

California Department of Transportation

DIVISION OF LOCAL ASSISTANCE
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www.dot.ca.gov/programs/local-assistance



August 13, 2026

Dear Transportation Partner:

The Department of Transportation (Caltrans) Division of Local Assistance in collaboration with the Federal Highway Administration (FHWA) is continuing its proactive efforts to reduce the number of inactive projects, especially those that have not been reimbursed for 24 months or more with unexpended federal funds of \$50,000 or more. Local agencies are expected to invoice Caltrans regularly for projects in accordance with the Code of Federal Regulations 23 CFR 630.106.

As of July 24, 2026, our lookahead inactive rate at the end of the quarter is 7.1%, assuming there are no billings or de-obligations. This letter intends to request that Local Agencies submit an invoice for inactive projects by **September 3, 2026**, and for repeat inactive projects by **August 10, 2026**, to your respective Caltrans District Local Assistance Office. It is the Local Agency's responsibility to work in collaboration with their respective District Local Assistance Engineer before August 10th to ensure their projects are removed from the list.

For those Repeat Inactive projects unable to submit an invoice by August 10th, a Repeat Inactive Obligations Justification form and Current Cost Estimate (both attached) must be submitted. Justifications need to include an explanation of why the inactive project will not be able to bill during the quarter and when the project is expected to bill. If a justification and cost estimate are not submitted by **August 10, 2026**, unexpended funds will be de-obligated on August 20, 2026, and the project will be subject to closure.

If Caltrans does not receive an invoice or justification for repeat inactive projects, adverse actions will be taken on these projects identified on the accompanying list.

Adverse actions for repeat inactive projects include:

- If the justification is approved and a current cost estimate is provided, the project sponsor will not be impacted but will be required to provide an updated justification and current cost estimate for each subsequent quarter until the project is no longer inactive.

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- If the justification is not submitted or approved, all unexpended funds will be de-obligated, and the project will be subject to closure.
- If a current cost estimate is not provided, all unexpended funds will be de-obligated, and the project will be subject to closure.
- If a current cost estimate is provided and supports the need for less than the current amount of unexpended federal funds on the project, then a portion of the funds will be de-obligated to reflect the current cost estimate.
- If a current cost estimate is provided and supports the need for the current amount of unexpended federal funds on the project, then no funds will be de-obligated.
- If during 12 months the project sponsor submits multiple unapproved justifications or has multiple instances of not submitting a justification, they will not receive authorization or obligation of Federal funding for new projects until certain actions have been demonstrated (e.g., project sponsor complies with the required 6-month billing cycles per the Caltrans/LPA Master Agreement).

Caltrans will communicate adverse actions, acceptance, or denial of project justifications by September 3, 2026. We require local agencies to invoice regularly for reimbursable costs to avoid inactivity or adverse action in the future.

For the updated Local Project list, visit the DLA website:

<https://dot.ca.gov/programs/local-assistance/about-local-assistance/project-management-oversight/inactive-projects>. For additional information, please contact Belinda Hon at (916) 279-2306 or email Belinda.hon@dot.ca.gov.

Sincerely,



Dee Lam
Division Chief

Attachments (Links):

Repeat Inactives Obligations Justification Form
CA Repeat Inactive Projects List
Example Current Cost Estimate Form

c: Steven Keck, Chief Financial Officer, Caltrans
Gilbert Petrissans, Division of Accounting, Caltrans
Marlon Flournoy, Planning & Modal Programs, Deputy Director, Caltrans
Mark Samuelson, Division of Local Assistance, Caltrans
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