State and Federal Processes:
Project Funding, Lapsing Funds & Updates

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Note: Presenters will answer questions at the end of major topics

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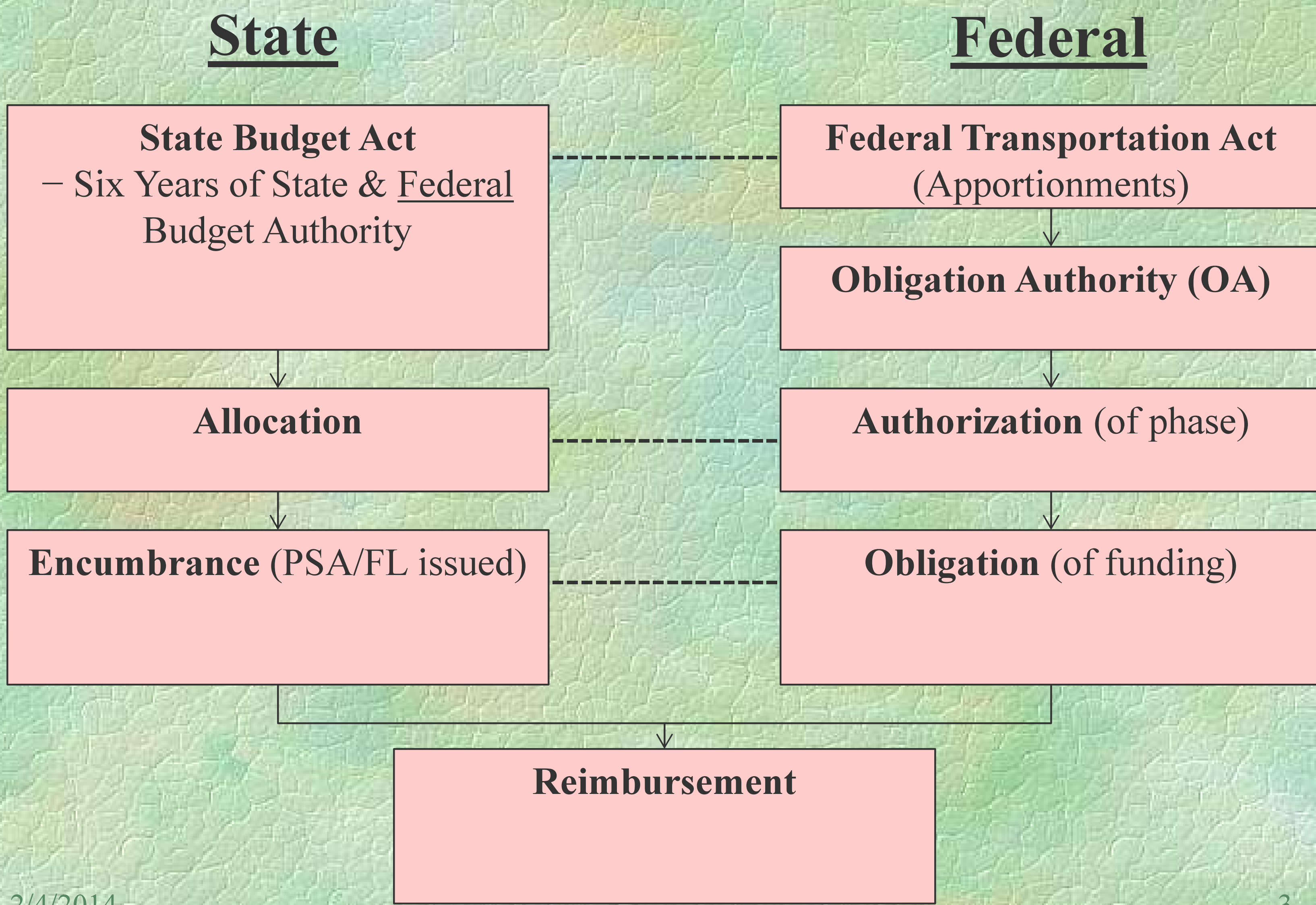

Federal/State Budgets & Finance

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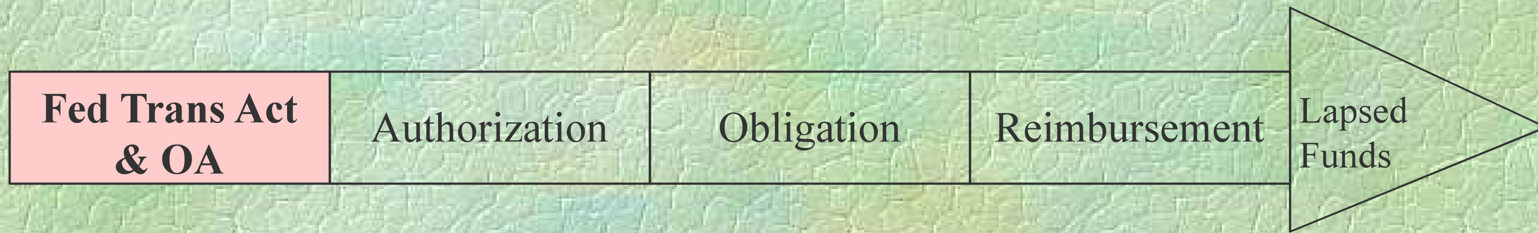
Federal Apportionments

