



Caltrans Local Assistance

RESIDENT ENGINEER ACADEMY

Module 11

State Only Funded Projects

January 2025

State-Only Funded (SOF) Projects Objectives

Be able to...

- Be familiar with the requirements of the LAPM in administering State-Only Funded (SOF) Construction Contracts
- Know the differences in requirements between State-Only Funded and Federal Funded projects
- List the duties an RE must perform to comply with these SOF requirements
- Document compliance with the requirements of SOF Projects
- Be Aware of the results of recent audits

State Programs

- Active Transportation Program ([ATP](#))
- Reconnecting Communities: Highways to Boulevards ([RC:H2B](#)) State Pilot
- Safe Routes To Schools Program ([SRTS](#))
- State Transportation Improvement Program ([STIP](#))
- Senate Bill 1 ([SB1](#))
 - Solutions for Congested Corridors Program (SCCP)
 - Trade Corridor Enhancement Program (TCEP)
 - Local Streets and Roads Program (LSRP)
 - Local Partnership Program (LPP)
 - SB1 Augmentation to any existing State Programs

LAPM Chapter 1

Introduction & Overview

1.6 LAPM Organization

The LAPM is divided into individual chapters that describe processes and/or procedural steps important to the development of a Local Assistance project. Projects may not need to fulfill each process to be successfully implemented and to be eligible for federal or state funding, but each should be considered.

Federal-Aid Projects

Federal-aid projects require consideration of the processes described in each chapter in this manual. For these projects, each chapter should be reviewed to determine whether the actions, activities, and decisions required are applicable to the individual project.

State-Funded Projects

Projects utilizing only state funds require less oversight and review than those with federal-aid funds. Not all of the processes described in the chapters of this manual apply to these projects. [LAPM](#) Chapters [1](#), [2](#), [3](#), [4](#), [5](#), [10](#), [16](#), and [17](#) apply in whole, or in part, to these projects. The [LAPG](#) further defines these programs.

Caltrans LAPM: <https://dot.ca.gov/programs/local-assistance/guidelines-and-procedures/local-assistance-procedures-manual-lapm>

LAPM Chapter 1

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LAPM Applicable Chapters

State Only Funded

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Caltrans Travel Work with Caltrans Programs Caltrans Near Me Search

Home Programs Local Assistance Guidelines and Procedures Local Assistance Procedures Manual (LAPM)

Local Assistance Procedures Manual (LAPM)

The Local Assistance Procedures Manual (LAPM) is issued in January of each year, and is updated through [Local Programs Procedures](#) (LPPs). It describes the various procedures required to process Federal and State funded local transportation projects.

Please read our [Disclaimer](#).







Full LAPM	Last Update
LAPM 2025	January 2025
Individual Chapters:	
Chapter 1: Introduction and Overview	January 2025
Chapter 2: Roles and Responsibilities	January 2025
Chapter 3: Project Authorization	January 2025
Chapter 4: Agreements	January 2025
Reference OB #24-04 for policy revisions affecting Chapter 5	
Chapter 5: Invoicing	January 2025

Guidelines and Procedures

- [Caltrans Oversight Information Notice \(COIN\)](#)
- [Division of Local Assistance Office Bulletins \(DLA-OBs\)](#)
- [Local Assistance Procedures Manual \(LAPM\)](#)
- [Local Assistance Program Guidelines \(LAPG\)](#)
- [Local Programs Procedures \(LPP\)](#)
- [DLA Acronyms List \(PDF\)](#)
- [DLA Glossary \(PDF\)](#)

Chapters 1 – 5

LAPM Applicable Chapters (continued)

		About Caltrans	Contact Us	ADA Certification	Rec
		Travel	Work with Caltrans	Programs	
Chapter 10: Consultant Selection				January 2025	
Chapter 11: Design Guidance				January 2025	
Chapter 12: Plans, Specifications & Estimate				January 2025	
Chapter 13: Right of Way				January 2025	
Chapter 14: Utility Relocations				January 2025	
Chapter 15: Advertise and Award Project				January 2025	
Chapter 16: Administer Construction Contracts				January 2025	
Chapter 17: Project Completion				January 2025	

