIS stage. At the final EA or EIS stage, VDOT develops and performs an independent validation of the cost estimate for the preferred alternative prior to submitting FEA or FEIS to FHWA Virginia Division. FHWA Virginia Division will review VDOT preferred alternative cost estimate and accept the cost estimate based on an independent review of the estimate and the State’s independent validation. Guidance on cost estimating is found on the FHWA Project Delivery website.

5. As the NEPA process is being completed, VDOT is expected to submit to FHWA Virginia Division an initial Project Management Plan (PMP). This document and its later revisions as the project is further developed should clearly define the roles, responsibilities, processes, and activities, which will result in the major project being completed on time, within budget, and with the highest degree of quality and safety. A PMP must be approved prior to any Federal action such as authorizing Federal funds for ROW or construction. Also, during construction, the PMP must be revised and updated periodically as needed to reflect current status of the major project. Guidance on a PMP is found on the FHWA Project Delivery website.

6. VDOT shall submit an Initial Finance Plan for a major Federal-aid project to the FHWA Virginia Division, for review and approval prior to the authorization of Federal-aid funds for ROW acquisition. Prior to the authorization of Federal-aid funds for construction, VDOT will develop, request, and receive FHWA Virginia Division approvals of an updated Finance Plan. Guidance on a major project finance plan is found on the FHWA Project Delivery website.

7. VDOT will update the Finance Plan annually and receive FHWA Virginia Division approval for each update.
8. For a major project, the U. S. Secretary of Transportation may require more than one Value Engineering analysis.

9. For major projects advanced as Federal-aid Design-Build projects, an initial finance plan, a PMP, and a cost estimate must be provided to FHWA Virginia Division prior to the approval of a request for a proposal and authorization of funds.

10. FHWA Virginia Division recognizes projects advanced under the Public Private Transportation Act (PPTA) may not necessarily follow normal Federal-aid processes, and involve unique aspects including the timing of various project actions and unknown involvement of Federal funds. The timing and application of the FHWA Virginia Division major project requirements will be determined on a case-by-case basis. The FHWA Virginia Division major project manager should be consulted and involved throughout the development of a PPTA.

11. Amendments to a signed comprehensive agreement will be provided to FHWA Virginia Division prior to execution. If the amendment requires Federal action, FHWA Virginia Division will take appropriate action.

**Alternative Contracting**

FHWA Virginia Division approval is necessary for any Federally funded project (regardless of project dollar amount or highway system) that is procured by a non-traditional construction contracting technique which deviates from the competitive bidding provisions in 23 USC 112. Such projects are subject to an evaluation by FHWA Virginia Division under Special Experimental Project No. 14 (SEP-14) or Special Experimental Project No. 15 (SEP-15).

1. SEP-14 remains a functional experimental program that may be used to evaluate alternative contracting techniques which deviate from the competitive bidding provisions in 23 USC 112. Any contract which utilizes a method of award other than the lowest responsive bid should be evaluated under SEP-14.

2. SEP-15 is an experimental program for FHWA Virginia Division to identify, for trial evaluation, new public-private partnership approaches to project delivery. It is anticipated that these new approaches will allow the efficient delivery of transportation projects without impairing FHWA Virginia Division's ability to carry out its stewardship responsibilities to protect both the environment and American taxpayers. SEP-15 addresses, but is not limited to, four major components of project delivery – contracting, compliance with environmental requirements, right-of-way acquisition, and project finance. Elements of the transportation planning process may be involved as well.

To ensure that Federally funded PPTA projects will meet all of the Federal-aid requirements, VDOT shall closely coordinate the development of the SEP-14 or SEP-15 application with the FHWA Virginia Division Office. In addition, VDOT should include the FHWA Virginia Division Office in the development of project plans, specifications, and bidding requirements.
Further, VDOT needs to invite the FHWA Virginia Division to meetings related to the selection of a contractor.