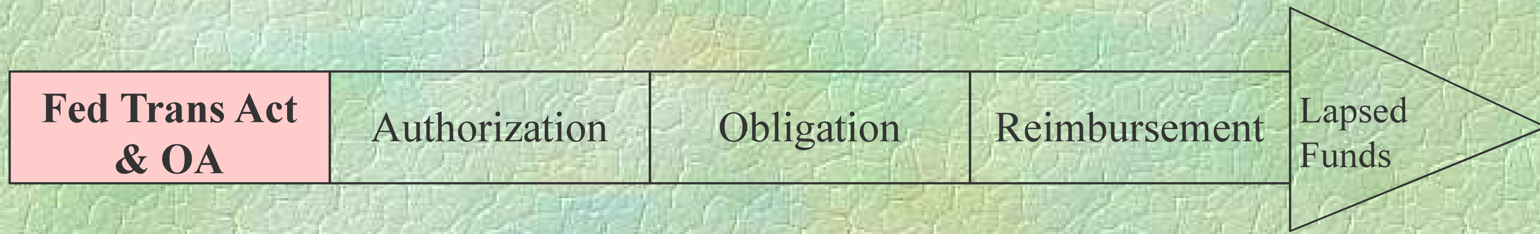


- **Apportionment level** – The maximum amount that may be obligated against each major federal program
  - This is not “cash”
  - In Federal Fiscal Year 2012-13, CMAQ’s (M400) annual apportionment level was $342.8M, cannot exceed this!

- Federal Transportation Act (Act) sets apportionment level
  - Current Act expires September 30, 2014
  - If no Act, continuing resolutions must be passed

- **Subject to Federal Authority!**

Obligation Authority



- **Obligation Authority (OA)** – Cash that can be charged against an apportionment
- Congress must set OA level each year
  - OA level has been 88% to 95% of total apportionments
- De-obligated apportionments may be recycled by re-obligating

Federal Authorizations & Obligations, PSAs & FLs

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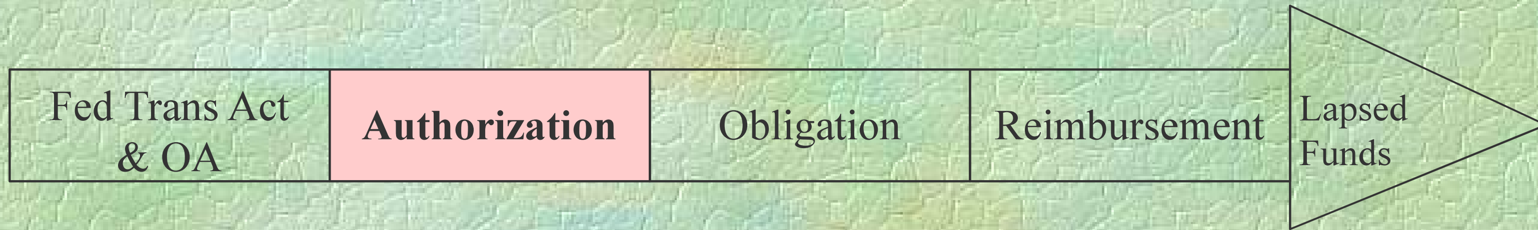
Federal Authorization



- After apportionments and OA are available, locals may submit requests for authorization (LAPM Exhibit 3A-3D)
  - Authorization – Request to begin a phase

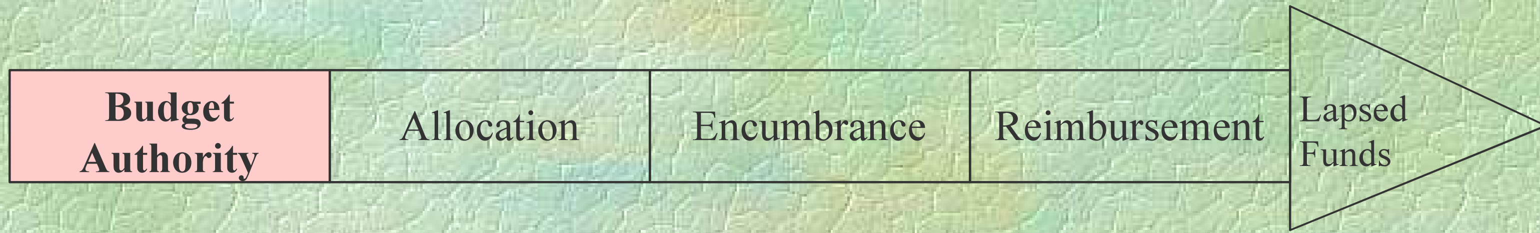
- HQ submits authorization for each phase and seeks FHWA permission on behalf of our local partners to begin a phase