Chapters 10, 15 – 16 – 17

LAPM Chapter 2

Roles & Responsibilities

Chapter 2 Roles and Responsibilities

2.1 Introduction

Within Caltrans, the responsibility for administering and managing the Federal and State Local Assistance Highway Programs resides in the Division of Local Assistance (DLA) under Planning and Modal Programs. Each of the twelve Caltrans districts has a District Local Assistance Engineer (DLAE) who is the Local Public Agency's (LPA's) primary contact for processing projects, aiding development efforts, and answering questions:

<https://dot.ca.gov/programs/local-assistance/other-important-issues/local-assistance-contacts>.

The responsibility for implementing individual projects on the local streets, roads, and other transportation systems resides with the LPAs, principally the cities and counties.

State-Funded Projects



State-funded Local Assistance projects must be developed in accordance with policy and procedural requirements as specified in state law by the California Transportation Commission (CTC) and Caltrans. These state policies and procedural requirements are separate from federal requirements. It is Caltrans policy to provide these funds to local transportation programs with a minimum of state oversight. Since procedures vary with each state-funded program, the Local Assistance Program Guidelines ([LAPG](#)) should be referenced for a detailed explanation of the roles and responsibilities.

State Only Funded Projects

What Construction Admin stuff still applies to SOF Projects:

- Project Supervision and Inspection
- Maintaining Project Records
- Daily Reports, (RE and Assistant RE daily reports, labor and equipment classifications, quantities placed, extra work at force account, tentative agreements)
- Quantity Calculation Sheets (Calculations shown by method of payment, Calculations checked, signed and dated, weight tickets initialed)
- Change Orders (Change Order memorandum, Independent Cost Estimate, method of payment, LS, Aggregated Unit Price, Force Account, extended contract time)

State Only Funded Projects

What Construction Admin stuff does apply to SOF Projects: (continued)

- Tracking Contract Time (Weekly Statement of Working Days, CO Days, Suspensions, justifications, controlling activities, signatures and dates)
- Labor Compliance (Posters, Checking Certified Payrolls)
- Quality Assurance Program (Materials testing and records, Certifications of Contract Compliance)
- Environmental Stewardship (Environmental Document, Notice of Exemption)
- All other applicable Federal and State laws

State Only Funded (SOF) Projects

What doesn't apply to SOF Projects:

- DBE requirements
- Federal Minimum Wage Rates
- FHWA Form 1273
- Buy America, unless the SOF project is under a NEPA.

SOF Master Agreements

Why procedures taught during REA must be followed:

Master Agreement

A Master Agreement is required with the LPA whenever federal or state funds are to be used on a local project funded from the programs noted above. Respectively, there are two primary types of Master Agreements:

1. Federal-aid Highway Program

Administering Agency-State Agreement for Federal-Aid Projects, or Federal-aid Master Agreement

2. State-only Funded Programs

Administering Agency-State Agreement for State-Funded Projects (with no federal funds), or State-only Master Agreement



- Plus “Supplemental Agreements” for individual projects

LAPM Section 4.2 Agreements

SOF Master Agreements

Local Assistance Procedures Manual Exhibit 4-E
Master Agreement: Administering Agency - State Agreement for State-Funded Projects

Exhibit 4-E: MASTER AGREEMENT
ADMINISTERING AGENCY-STATE AGREEMENT FOR STATE-FUNDED PROJECTS

District _____ Administering Agency _____

Agreement No. _____

This AGREEMENT, is entered into effective this ____ day of _____, 20____, by and between _____, hereinafter referred to as "ADMINISTERING AGENCY," and the State of California, acting by and through its Department of Transportation (Caltrans), hereinafter referred to as "STATE", and together referred to as "PARTIES" or individually as a "PARTY."

