

C PROGRAM COST RECOVERY

By adoption of the C fund law in the early 1990s as a means for local communities to maintain a source of funds to improve transportation needs in their areas, the current legislation places an inordinate amount of responsibility on the South Carolina Department of Transportation (SCDOT) to provide program administration. This responsibility translates into a considerable fiscal burden on the Department as well. However, measures and initiatives are in place in an effort to capture part of the expenses incurred by the agency while maintaining required oversight. They have been established in order to assure to the extent possible that all project costs are allocated. Program administration services would include those items such as management, accounting, project management/preliminary engineering, and construction management and inspection. These measures and initiatives are identified as follows:

1. **Annual Administrative Charges:** An administration charge is placed on those County Transportation Committees (CTCs) that are managed by SCDOT. This measure shown in Section III (H) in the standard “Agreements for C Fund Administration and Project Development” executed by the SCDOT administered CTCs has been in effect since 1998. Section H states “The CTC will approve the transfer to SCDOT in July of each fiscal year **3%** of the county’s annual C Funds allocation as payment for administrative services, accounting services, and general overhead expenses incurred by SCDOT in the administration and management of the C Program. In 2014 the total amount of funds transferred to the agency through this initiative was **\$1,144,988.45**.”
2. **Resurfacing Work on the State System:** In an effort to encourage County Transportation Committee’s (CTCs) to increase funding for resurfacing projects on the state system beginning in 2001, SCDOT waived the practice of charging engineering and construction inspection fees to pay for contract preparation and field management costs. As a result of this, the expense to provide these services to CTCs was absorbed in local SCDOT administrative budgets. Since 2001, SCDOT’s costs for maintaining the conditions of state roads as well as providing the required engineering services on all transportation projects have steadily increased while revenues have remained fairly constant. In 2012, SCDOT informed the CTCs that the agency was no longer in a position to perform these activities at no cost.

The greater majority of CTCs have informed SCDOT that they want to know the costs for the agency’s services prior to allocating their funds to a project. For resurfacing programming requests on the state system received by SCDOT after January 1, 2012, SCDOT has returned to the practice of charging 1% of the project bid price for engineering services and 6% for the construction engineering and inspection services. These percentages are in line with a recent analysis of SCDOT’s costs for resurfacing projects. The lump sum amounts constitute full payment for the engineering services. SCDOT would absorb additional costs if these expenses exceed the lump sum price. Similarly, should the charges be less than the lump sum price, a credit would not be allowable. If major changes or revisions either increasing or decreasing the project costs

are required due to unforeseen circumstances, a request by the CTC, and/or local community action, necessary adjustments would be made. As always, CTCs have the option to have SCDOT develop and construct projects for the lump sum fees quoted or to have projects developed by consultants or other governmental entities. The 1% and the 6% fees are applicable to both the SCDOT Administered CTCs as well as the Self-Administered CTCs. In 2014 the total amount of funds transferred to the agency through this initiative was **\$984,482.37**.

3. **Construction Work on the State System:** In 2007 when the Commission placed further restrictions on the size of the secondary road system by establishing a policy that would reverse the growth of the system, the C Program essentially changed from a road construction program to one of resurfacing. In 2014 only six CTC road construction projects were administered by SCDOT on the state system.

Fees for PE:

- A. **SCDOT Administered CTCs:** For road construction programming requests on the state system, SCDOT typically charges a lump sum fee of **12%** of the estimated construction cost for preliminary engineering services. Cost estimates for preliminary engineering include the cost of project management, engineering, plan preparation, right of way acquisition (excluding legal costs for condemnation, settlements, and judgments), and other costs necessary to develop a project to the point of receiving bids. The price quoted shall be full payment for SCDOT's services in developing the project. Should the cost of preliminary engineering be less than the lump sum price, no return or refund will be made to the CTC. Should the cost of preliminary engineering exceed the lump sum price, the overrun will be at SCDOT's expense. Should major changes be required in a project due to unforeseen circumstances or CTC action, an additional lump sum amount shall be requested from the CTC.
- B. **Self-Administered CTCs:** For road construction programming requests on the state system, SCDOT typically charges a lump sum fee of **18%** of the estimated construction cost for preliminary engineering services. The increased fee for Self-Administered CTCs is to capture SCDOT administrative overhead as the Self-Administered CTCs do not pay the 3% administrative fee stated in Section #1 above.

Fees for CE&I:

- A. **SCDOT Administered CTCs:** For road construction programming requests on the state system, SCDOT charges a lump sum fee of **14%** of the construction cost for construction management and inspection services. The price quoted shall be full payment for SCDOT's services in constructing the project. Should the cost of contract field management be less than the lump sum price, no return or refund will be made to the CTC. Should the cost of contract field management exceed the lump

sum price, the overrun will be at SCDOT's expense. Should major changes be required in a project due to unforeseen circumstances or CTC action, an additional lump sum amount shall be requested from the CTC.

- B. **Self-Administered CTCs**: For road construction programming requests on the state system, SCDOT charges a lump sum fee of **21%** of the construction cost for construction management and inspection services. The increased fee for Self-Administered CTCs is to capture SCDOT administrative overhead as the Self-Administered CTCs do not pay the 3% administrative fee stated in Section #1 above.

Again, CTCs have the option to have SCDOT develop and construct projects for these lump sum fees quoted or to have projects developed by consultants or other governmental entities. In 2014 the total amount of funds transferred to the agency through this initiative for PE and CE&I was **\$226,409.72**.