Federal Obligation

Fed Trans Act & OA	Authorization	**Obligation**	Reimbursement	Lapsed Funds

- Initial request for authorization (LAPM Exhibit 3A-3D) also requests to obligate funding
  - HQ submits amended E-76s to FHWA to increase & reduce obligations
- Obligation distinct from authorization
  - Obligation – Request to commit funds
  - Authorization – Request to begin a phase
- **Any questions on the federal funding process?**

State Budget Authority



- State Budget Authority issued when State Budget Act is signed
  - Clock starts ticking on July 1, even if Budget Act signed late
  - Advantage to obligate and enter into agreements early in year
  - **Budget Authority provides 6 years to expend funding**

- **Note:** Budget Authority applies to **state** and **<u>federal</u>** funds

State Budget Authority by Program

2013-14 Budget Act + Trailer Bill + Aug. Redistribution

($s in thousands)

Description	Federal	State
Congestion Mitigation and Air Quality	$477,744	$0
Regional Surface Transportation Program (Incl. Exchange)	489,358	57,849
Bridge Programs	296,000	735
Discretionary/Demonstration/Emergency Relief	226,272	
Active Transportation Program	95,281	34,199
Highway Safety Improvement Program	74,000	
State Transportation Improvement Program (Includes TE)	51,000	35,000
Freeway Service Patrol		25,479
Miscellaneous State Programs		20,250
Bond Programs (combined)		14,960
Totals	**$1,709,655**	**$188,472**

- **Any questions on State Budget Authority?**

Lump Sum Allocation

Budget Authority	**Allocation**	Encumbrance	Reimbursement	Lapsed Funds

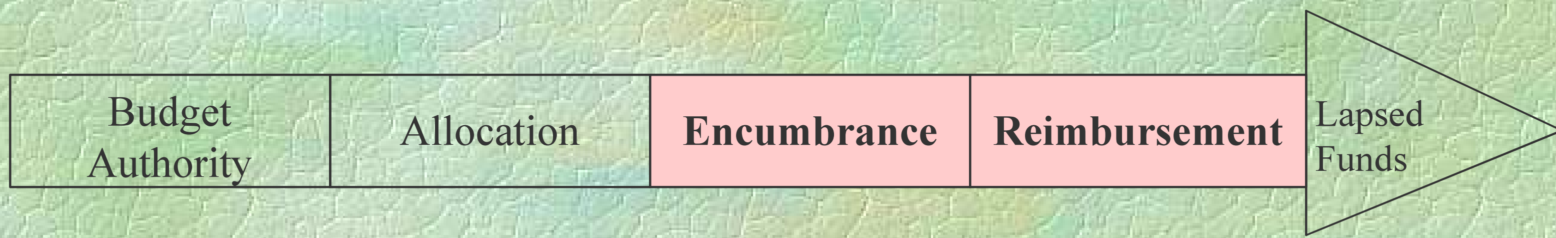
- <u>HQ</u> requests the California Transportation Commission (CTC) to "lump sum" allocate state and federal non-STIP and non-bond funds,
  - State funding includes the Regional Surface Transportation Program (RSTP) exchange, Freeway Service Patrol, etc.
  - Federal funding includes Congestion Mitigation and Air Quality (CMAQ), RSTP, Highway Bridge Program, etc.
- **Subject to State Budget Authority!**
  - CTC allocates the funding, no CTC guidelines for lump sum

Individual Allocations

Budget Authority	**Allocation**	Encumbrance	Reimbursement	Lapsed Funds

- Local Agencies request STIP funding via Exhibit 23-O of LAPG for allocation
    - Draft ATP guidelines are currently proposed for individual allocations too
- **Subject to CTC authority!**
    - STIP and Bond Guidelines adopted by CTC
- <u>District</u> reviews & approves request, forwards to <u>HQ</u> Area Engineer for review & sends to STIP Funds Request box