RECITALS:

1. WHEREAS, the Legislature of the State of California has enacted legislation by which certain State funds are made available for use on local transportation related projects of public entities qualified to act as recipients of these state funds; and
2. WHEREAS, ADMINISTERING AGENCY has applied to the California Transportation Commission (CTC) and/or STATE for funding from a State-funded program (herein referred to as STATE FUNDS), as defined in the Local Assistance Program Guidelines (LAPG) and/or in the respective CTC Guidelines, for use on local authorized transportation related projects as a local administered project(s), hereinafter referred to as "PROJECT"; and
3. WHEREAS, said PROJECT will not receive any federal funds; and
4. WHEREAS, before STATE FUNDS will be made available for PROJECT, ADMINISTERING AGENCY and STATE are required to enter into an agreement to establish terms and conditions applicable to the ADMINISTERING AGENCY when receiving STATE FUNDS for a designated PROJECT facility and to the subsequent operation and maintenance of that completed facility.

NOW, THEREFORE, the PARTIES agree as follows:

LAPM Chapter 4 Agreements

4.2 General Agreements

Local (Administering) Agency-State Master Agreement (Master Agreement) – An agreement between a city, county, or other LPA and the State defining the general terms and conditions which must be met to receive federal-aid or state funds from the following programs:

- Federal-aid Highway Program
- State-only Funded Programs

SOF Master Agreements

ARTICLE I - PROJECT ADMINISTRATION

1. This AGREEMENT shall have no force or effect with respect to any program project unless and until a project-specific Program Supplement to this AGREEMENT for state funded projects, hereinafter referred to as "PROGRAM SUPPLEMENT", has been fully executed by both STATE and ADMINISTERING AGENCY.
2. The State approved project-specific allocation notification letter and approved CTC allocation documentation designate the party responsible for implementing PROJECT, type of work, and location of PROJECT for projects requiring CTC allocation by PROJECT component of work.
3. The PROGRAM SUPPLEMENT sets out special covenants as a condition for the ADMINISTERING AGENCY to receive STATE FUNDS from/through STATE for designated PROJECT. The PROGRAM SUPPLEMENT shall also show these STATE FUNDS that have been initially encumbered for PROJECT along with the matching funds to be provided by ADMINISTERING AGENCY and/or others. Execution of PROGRAM SUPPLEMENT by the PARTIES shall cause ADMINISTERING AGENCY to adopt all the terms of this AGREEMENT as though fully set forth therein in the PROGRAM SUPPLEMENT. Unless otherwise expressly delegated in a resolution by the governing body of ADMINISTERING AGENCY, and with written concurrence by STATE, the PROGRAM SUPPLEMENT shall be approved and managed by the governing body of ADMINISTERING AGENCY.
4. ADMINISTERING AGENCY agrees to execute and return each project-specific PROGRAM SUPPLEMENT. The PARTIES agree that STATE may suspend future allocations, encumbrances and invoice payments for any on-going or future STATE FUNDED PROJECT performed by ADMINISTERING AGENCY if any project-specific PROGRAM SUPPLEMENT is not returned, unless otherwise agreed by STATE in writing.
5. ADMINISTERING AGENCY further agrees, as a condition to the release and payment of STATE FUNDS encumbered for the PROJECT described in each PROGRAM SUPPLEMENT, to comply with the terms and conditions of this AGREEMENT and all the agreed-upon Special Covenants or Remarks incorporated within the PROGRAM SUPPLEMENT, and Cooperative/Contribution Agreement where appropriate, defining and identifying the nature of the specific PROJECT.
6. STATE FUNDS will not participate in any portion of PROJECT work performed in advance of the effective date of allocation by CTC, or by STATE for allocations delegated to STATE by CTC, for said PROJECT.
7. Projects allocated with STATE FUNDS will be administered in accordance with the current CTC STIP Guidelines, applicable chapter(s) of the LAPG, LAPM and/or any other instructions published by STATE.
8. ADMINISTERING AGENCY agrees to ensure compliance with all relevant State laws and requirements for work related to PROJECT, including the California Environmental Quality Act (CEQA).
9. ADMINISTERING AGENCY's eligible costs for preliminary engineering work includes all preliminary work directly related to PROJECT up to contract award for construction, including, but not limited to, environmental studies and permits (E&P), preliminary surveys and reports, laboratory work, soil investigations, the preparation of plans, specifications and estimates (PS&E), advertising for bids, awarding of a contract and project development contract administration.
10. ADMINISTERING AGENCY's eligible costs for construction engineering include actual inspection and supervision of PROJECT construction work, construction staking, laboratory and field testing, and the preparation and processing of field reports, records, estimates, final reports, and allowable expenses of employees/consultants engaged in such activities.

