

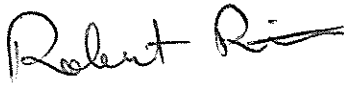


U.S. Department  
of Transportation  
**Federal Highway  
Administration**

# Memorandum

Subject: **INFORMATION:** Treatment of Management  
Systems Cost

Date: May 6, 2009

From: Robert Ritter   
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Reply to  
Attn. of: HEPP-20/ HIAM-10

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To: Division Administrators  
Directors of Field Services

In accordance with Section 303, Title 23, United States Code (U.S.C.) Federal funds may participate in the costs incurred by States for management systems. The purpose of this memorandum is to clarify the eligibility of costs related to the State development, establishment, and implementation of a system for managing each of the following:

- (1) Highway pavement of Federal-aid highways
- (2) Bridges on and off Federal-aid highways
- (3) Highway safety
- (4) Traffic congestion
- (5) Public transportation facilities and equipment
- (6) Intermodal transportation facilities and systems

As each State carries out the continuing, cooperative, and comprehensive transportation planning process that provides for consideration and implementation of projects, strategies, and services that will address efficient system management and emphasize preservation of the existing systems, Surface Transportation Program (STP), National Highway System Program (NHS), Highway Bridge Program (HBP), and Congestion Mitigation and Air Quality Program (CMAQ) funds may be used for development of an integrated management system and linking management systems as a decision-making tool. Furthermore, 23 U.S.C. 505(a)(3) states that State Planning and Research (SPR) funds are also eligible to support the development and implementation of management systems in 23 U.S.C. 303.



The management systems listed above and the data collection and data management that support these systems are funded as a direct project cost<sup>1</sup>. To further clarify, costs associated with on- or off-system data, as appropriate, pertaining to the comprehensive transportation network system that benefits or that is part of the transportation planning process may also be considered as a direct project cost.

Costs associated with updating data components may be considered necessary expenses associated with running a functioning management system, but in implementing the management system, it may be necessary to augment the system data with updated annual or biennial data collection. In such case, the State may fund this as a direct project cost at its discretion.

As the management systems mature, the allocable portion of necessary costs associated with running them, including costs of utilities, insurance, security, servicing, normal repairs and alterations, and the like is allowable as indirect costs to the extent that they keep such management systems in an efficient operating condition and do not add to the permanent value of the system nor appreciably prolong its intended life. They are allowable as an indirect cost provided the State has an approved indirect cost rate and may also be eligible for Federal funding (see May 5, 2004 memo – “Clarification of Policy on Indirect Costs of State and Local Governments: <http://www.fhwa.dot.gov/legsregs/directives/policy/indirectcost.htm>). After the implementation of the management systems, we anticipate such general or routine costs will be treated as indirect costs, in accordance with Title 2, Code of Federal Regulations, Part 225, “Cost Principles for State, Local, and Indian Tribal Governments.” Once the systems are fully operational and fully utilized, such indirect costs may either be paid with State funds, or through equitable distribution to all benefiting cost objectives via an approved indirect cost allocation plan. It should be noted that costs for major management system upgrades, including integration of management systems as support to the transportation planning process, may be eligible as a direct project cost if such upgrades add to the permanent value of the system or appreciably prolong its intended life.

The management systems as provided for in 23 U.S.C. 303 and 505, are eligible to be charged to the project as a direct cost as follows:

- Pavement Management System, as it pertains to Federal-aid system is eligible for SPR, NHS, and STP funds.
- Bridge Management (NBIS) System is eligible (see 23 U.S.C. 151) for SPR, NHS, STP, and HBP funds.
- Safety Management System (now called the Strategic Highway Safety Plan) is funded under the Highway Safety Improvement Program (23 U.S.C. 148) but can also use SPR, STP, and NHS funds.
- Congestion Management Program (formerly CMS) is eligible for SPR, PL, NHS, STP, and CMAQ funds.
- Public Transportation and Facilities is eligible for Federal Transit Administration funding.



<sup>1</sup> Pursuant to 2 CFR 225, Appendix A, (C)(1)(b), the portion of the allocable cost for general computers that is for the management systems development and implementation are funded as a direct cost. The computer cost for the other portion may be charged to eligible funds as an indirect cost under an approved indirect cost allocation plan.

- Intermodal Transportation Facilities Management System is eligible for SPR, NHS, and STP funds.
- Integration and upgrading of management systems, as support to the transportation planning process, is eligible for SPR, NHS, and STP funds; however, general maintenance must be treated as an indirect cost.
- Data collection, data management, and updating data components that support management systems are eligible and funded as a direct project cost.
- Administrative or financial management information systems are not eligible for use with Federal funds as a direct project cost. A State's administrative or financial system can be funded entirely with State funds or with State funds and the applicable annual depreciation cost allocated to all benefiting cost objectives identified in the State's indirect cost allocation plan.

If you have any questions regarding this information or would like to discuss this further, please contact Kenneth Petty at [kenneth.petty@dot.gov](mailto:kenneth.petty@dot.gov) or (202) 366-6654 or Lorrie Lau at [lorrie.lau@dot.gov](mailto:lorrie.lau@dot.gov) or (415) 744-2628 in the Office of Planning or Nastaran Saadatmand at [nastaran.saadatmand@dot.gov](mailto:nastaran.saadatmand@dot.gov) or (202) 366-1337 in the Office of Asset Management.