Encumbrance & Reimbursement

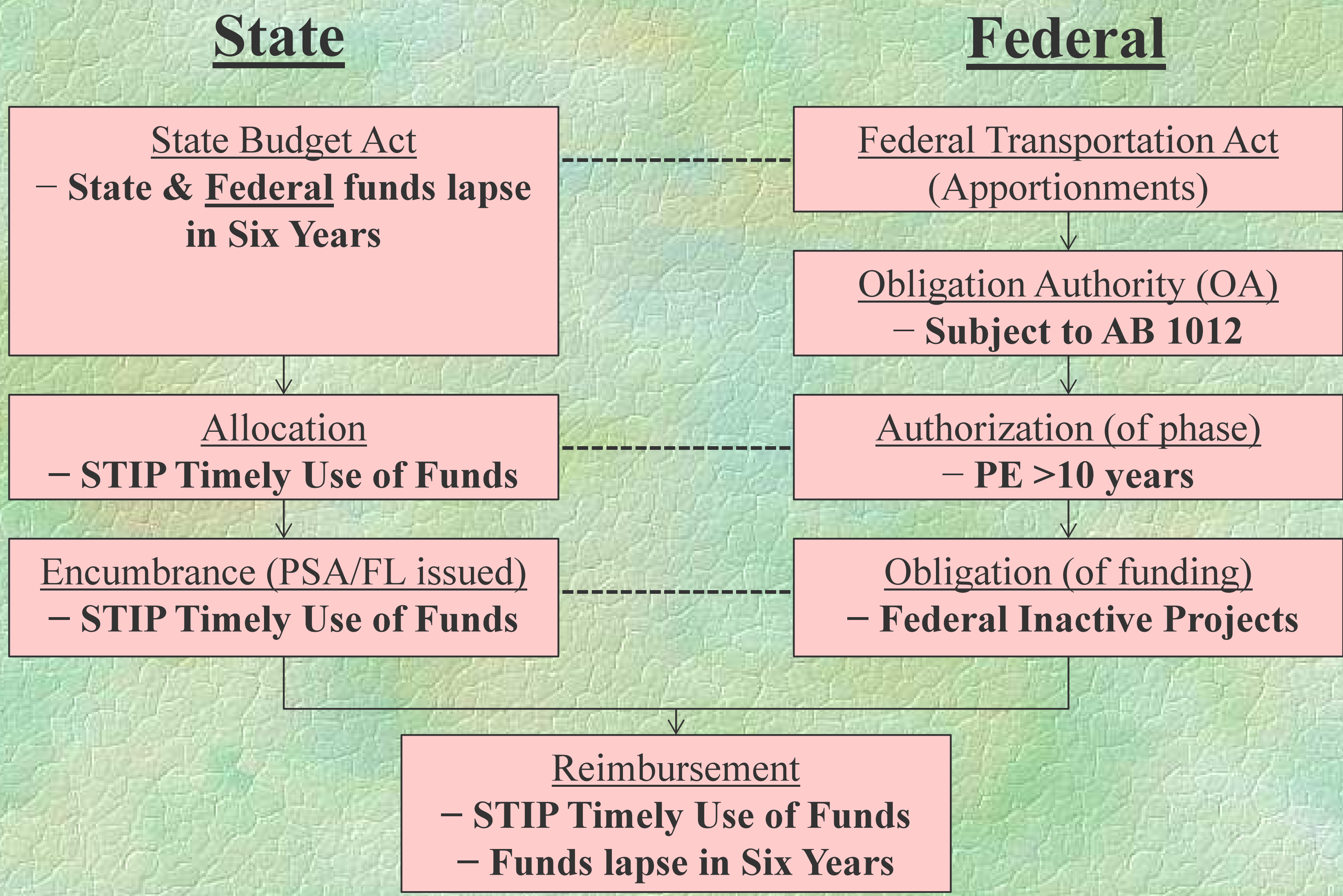


- For state and federal funds, HQ submits a PSA and/or supplemental FL to Local Programs Accounting (LPA)
  - LPA **encumbers** – Adds “current budget” line and eligible costs may now be reimbursed

- Local Agency submits invoice to Dist. for reimbursement
  - DLAE/Designee reviews for eligible costs and remits to LPA for reimbursement

- **Questions on allocations, encumbrance, & reimb.?**

How Funds Lapse



How Federal Funds Lapse

- Assembly Bill (AB) 1012, Statutes of 1999
- Preliminary Engineering (PE) > 10 years
- Inactive Federal Funds

AB 1012, Statutes of 1999

Fed Trans Act & OA	**Authorization**	Obligation	Reimbursement	**Lapsed Funds**

- **AB 1012** – If any Region's unobligated apportionments (balance) of CMAQ & RSTP exceeds the total of the last three years, it is subject to re-programming by CTC
  - FFY 2011-12 subject to AB 1012 in FFY 2013-14
- CTC can designate CMAQ & RSTP balance to state
- **<u>HQ</u>** tracks the balance and updates CTC quarterly & the DLA website monthly to prevent re-programming: http://www.dot.ca.gov/hq/LocalPrograms/AB1012/ab1012.htm

District's Role in AB 1012

- **HQ** will notify **DLAE** regarding those Regions that are subject to AB 1012
- **DLAE/Designee** contacts these Regions and inquires if CMAQ and/or RSTP is programmed in their FTIP
- **DLAE/Designee** encourages Regions to deliver CMAQ and/or RSTP funds **this year** (before subject to AB 1012)
- Three Regions have been subject to AB 1012 reprogramming in less than one year!
  - Follow-up and Regional actions will greatly reduce this risk!
- **Any questions on the AB 1012 process?**