Master Agreement

A Master Agreement is required with the LPA whenever federal, or state funds are to be used on a local project funded from the programs noted above.

State-only Funded Programs

7. Projects allocated with STATE FUNDS will be administered in accordance with the current CTC STIP Guidelines, applicable chapter(s) of the LAPG, LAPM and/or any other instructions published by STATE.

10. ADMINISTERING AGENCY's eligible costs for construction engineering include actual inspection and supervision of PROJECT construction work; construction staking; laboratory and field testing; and the preparation and processing of field reports, records, estimates, final reports, and allowable expenses of employees/consultants engaged in such activities.

Senate Bill No. 1 (SB1)

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Home Programs Senate Bill 1 (SB 1)

Senate Bill 1 (SB 1)

The Road Repair and Accountability Act of 2017

Accessibility Assistance

The California Transportation Commission (CTC) makes every attempt to ensure our documents are accessible. Due to variances between assistive technologies, there may be portions of a document which are not accessible. Where documents cannot be made accessible, we are committed to providing alternative access to the content. Should you need additional assistance, please contact us at (916) 654-4245, or CTC at webmaster@catc.ca.gov.

Contact Information

Matthew Yosgott
Deputy Director - Programming - SB1
California Transportation Commission
Email: Matthew.Yosgott@catc.ca.gov
Phone: (916) 694-7555

Transportation Equity

- [2024 SB 1 Programs Transportation Equity Supplement \(PDF\)](#)

CA Transportation Commission SB1 webpage: <https://catc.ca.gov/programs/sb1>

Senate Bill No. 1 (SB1)

Expenditures

Within the legislative intent language in SB 1, the estimated expenditures by program are as follows:

Funding Amount (over 10 years)	Funding Amount (per year)	Program Name/Description
Local Programs		
\$15 billion	\$1.5 billion	Local Street and Road Maintenance and Rehabilitation
\$7.5 billion	\$750 million	Transit Operations and Capital
\$2 billion	\$200 million	Local Partnership Program
\$1 billion	\$100 million	Active Transportation Program
\$825 million	\$82.5 million	State Transportation Improvement Program – Regional Share
\$250 million	\$25 million	Local Planning Grants

Senate Bill No. 1 (SB1)



Senate Bill No. 1

CHAPTER 5

An act to amend Section 14526.5 of, to add Sections 14033, 14110, 14526.7, 14556.41, and 16321 to, to add Chapter 5 (commencing with Section 14460) to Part 5 of Division 3 of Title 2 of, to repeal Sections 63048.66, 63048.67, 63048.7, 63048.75, 63048.8, and 63048.85 of, and to repeal and add Section 63048.65 of, the Government Code, to add Section 43021 to the Health and Safety Code, to amend Section 99312.1 of, and to add Sections 99312.3, 99312.4, and 99314.9 to, the Public Utilities Code, to amend Sections 6051.8, 6201.8, 7360, 8352.4, 8352.5, 8352.6, and 60050 of, to add Sections 7361.2, 7653.2, 60050.2, and 60201.4 to, and to add Chapter 6 (commencing with Section 11050) to Part 5 of Division 2 of, the Revenue and Taxation Code, to amend Sections 2104, 2105, 2106, and 2107 of, to add Sections 2103.1 and 2192.4 to, to add Article 2.5 (commencing with Section 800) to Chapter 4 of Division 1 of, and to add Chapter 2 (commencing with Section 2030) and Chapter 8.5 (commencing with Section 2390) to Division 3 of, the Streets and Highways Code, and to amend Section 4156 of, and to add Sections 4000.15 and 9250.6 to, the Vehicle Code, relating to transportation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

