

Advance Construction Definition

Advance Construction (AC) is a funds management technique authorized in federal highway law. The general rule under federal appropriations law requires a federal agency to obligate (commit) federal funds for the full federal share of any project at the time it approves the project. AC is an exception to this general rule allowing the Federal Highway Administration to approve a project without obligating federal funds. A state may subsequently request federal funds for the project as it advances or after it is completed.

Benefits

Better project management. Project lettings are not delayed pending approval of federal highway funding legislation. Projects can be completed sooner thereby (1) avoiding inflationary cost increases and (2) opening sooner and accelerating public benefits. The federal highway program has two basic funding limitations: a specific program limitation (budget authority), such as the National Highway and Performance Program funds; and an annual obligation limitation (obligation authority). AC allows federally approved projects to move forward using state funds even if the state has exhausted its federal budget authority and/or obligation authority.

Better cash management. States can better manage both federal funds and state funds by selecting the projects and the amount of federal funds to be obligated in a way that optimizes cash flow.

May increase federal obligation authority. Every state has a limitation on the amount of federal funds it can obligate each federal fiscal year. If a state or federal program office cannot use its apportioned obligation authority, those amounts are allocated to other states each August, provided the funds can be obligated before the end of the federal fiscal year (September 30). AC projects can be quickly converted to federal funds allowing a state to take full advantage of the “August redistribution” of federal obligation authority.

Allows for the use of federally approved bond issue projects. States can finance federally approved highway or bridge projects with bond issues that may be repaid with their federal highway funds. Such state debt issuances are referred to as Grant Anticipation Revenue Vehicle (GARVEE) bonds. AC allows the federal funds to be obligated each year to pay for annual debt service instead of having to use the current-year obligation authority to pay for costs that generally occur over ten to twenty years.

Key provisions

AC is not so much a funding mechanism as it is a funds management or project authorization technique.

AC projects must meet all federal requirements (eligibility, environmental, etc.) except for the general requirement that federal funds be obligated at the time of project approval.

A state can request, at any time, the obligation of federal funds on the project for the full federal share or a portion of the federal share authorized for the project. A state may choose to never convert a project to federal funding.