PE > 10 & Inactive Projects

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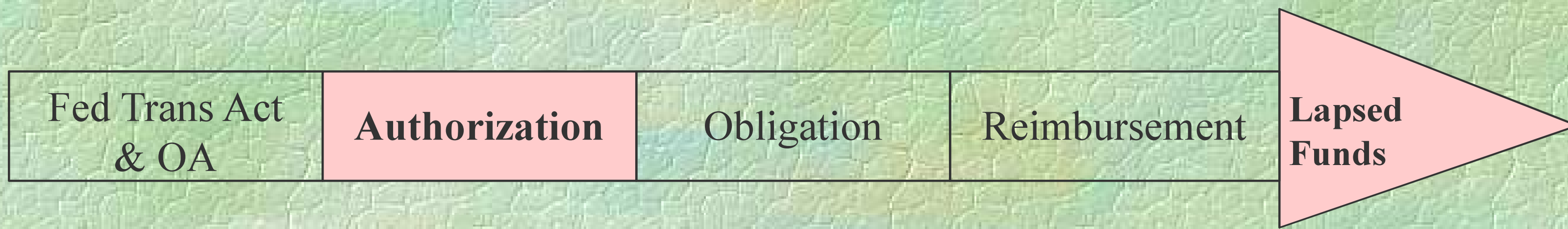
Preliminary Engineering Greater than 10-Year (PE>10) Rule



- **<u>All</u>** federal projects must proceed to R/W or construction phase by end of 10^{th} federal fiscal year after PE authorized
  - If not, local agency **<u>may</u>** be required to repay federal funds
  - Projects in R/W must move to construction phase within 20 years of PE authorization

- OPDA has a list:
  http://www.dot.ca.gov/hq/LocalPrograms/pe_over_10yrs.html
  - Lists projects with PE > than 8 years
  - Lists projects with PE > than 10 years with a time extension

PE Almost 10 Years-Old: Cheat Sheet for Prevention

- Submit authorization for R/W or construction
- Close/Withdraw project
  - Still **may** need to repay FHWA federal reimbursements for PE
- Time Extension Request – **Only one time!**
  - Due by July 1 of ninth year; notification by October 1
  - Must include chronology of delay, future milestones, signed FL, and previous FHWA decision letters on time extension requests
  - Valid justifications include litigation, complex project consultations, some Congressional earmarks, public improvements, unique implementation/funding approaches, and environmental findings/studies

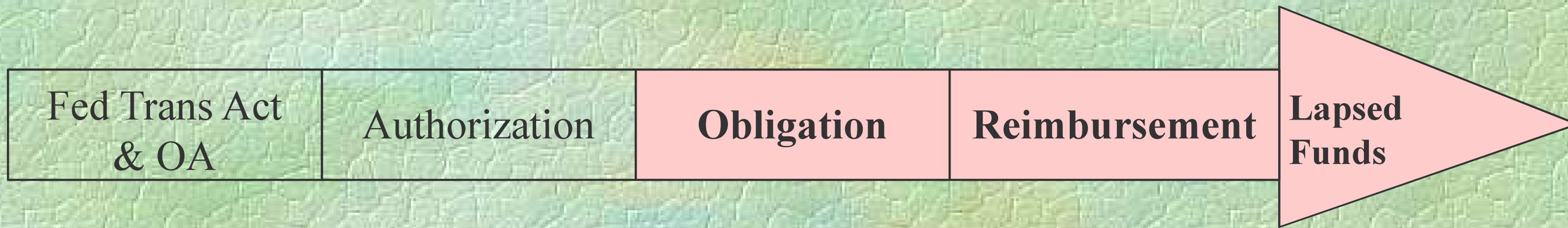
Approved Time Extensions for PE

- FHWA has accepted the time extension
  - Valid for up to 3 years and an annual update is required
  - Proceed to right-of-way and/or construction before extension expires
  - Invoice federal funds

- FHWA denied time extension
  - Unexpended funds will be de-obligated
  - FHWA <u>may</u> ask for repayment of reimbursed federal funds

- **Any questions on PE > 10 years?**

Federal Inactive Obligations



- **<u>All</u>** federal funding obligated subject to **Federal Inactivity**

http://www.dot.ca.gov/hq/LocalPrograms/InactiveProjects/Letter%20to%20Local%20agencies%20re-Inactive%20Obligations%202013-04-04.pdf

- Inactive obligations policy has changed, new rules in affect as of July 1, 2013:
  - <u>All</u> projects must invoice every 6 months
  - If an invoice is not received within 12 months, unexpended funds will be de-obligated on a quarterly basis
  - Local agencies need to work with DLAEs to resolve inactivity

- If project has not been invoiced, time is measured from the day of the first E-76 obligation

