

DEPARTMENT OF TRANSPORTATION

DIVISION OF LOCAL ASSISTANCE – M.S. 1

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January 26, 2009

To: Metropolitan Planning Organizations
Regional Transportation Planning Agencies
Local Transportation Commissions

Dear Executive Directors:

Subject: Revision to Policy and Procedures for Managing Local Assistance Obligation Authority

This correspondence is to transmit to you the attached revised “Policy and Procedures for Managing Local Assistance Obligation Authority (OA).”

The OA Management Policy has been revised to change the annual release of OA to the local OA Pool from June 1 to May 1. In addition, this revision is incorporating a change to the due date of the Obligations Plans from May 1 to April 1. It is anticipated that these changes will stimulate OA delivery by allowing the Regions to collectively deliver the Local OA earlier and thus presenting opportunities for a share of August Redistribution when available. The revision of the OA management policy was developed by an OA management policy committee comprised of representatives from the Regions and Local Assistance. This proposal was then presented to all members at the May 28, 2008 Regional Transportation Planning Agencies’ meeting and no objections were expressed.

If you have any questions please call Laura Quintana at (916) 653-7200 or John Flores at (916) 654-4032.

Sincerely,

Original Signed

DENIX D. ANBIAH

Chief, Division of Local Assistance

Enclosure

c: District Division Chiefs for Local Assistance
District Local Assistance Engineers
Division of Local Assistance Area Engineers
Division of Local Assistance Office Chiefs

DIVISION OF LOCAL ASSISTANCE
POLICY AND PROCEDURES FOR MANAGING LOCAL ASSISTANCE
OBLIGATION AUTHORITY
January 26, 2009

BACKGROUND:

Federal funds are apportioned to the local agencies based on Federal and State statutes. These apportionments could be carried over for up to three years. In order to use these apportionments, Federal Obligation Authority (OA) is needed. OA is provided on an annual basis and has to be used in the Federal Fiscal Year (FFY) it is provided. There are no Federal or State statutes governing the distribution of OA. However it is the Department's intent to distribute OA in the same ratio as the apportionments are distributed. AB 1012 also allows the Regions to carryover apportionments for up to three years. By allowing the Regions to borrow the OA from each other, it is the Department's intent to manage the OA in a statewide level and make the OA available for up to three years, whenever possible.

POLICY:

1. The Department will oversee/facilitate the use of local OA to ensure that it is used to optimize benefit to local projects and no OA is lost to the State as a whole.
2. If a Region uses more than its share of the OA in a given year, an amount equivalent to the overuse will be reduced from its share and distributed to the other Regions in the following year.
3. If any of the local OA is not used in a given year, the Department will use the remaining OA on other projects per AB 1012 in order to avoid lapse of Federal funds. The Department cannot commit to any payback of this OA unless, it is considered during the development of the next fund estimate.
4. For the purpose of this discussion, statewide programs managed by the Division of Local Assistance (DLA), such as "Bridge" and "Safety" will be treated as "MPO/RTPA".

PROCEDURES:

1. Based on the California Streets and Highways Code Section 182, after the beginning of each FFY (October 1) or when Federal apportionments and OA levels are received from FHWA, Caltrans will sub-apportion RSTP and CMAQ apportionments and corresponding "fair share" OA to each MPO/RTPA. The "fair share" OA will be determined based on the obligation limitation established by FHWA for that FFY and the Federal apportionments for RSTP and CMAQ for each MPO/RTPA. This "fair share" OA will be adjusted in accordance with paragraph 15 below. This adjustment will be the result of one Region's over-use and another's under-use of OA from the prior FFY.
2. The MPOs/RTPAs will be notified of this "adjusted fair share" of OA. This notification will meet the Streets and Highways Code Sections 182.6(e) and 182.7(d) requirements. MPOs/RTPAs could use this OA to obligate any of the local projects programmed in the triennial years of the FTIP without a need for any FTIP amendments, as long as they are in conformance with their developed and approved expedited "Project Selection Procedures" in accordance with 23CFR450.332.
3. DLA will monitor apportionments and OA usage/transfers and provide online reports for District Local Assistance Engineers (DLAEs) and MPOs/RTPAs.