VDOT shall forward all documentation related to PPTA projects to the FHWA Virginia Division, including (but not limited to) all project bid documents, project plans, project specifications, documentation related to the reasons why a contractor is selected, etc. The FHWA Virginia Division will use the documentation, plus their knowledge of the project based on their involvement during project development, to make the determination of Federal-aid eligibility.

After Federal-aid eligibility is determined, the remaining project oversight will be based on the criteria shown in section “SUMMARY OF VDOT/FHWA VIRGINIA DIVISION REQUIREMENTS AND AGREEMENTS” (above).

XII. PERFORMANCE INDICATORS

The intent of performance indicators is to provide insight into whether the Federal-aid Highway Program processes are working as intended. VDOT and FHWA Virginia Division will use indicators to set targets, track trends, and to implement countermeasures or other actions if data are not moving in the desired target direction. In addition, the indicators in this agreement will be a step toward the performance based Federal program established by MAP-21.

Exhibit 5 includes a list of focus areas with performance indicators.

XIII. ATTACHMENTS

The following attachments are included:

- **Exhibit 1**, which shows how oversight responsibility is assigned by this agreement.
- **Exhibit 2**, which shows the decision process involved in determining the exemption status for each project.
- **Exhibit 3**, which details Obligation of Federal Right of Way Funding at NEPA Approval
- **Exhibit 4**, Patented and Proprietary Materials Memorandum
- **Exhibit 5**, Stewardship and Oversight Indicators

XIV. IMPLEMENTATION

The new “Program Agreement Stewardship and Oversight” procedures will become effective on November 1, 2012. Ongoing projects will be converted to the designations in this agreement unless currently in construction or VDOT chooses, with FHWA concurrence, to keep any under the current oversight status.
XV. AGREEMENT MODIFICATIONS

Should essential modification become apparent to either party, the Agreement may be amended at any time. The parties agree that there will be periodic reviews of this Agreement to reflect changes in Federal and state laws, regulations and requirements. At a minimum, this agreement will be reviewed, and amended as necessary, and re-signed, with any change to the FHWA Virginia Division Administrator and/or the VDOT Commissioner of Highways.

Gregory A. Whirley
Commissioner of Highways
Virginia Department of Transportation

Irene Rico, Virginia Division Office Administrator
Federal Highway Administration
EXHIBIT 1
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<thead>
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<td>Public Interest Findings</td>
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</table>
EXHIBIT 2
EXHIBIT 2 – FEDERAL AID OVERSIGHT FLOWCHART

1. Is the Project Federal Aid?
   - NO → VDOT Oversight
   - YES

2. Is the Federal Aid Project on the NHS?
   - NO → VDOT Oversight
   - YES

3. Is the Federal Aid Project on the Interstate?
   - NO → VDOT Oversight
   - YES

4. Is Construction $35 M or more?
   - NO → VDOT Oversight
   - YES

5. Is Construction $1 M or more?
   - NO → VDOT Oversight
   - YES → FHWA Oversight

*Thresholds for Federal Oversight are for estimated construction costs greater than or equal to the threshold value*
EXHIBIT 3
Memorandum

Subject: INFORMATION: Guidance on Patented and Proprietary Product Approvals

Date: November 30, 2011

From: King W. Gee
Associate Administrator for Infrastructure

To: Division Administrators
Federal Lands Highway Division Engineers

The Federal Highway Administration’s (FHWA) regulations concerning the use of patented and proprietary products are contained in 23 CFR 635.411. In recent years, we have received concerns from the State Departments of Transportation (DOTs), industry, and Congress regarding FHWA’s implementation of this regulation. Specifically, some have viewed the regulation as prohibiting the specification of better-performing innovative products on Federal-aid projects simply because the products were patented or proprietary.

In response, we have examined this issue and have revised our guidance to ensure that the implementation of 23 CFR 635.411 does not conflict with FHWA’s goal of promoting innovation. The updated guidance is now posted on the FHWA website at http://www.fhwa.dot.gov/programadmin/contracts/011106qa.cfm.