OPDA to the Rescue

- OPDA posts the Federal Highway Administration list of inactive projects regularly; new projects add monthly
  - Includes projects that have not invoiced in at least 6 months
  - Updated to the below site:

  http://www.dot.ca.gov/hq/LocalPrograms/Inactiveprojects.htm

- OPDA will also notify HQ Office Chiefs, DLAEs, and LPA

- **Any questions on federal inactivity?**

How State & Federal Funds Lapse

How lapse date is determined

- Encumbrance and Reimbursements

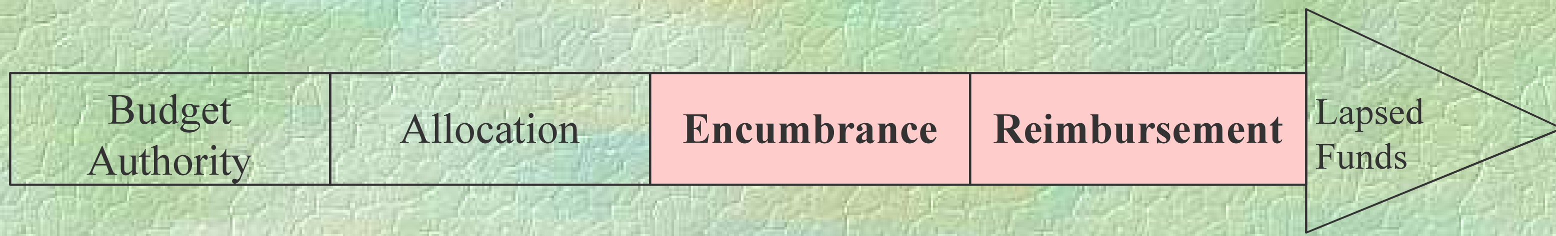
- Finance Letters & Reversion Dates

Resolution of lapsing funds

- Cooperative Work Agreements

- STIP Timely Use of Funds

Encumbrance & Reimbursement



- Reminder – For state and federal funds, HQ submits a PSA and/or supplemental FL to LPA
  - LPA **encumbers** – Adds "current budget" line and eligible costs may now be reimbursed
  - **LPA adds reversion date or last day funds may be reimbursed at bottom of FL**
  - FL and PSA do not display TUF dates, this is in allocation notification letter

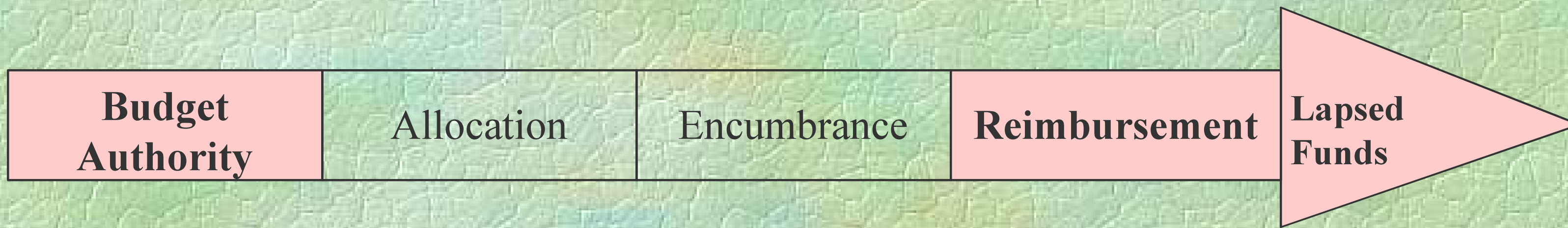
Finance Letters & Reversion Dates

Budget Authority	Allocation	**Encumbrance**	**Reimbursement**	Lapsed Funds

ACCOUNTING INFORMATION - BLHS-5006(182)								
Adv.Proj.ID	Approp.Unit	State Prog.	Fed/State	Encumbrance Amt.	**Approp Year**	Expenditure Amt	**Encumbrance Balance**	**Reversion Date**
0700001142	09102F	2030010300	F	$3,684,739.00	**0809**	$2,522,868.92	**$1,161,870.08**	**06/30/2014**
0700001142	02101	2030010690	S	$20,000.00	0102	$20,000.00	$0.00	06/30/2007
0700001142	01101F	2030010300	F	$674,399.90	0001	$674,399.90	$0.00	06/30/2007
0700001142	12102F	2030010300	F	$77,021.00	1112	$76,553.61	$467.39	06/30/2017
0700001142	07102F	2030010300	F	$30,100.00	0607	$30,100.00	$0.00	06/30/2013
0700001142	02101F	2030010690	F	$80,000.00	0102	$80,000.00	$0.00	06/30/2008