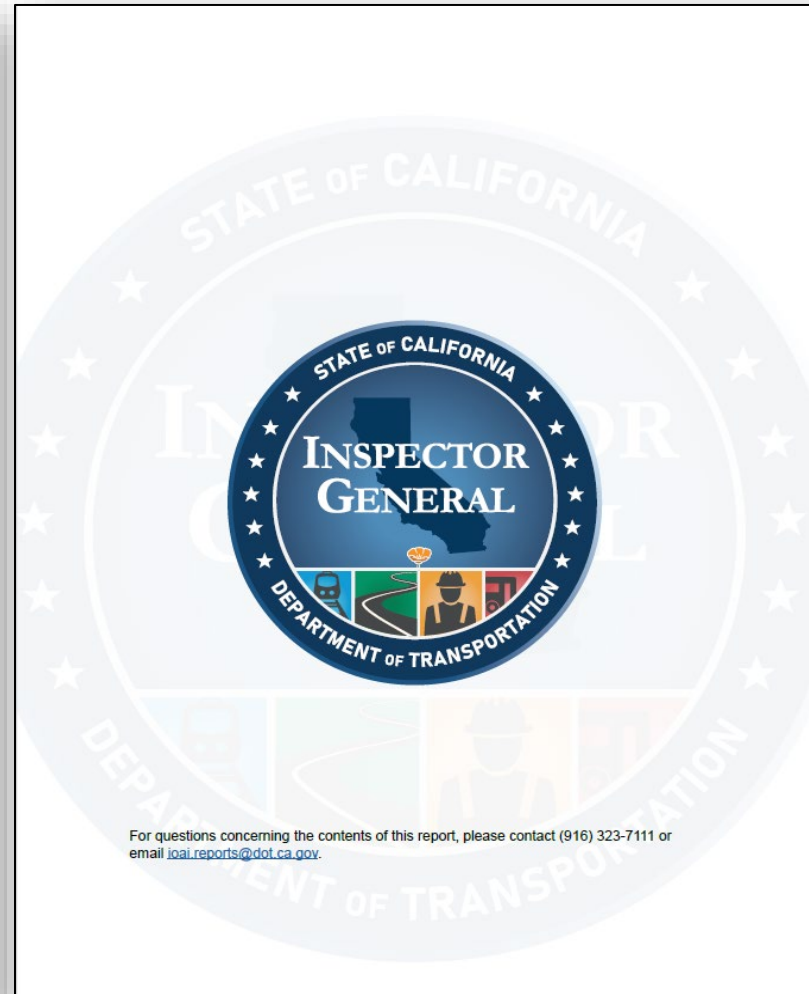
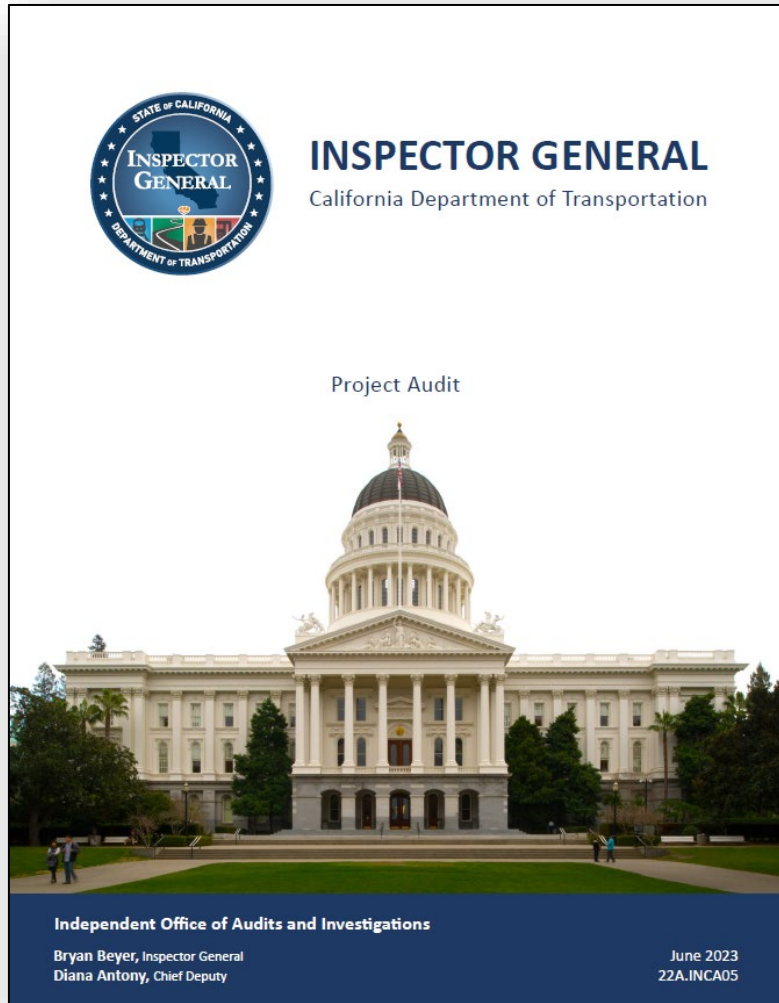
[Approved by Governor April 28, 2017. Filed with
Secretary of State April 28, 2017.]