In summary, the guidance:

- Clarifies that a State DOT may specify proprietary products when the State DOT certifies that there is no suitable alternative product (such as an innovative product offering better performance) or that the product is needed for synchronization.
- Clarifies that FHWA must approve, through a public interest finding, the specification of a proprietary product when other equally suitable alternatives exist.
- Provides for the Internet posting of FHWA’s approval of public interest findings on FHWA’s website and encourages the posting of State DOT certifications on the AASHTO Product Evaluation List website.
- Clarifies that additional approvals are not required when proprietary products are being evaluated in FHWA-sponsored programs such as Highways for Life, the Innovative Bridge Research and Deployment Program, and the Innovative Pavement Research and Deployment Program.
- Continues to support the principle of competition in the selection of materials whenever more than one equally suitable product exists to fulfill project requirements.
Please share the updated guidance with your staff and State DOT, and ensure that all parties are familiar with their respective authorities and responsibilities.
GTR, Jr.
8/25/10

R/W QUALITY CONTROL REVIEW AND ENVIRONMENTAL RE-
EVALUATION FOR R/W

After NEPA is completed and the Public Hearing package has been approved, the PM-130 must be completed and distributed by the Project Manager to the District R/W Manager. This should occur 45 to 60 days prior to the R/W submission date.

The PM-130 initiates the R/W Quality Control Review process (RW-300 and RW-301) for R/W authorization.

The District R/W Manager will notify the Project Manager via email which includes the RW-300 and RW-301 upon completion of the review.

Upon receipt of this email, the Project Manager will make any necessary modifications, and finalize the plans for R/W authorization and the Project Manager will notify the District Environmental Manager with the PM-130 that the plans are available for the Environmental Re-evaluation.

Once the Environmental Re-evaluation form (EQ-201) has been completed for all projects, except those receiving a Programmatic Categorical Exclusion (PCE), the R/W Quality Control Review for R/W authorization is complete.

PROCESS FOR REQUESTING FEDERAL AUTHORIZATION FOR RIGHT OF WAY

Obligation of Federal Funds for R/W is requested at the “NEPA Complete” stage of the project.

Once Federal funds have been obligated, the PD-3 is issued to Authorize preliminary R/W expenditures based on “NEPA Complete” with FHWA.

When R/W plans are submitted to L&D’s Plan Coordination Section for R/W approval, the LD-406 (Certification of Plan Correctness) and the project Title sheet is submitted for approval signatures.

(Note: The LD-406 includes the dates that the R/W-301 and EQ-201 were completed)

The signed Title sheet and the LD-406 are provided to R/W Division, which initiates the PD-4 (Verification that funds are available).

A Notice to Proceed (NTP) Memo is then sent to Regional R/W Managers with a copy to the FHWA advising them that VDOT will begin negotiations with property owners.

(Note: It has been proposed that the NTP Memo from R/W Division will include the dates that the R/W-301 and EQ-201 were completed)
Exhibit 5

<table>
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<tr>
<th>Area of Focus</th>
<th>Indicator</th>
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<td>(1) Safety</td>
<td>• Percent of HSIP funds obligated</td>
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<td>• # Safety Reviews Conducted</td>
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<tr>
<td>(2) Local Project Administration</td>
<td>• # of LPA Projects (FO and Delegated)</td>
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<td>• % $ administered as LPA</td>
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<td>(3) Financial Management</td>
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<td>• Inactive Obligations as a percentage of annual apportionment</td>
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<td>(4) Bridge and Pavement</td>
<td>• NHS Square Footage structurally deficient</td>
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<td>• NHS Pavement IRI</td>
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<td>(5) Operations</td>
<td>• Duration of peak period (AM and PM for key routes)</td>
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<td>• Improvement in Work Zone Self Assessment scores</td>
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VDOT and FHWA staff will work together to develop measures, targets, and reporting parameters for the indicators identified above.