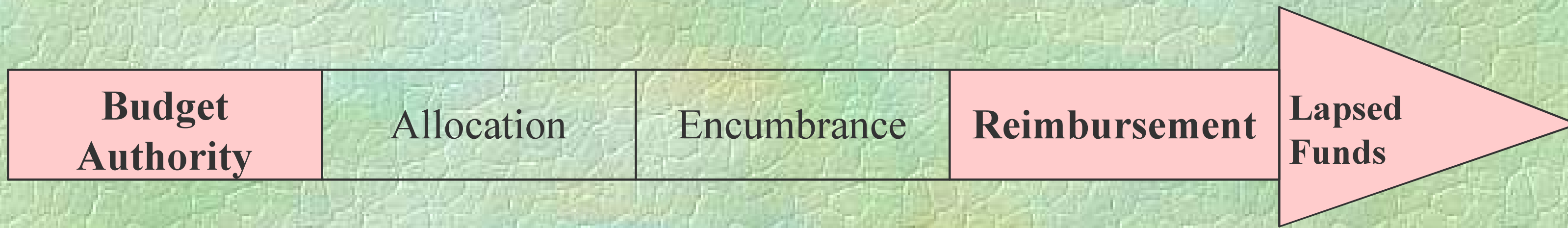
- Supplemental FL displays encumbrance balance of $1,161,870.08 and **June 30, 2014 reversion date**
- **Six-year state budget authority**: Clock starts ticking from July 1 of the appropriation year as designated by LPA
- Same project could have multiple reversion dates

Cooperative Work Agreement (CWA)



- State budget authority lapses after **6 Years** for **<u>federal</u>** and **state** funding – Applies to Lump Sum Allocations
- CWA can extend state budget authority up to **8 Years**
  - E.g. funding appropriated in 2008-09 eligible to receive CWA to liquidate funds by June 30, 2016
  - Since projects have multiple funding lines and reversion dates, project could have multiple CWAs
- What's the catch?
  - Can only be used **<u>one time</u>** and no appeals process

CWA – How it Works



- In September, HQ will notify CWA Liaisons in District, and provide eligible list and instructions
  - http://www.dot.ca.gov/hq/LocalPrograms/CWA/cwa.htm
- Liaison's responsibility to contact each Local Agency and obtain notification if they intend to apply for a CWA
  - Finance can deny CWAs and there is no appeal process
- After the Liaisons submit CWA spreadsheets to HQ, the CWAs are sent to Department of Finance for approval
  - Liaisons to communicate approvals to local agencies
  - LP 2000 has new reversion dates and list posted to website

CWA Status Update

- HQ reviewed local agency responses from the District for reasonableness, summarized responses, and to ensure CWA request will likely receive DOF approval

- If requests were "incomplete" or needed further information, we requested info from CWA Liaisons
  - Liaison follows up with local agency

- At this time, the CWAs have been remitted to the Department of Finance

- **Any questions on the CWA process?**

STIP & Timely Use of Funds

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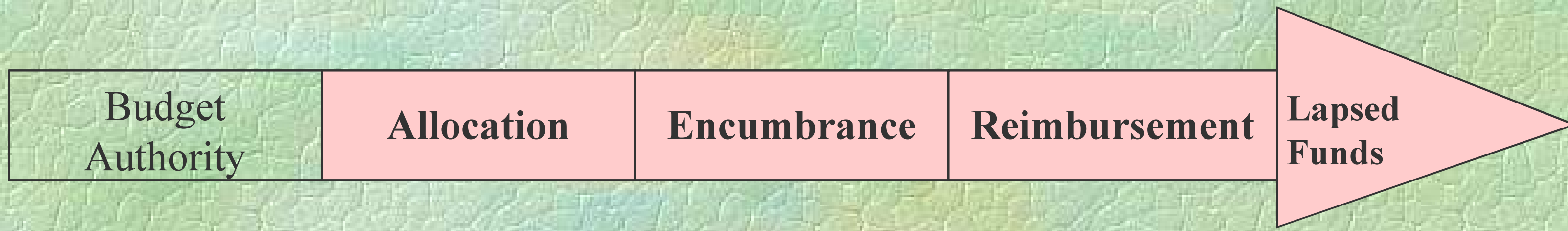
State Transportation Improvement Program (STIP)

- STIP is comprised of individual allocations of state and federal funding
- **Subject to CTC Authority!**
  - Specifically, STIP Guidelines adopted by CTC
- Includes Local Roads; Local Roads Rehab; Planning Programming, and Monitoring; Regional Improvement Program, and Transportation Enhancements (TE)
- Draft ATP appears to be running a similar course

STIP – Timely Use of Funds (TUF)

