

**COST COMPARISON
FEDERAL-AID PROJECT VS. FEDERAL FUND EXCHANGE PROJECT
\$400,000 BRIDGE**

ACTIVITY	FEDERAL AID	LOCAL PROJECT (FEDERAL FUND EXCHANGE)	REASONS FOR COST DIFFERENCE
DESIGN	\$35,000.00	\$25,000.00	Federal-aid projects require plan development that meets KDOT requirements. Estimated cost of meeting these requirements is about 40% more than plans developed for a project that is administered locally with local funds. Some reasons for the higher costs with Federal-aid include, but are not limited to: NEPA environmental review, multiple levels of plan review, strict adherence to the "Federal process", and requirements for greater detail in the plans.
R/W ACQUISITION	\$8,000.00	\$6,000.00	Acquisition of R/W on projects using Federal-aid on any portion of the project must be done in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. This law has specific requirements that have created a time-consuming process that results in administrative costs that are unreasonable for many smaller projects. An example of these costs is the requirement for two independent appraisals (initial appraisal and review appraisal) to establish the compensation amount. It is estimated that these costs are about one-third more than acquisitions done under local procedures.
CONSTRUCTION	\$400,000.00	\$372,000.00	Construction under Federal-aid requirements is higher than a locally administered project because of stricter requirements, as well as requirements that apply only to projects utilizing Federal funds. These include, but are not limited to: strict material and construction requirements in KDOT specifications, which are required for Federal-aid projects; and required Federal specifications that increase costs such as Davis-Bacon Wage Requirements, Buy America for steel and iron products, and Disadvantaged Business Enterprise contract goals. The estimated cost of complying with the additional requirements is about 7.5%.
CONSTR. ENGINEERING/INSPECTION	\$60,000.00	\$20,000.00	The inspection requirements for a Federal-aid project are much greater than a typical local project. Additional requirements on Federal-aid projects include, but are not limited to: inspector must be present on the job site at all times the contractor could be performing work; KDOT specifications have extensive requirements for taking measurements and confirming all work is in order; greater documentation/reporting is required, particularly with regard to Federal-aid specifications; and KDOT certified inspectors are required, which requires a city/county to invest in training for its own staff or to hire a qualified consulting engineering firm to perform the work. When compared to normal local procedures, this work costs about three times as much on Federal-aid projects.
INFLATION (Two years at 3% of cost of construction)	\$22,000.00	\$0.00	Under current procedures, the project development of a city/county Federal-aid project takes about two years to complete all requirements to allow it to be let to contract. The exact same project developed under local procedures can be completed in a matter of only a few months. As a result, a Federal-aid project will have a higher cost due to the inflation incurred over the two year period. This cost has been estimated at a 3% annual inflation rate.
TOTAL PROJECT COST	\$525,000.00	\$423,000.00	Total cost of <u>local</u> project is approximately 80% of the same FA project.

COMPARISON OF REQUIRED LOCAL SHARE OF PROJECT UNDER FEDERAL FUND EXCHANGE COST VS. TRADITIONAL FEDERAL AID

FEDERAL FUNDS	\$385,600.00		80% of Construction and Inspection
LOCAL FUNDS	\$139,400.00		20% of Construction and Inspection, plus 100% of Design and R/W
FEDERAL FUNDS EXCHANGE		\$347,040.00	90% of the \$385,600 that would have been paid for a FA project
LOCAL FUNDS		\$75,960.00	Amount local agency would have have to contribute to project.
TOTAL PROJECT COST	\$525,000.00	\$423,000.00	
RATIO OF LOCAL FUNDS REQUIRED FOR FFE PROJECT VS. LOCAL FUNDS REQUIRED FOR FA PROJECT		54%	The cost to the city/county using Federal Fund Exchange for the same project would be 54% of their cost for a Federal-aid project.

**COMPARISON OF FEDERAL FUNDS EXCHANGE DOLLARS NEEDED VS. FEDERAL FUNDS REQUIRED
(LOCAL FUNDS ARE THE SAME FOR BOTH)**

LOCAL FUNDS	\$139,400.00	\$139,400.00	Assume local agency will contribute same amount to project as if it had been Federal aid.
REQ'D FFE FUNDS	\$385,600.00	\$283,600.00	Fund exchange dollars that would be required to construct the same project at a cost of \$423,000.
	\$525,000.00	\$423,000.00	
RATIO OF FFE FUNDS REQUIRED FOR FFE PROJECT VS. FEDERAL FUNDS REQUIRED FOR FEDERAL-AID PROJECT		74%	Break even point in comparing FFE to Federal-aid on the same project.

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