4. DLA provides the MPOs/RTPAs flexibility in borrowing or loaning apportionments and OA from other MPOs/RTPAs, provided that the affected MPOs/RTPAs notify DLA of the agreement. These agreements can be in the form of a letter signed by the Executive Directors of the Regions involved. The agreements should include details such as fund types and payback schedules. Draft agreements should be reviewed by DLA.

Agreements will result in transfers of apportionments and OA. Regions will be fully responsible for meeting delivery deadlines and requirements. Regions electing to enter into agreements will be responsible for amending their respective FTIPs if and when needed.

5. By February 28 of each year, DLA will request MPOs/RTPAs to submit their Obligation plan for the remainder of the FFY. The Obligation plan must contain a list of projects that are expected to be obligated before the end of the FFY. Obligation plans are due to Caltrans by April 1 of each year. Obligation plans shall reflect any agreements to loan or borrow OA.
6. When an MPO/RTPA exhausts its adjusted fair share of OA, the DLAE will ask local agencies from that region if they want to obligate the project under Local Advance Construction (AC), or if they have arranged to borrow OA from another MPO/RTPA. (see Chapter 3, "Project Authorization," of the Local Assistance Procedures Manual [LAPM]).
7. When MPO/RTPA regional adjusted fair share of OA is exhausted, and the MPO/RTPA and local agencies in the region have not agreed to use AC, the DLAE will place all local agency Requests for Authorization (RFA) (in that MPO's/RTPA's region) on hold until May 1 of that FFY.
8. On May 1 of each year, DLA will transfer all unobligated Local OA, including statewide OA (bridge and safety programs), into a statewide Local OA pool. DLA will first convert all Local AC projects and then obligate projects on hold on a first-come first-served basis until the OA is exhausted or until all projects are obligated. Any remaining Local OA will be used to obligate RFAs on a first-come first-served basis until all local OA is used or through August 15th. DLA will accept RFAs only through August 15th so that the obligation can happen prior to the close of FFY.
9. On July 30 of each year, DLA will provide the Federal Resources Office, Caltrans (FRO) with a list of Local AC projects (if any), a list of projects that are still on hold (if any), and a list of additional projects to be obligated (from the obligation plans).
10. In August of each year, FHWA redistributes OA from states that are not able to use all of their OA to states that (1) have used their OA or (2) can show that they will use all their OA by September 30 and demonstrate a need and ability to use additional OA. This process is called "August Redistribution".
11. FRO will request additional OA from FHWA on or around August 1 based on a statewide list of projects in need of OA including the updated list from paragraph 9.
12. If FHWA provides any additional OA from the August redistribution a pro rata share will be provided for local projects after consultation with FRO.
13. DLA will add this additional OA to the "statewide Local OA pool" and use it in accordance with paragraph 8 above.
14. On the Caltrans deadline estimated at August 25th, if there is any Local OA remaining, FRO will use the OA to fund alternate projects, in accordance with the provisions in California Streets and Highways Code Sections 182.6(f) and 182.7(e). This is necessary since OA is only available for one FFY and if not used will be lost to California. This local OA and possibly apportionments will be used from the Regions that have not delivered their "adjusted fair share" of OA.

15. At the end of each FFY, DLA will determine which Regions overused (advanced delivery) and which Regions underused (delayed delivery) their adjusted fair share of local OA for the FFY. Regions that overused OA will be notified of the overused amount and their fair share of OA will be reduced accordingly in the following FFY. This OA will be distributed to the Regions that underused their OA, proportionate to their under-usage. The maximum level of under-use of OA permitted for each Region is the amount of OA that corresponds to that Regions "fair share" of OA received over the last three years. This will provide the flexibility necessary to allow apportionments to be available for three years. If the underused level of OA becomes larger than the maximum permitted by AB 1012, the apportionments will be subject to CTC reprogramming per AB 1012.

This revised policy will be implemented effective October 1, 2008 and incorporated in to the next manual update.