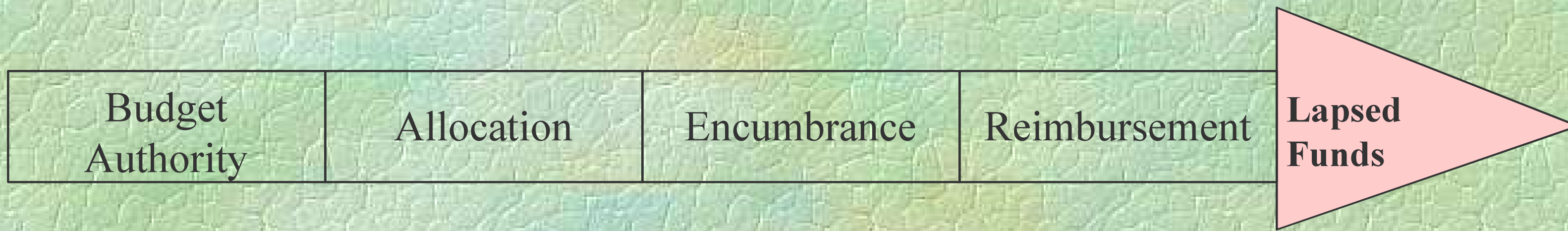


- The CTC has established STIP TUF guidelines for program allocations, project development expenditures, construction award, and contract completion (Section 65):

  http://www.catc.ca.gov/programs/STIP/2014_STIP/2014_STIP_Guidelines_adopted_0813.pdf

  - STIP projects must be allocated by the end of fiscal year in which they were programmed
  - Expenditures for project development (PA&ED, PS&E, R/W) must occur within 2 fiscal years following the year of allocation
  - Allocations for construction contracts must be awarded within 6 months of allocation
  - After award, construction contract must be completed (accepted) within 36 months

TUF Time Extensions



- The CTC has established guidelines to extend TUFs:
  - Each deadline may be extended **only once, up to 20 months**
  - All time extension requests due to <u>District</u> at least 60 days prior to the deadline, **submit extensions to HQ STIP Coordinator**
    - e.g. Allocation time extensions due 60 days prior to June 30
    - RTPAs/MPOs must concur on all time extension requests
  - CTC will grant time extensions as long as there is an unforeseen and/or extraordinary circumstance
  - The request **<u>must</u>** identify the special circumstance(s) and provide a timeline of milestones to justify the extension period

STIP – TUF Cont'd

- The Local Assistance Program Guidelines (LAPG) also includes updated information regarding the STIP TUF (Chapter 23):

  http://www.dot.ca.gov/hq/LocalPrograms/lam/prog_g/g23stip-2013-04-29.pdf

- Some Proposition 1B funds and accounts are subject to same TUF as STIP
  - The Local Bridge Seismic Retrofit Account, State-Local Partnership Program, and Corridor Mobility Improvement Account **<u>are subject</u>** to TUF

- **Any questions on STIP, TUF, & Time Extensions?**

Lapsing Funds: The Big Picture

Funding Type	State Budget Authority	Federal Appn Lapse	Timely Use of Funds	Federal Inactivity	PE > 10
State Lump Sum (RSTP Exchange, FSP, etc.)	✓				
Federal Lump Sum (RSTP, CMAQ, etc.)	✓	✓		✓	✓
State STIP			✓		
Federal STIP		✓	✓	✓	✓
State Bonds	✓		✓		
Expiration	**6 Years**	**4 Years**	**See Ch. 23 LAPG**	**1 year**	**10 Years**
Lapse Remedy	**CWA**	**Obligate**	**Tme extension**	**Invoice**	**Auth. next phase/Ext.**
New Deadline	**8 Years**	**N/A**	**Max. 20 months**	**N/A**	**3-yr ext.**

- State and federal STIP, and bonds are **<u>rarely</u>** subject to state budget authority

Encourage Earlier Delivery

- For the last 10 years, **over 55% of funds** are delivered from July through September
  - Creates huge stress on HQ & Districts with less staffing
  - FHWA and Regions have this issue too

- Remind locals to submit **<u>completed</u>** RFA packages
  - Process RFA package, send to **<u>HQ</u>** timely

Encourage Earlier Delivery

- Earlier delivery has benefits:
  - State budget authority lasts longer
  - Ensures Regions have access to their funding before May “free-for-all”
  - Turnout of responsive bidders is higher in winter/spring
  - Continuing Resolutions and sequestrations may create delays to funding in future years
  - On-system Bridge likely to be fully-obligated
  - Federal Highway Trust Fund forecasted to be insolvent in September 2014
  - Increases potential to receive August Redistribution

August Redistribution – <u>Formula</u> Federal-Aid Funds

- **August Redistribution** – Additional OA provided to California for exceeding annual formula federal-aid OA

- **About July 20** – California notified to compile OA used, RFAs at District, RFAs at HQ, and RFAs sent to FHWA
  - FADS must be updated to remove incorrect information

- **About July 31** – State & local RFA list sent to FHWA

- If total RFAs exceed annual formula OA, California is eligible to receive OA from August Redistribution pool

August Redistribution & <u>Non-Formula</u> Federal-Aid Funds

- **May 30** – Last day HQ will process allocation requests for non-formula funding
- **About July 20** – California compiles non-formula allocations that will not be obligated by the end of the federal fiscal year
- **About July 31** – Unobligated non-formula allocations are added into the nationwide August Redistribution pool
- **Any questions on early delivery, August Redistribution and the presentation in general?**