

# DRAFT

## SB 137 – Optional Federal HSIP / NHPP Funds and State Match Exchange

### Discussion and Implementation Guidelines

#### **Introduction**

Senate Bill (SB) 137 (Chapter 639 of the 2019 Statutes), effective October 8, 2019, added Section 182.85 to the Streets and Highways Code that authorizes Caltrans to allow up to \$100M of federal local assistance funds be exchanged for non-federal State Highway Account (SHA) funds. This exchange can take place as long as the federal funds received can be readily and effectively used on other projects and will not risk other transportation projects or activities needing state funds. The exchange will be appropriated on a dollar-for-dollar basis. Federal local assistance funds include either Federal funds apportioned for local bridge projects (23 U.S.C. 119) or the Highway Safety Improvement Program (23 U.S.C. Sec. 148) apportionments received in a federal fiscal year (23 U.S.C. Sec. 104(b)(3)) and allocated to as local assistance pursuant to this chapter, excluding funds that are set aside for the railway-highway crossings program (23 U.S.C. Sec. 130). The exchange requires funds be used by the city or county on projects for purposes for which the federal local assistance funds being exchanged were originally intended in order to meet national transportation goals and performance management measures (23 U.S.C. Sec. 150), and must satisfy the intent of the Legislature, as described in Section 2333.

#### **Eligible Uses and Priorities**

The main purpose for this legislation is to reduce the time and resources needed to deliver a federal project, especially lower cost projects that have minimal right of way (R/W) and environmental impacts. Projects in the Highway Safety Improvement Program (HSIP) fit these criteria. As detailed in the table below using the last three funding cycles, 66% of the HSIP projects are under \$1M, and 89% are under \$2M (constructions and support) and are typically delivered in 3 to 5 years. Also, some agencies don't apply for HSIP federal grants to fund projects due to the lower cost of these types of projects and the added cost of the federal compliance process. This exchange will help those local agencies by removing this barrier and potentially get them to send in an application in the upcoming call for HSIP projects, Cycle 10.

For the Highway Bridge Program, even though there are more projects listed within the program as compared to HSIP, 70% of HBP projects are over \$2M and are either a rehabilitation or a replacement. These projects generally can take many years to deliver and typically the efficiencies gained would not be realized as compared to HSIP projects. However, as noted in the table below, there are HBP projects that are less than \$2M and fall under the lower cost, minimal R/W and environmental impacts such as the bridge preventative maintenance program (BPMP) and bridges with scour concerns (may not have minimal environmental impacts). Exchanging funds for these

project types would be recommended as well as using exchanged funds to develop better project scopes on higher cost rehabilitation and replacement bridge projects.

Local HSIP Program							
Number of HSIP Projects							
Cycle	< \$1M		\$1M - \$2M		> \$2M		Total
Cycle	No.	%	No.	%	No.	%	Total
7	122	67%	38	21%	22	12%	182
8	143	64%	56	25%	26	12%	225
9	152	69%	49	22%	20	9%	221
<b>Total</b>	<b>417</b>	<b>66%</b>	<b>143</b>	<b>23%</b>	<b>68</b>	<b>11%</b>	<b>628</b>

< \$2M is 89% of the projects

Local HBP Program							
Number of HBP Projects							
Type	< \$1M		\$1M - \$2M		> \$2M		Total
Type	No.	%	No.	%	No.	%	Total
BPMP	40	49%	17	21%	24	30%	81
Scour	8	42%	2	11%	9	47%	19
Other HBP	25	4%	113	16%	576	81%	714
<b>Total</b>	<b>73</b>	<b>9%</b>	<b>132</b>	<b>16%</b>	<b>609</b>	<b>75%</b>	<b>814</b>

< \$2M is 25% of the projects

Implementation of SB 137 was discussed at the Transportation Co-op Committee (TCC) meeting, the Local HSIP Advisory Committee meeting and the Local HBP Advisory Committee meeting. The following are recommendations agreed upon by the above committees in priority order:

1. **1<sup>st</sup> priority** – HSIP projects
2. **2<sup>nd</sup> priority** – HBP Projects, specifically for project scoping reports, bridge preventative maintenance projects (BPMPs) or bridge scour projects
3. **3<sup>rd</sup> priority** – Selected lower cost rehabilitation bridge projects as recommended by HBP Managers

### Steps for Implementation

1. For each Federal Fiscal Year (FFY), a list of HSIP and HBP projects will be developed by the HSIP and HBP Program Managers in consultation with the HBP and HSIP Advisory Committees, respectively, showing which projects, phases and funding amounts will be exchanged. The funding amount to be exchanged will be reviewed and approved by the Division of Budgets. Once a HSIP or HBP project has been initially selected to receive

exchanged funds, all remaining phases of the project will receive exchanged funds until project completion.

2. A California Transportation Commission (CTC) book item will be completed by Division of Local Assistance (DLA) Headquarters (HQ) showing the amount of funds to be exchanged which will be presented at a CTC meeting for approval. After approval, the Division of Budgets will make the necessary transactions and a state funds account with subsequent funding codes will be set up to be used for funding allocations.
3. A state funds allocation request will be made by the local agency. Allocation requests will follow the same phases as the federal process for both HSIP and HBP projects, i.e. Preliminary Engineering (PE), R/W and Construction (CON) phases.
4. After approval, the project sponsors (local agencies) and DLA will proceed with the following steps to implement the state only funded projects:
  - I. For each phase of the project (PE, R/W and CON), the local agency will request the allocation of funds by submitting the required documents to their District Local Assistance Engineer (DLAE):
    - a. A letter of request for the Funding Allocation of the phase
    - b. Finance Letter
  - II. After the funding allocation request has been received, the DLAE updates the milestones and other information in DLA's LP2000 database and then forwards the request to the DLA HQ Area Engineer for allocation. If the funding request is the first one for the project, the DLAE needs to assign a project number and Advantage ID.
  - III. After receipt of the complete request package, the DLA HQ Area Engineer will:
    - a. Prepare an allocation letter which will serve as the authorizing document for the local agency to begin reimbursable work for the phase. A copy of the allocation letter and Finance Letter will be distributed to the local agency, the DLAE and Local Programs Accounting (LPA). Note that any work performed prior to the effective date of the allocation letter for the phase is not eligible for reimbursement.
    - b. Prepare a Program Supplement Agreement (PSA) and send it to the local agency for execution. If the local agency does not have a "State-only Funds Master Agreement" on file with Caltrans, one will need to be executed in conjunction with the PSA.

- IV. All costs incurred by the local agency will be reimbursed in arrears. For the project to remain active, the local agency must submit invoices to Caltrans at least every six (6) months after funds are allocated. The DLAE reviews invoices and forwards to the LPA for payment.
- V. DLA HQ HSIP and HBP Program Managers will update their respective databases regularly based on Caltrans' Enterprise Datalink reports.
- VI. For both the HSIP and HBP programs, there are project delivery requirements when a project receives state exchanged funding. Please refer to the respective guidelines to see what the requirements are for PE, R/W and CON. Along with the consequences noted in the guidelines, failure to deliver each phase may jeopardize the agency from receiving future state exchanged funds for other projects.
- VII. All subsequent cost increases will be funded out of the state funds account. If no state funds remain for allocation, an agency will have to wait the following FFY for additional funding or have the option to use their own local funds.
- VIII. The local agency must submit the Final Invoice and other required documents to the DLAE within six (6) months of the project completion. Failure to do so may jeopardize the agency from receiving additional state exchanged funds until the close-out paperwork is submitted. The DLAE reviews the submittals for compliance and then forwards the package to the LPA for processing. The LPA and the DLA will then close out the project.