legislative counsel's digest

SB1 created the Independent Office of Audits and Investigations (IOAI) within the department, with specified powers and duties.

SB1 specifies the duties and responsibilities of the Inspector General with respect to the department and local agencies receiving state and federal transportation funds through the department and requires that an annual report to be sent to the Legislature and Governor.

Independent Office of Audits & Investigations (IOAI)



IOAI webpage: <https://ig.dot.ca.gov/>

Independent Office of Audits & Investigations (IOAI)

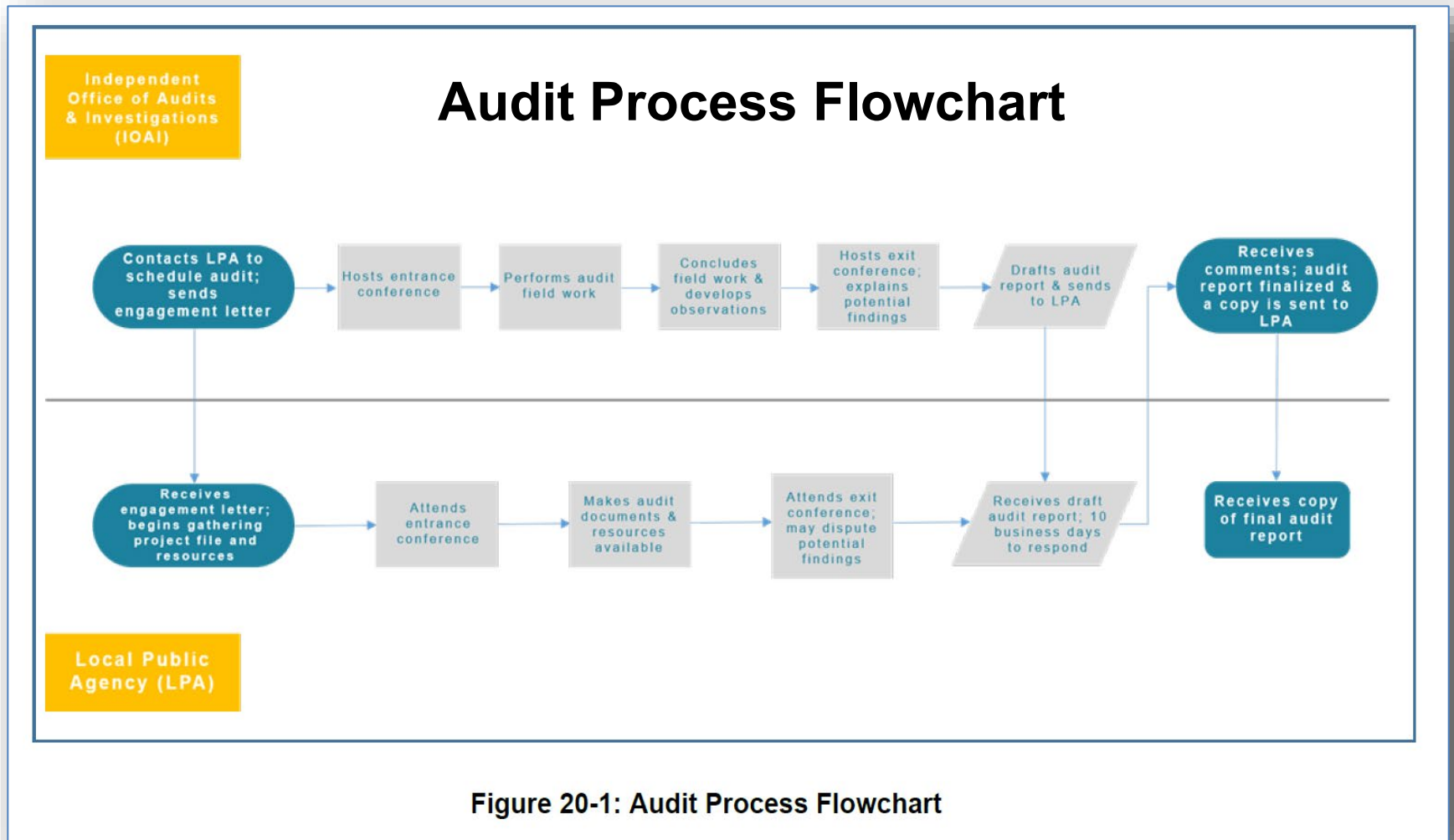


Figure 20-1: Audit Process Flowchart

Prepare to be Audited



Inspector General
California Department of Transportation

Bryan Beyer, Inspector General
Diana Antony, Chief Deputy

November

Director of Public Works

Engagement Letter— Project Audit

Dear Mr.

Pursuant to Government Code, Section 14460, the Independent Office of Audits and Investigations (IOAI) will conduct an audit of a sample of projects funded by the California Department of Transportation (Caltrans).

Our audit objectives will focus on whether project costs were allowable, adequately supported, and in compliance with Caltrans' agreement provisions and state and federal regulations; project deliverables were consistent with the project scopes and schedules; and project benefits were achieved and reported in accordance with applicable requirements.

An entrance conference will be scheduled at a later date. After the entrance conference, we will request information and documentation to perform the audit. At the conclusion of fieldwork, an exit conference will be conducted to discuss the audit results. Finally, a draft report will be issued requesting your written response. Your response, if any, will be incorporated into the final report that will be posted on our website.

Government Code, Section 14461, allows IOAI access and authority to examine all records of entities receiving state and federal transportation funds. We will conduct the audit in accordance with generally accepted government auditing standards.

If you have any questions, please contact Jonathan Cox, Audit Chief, at (916) 704-3428.

Sincerely,

A handwritten signature in black ink, appearing to read "Bryan Beyer".

Bryan Beyer, CIG
Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations
P.O. Box 942674, MS-2 (916) 323-7111
Sacramento, CA 94274-0001 <https://ioai.dot.ca.gov>



"We're just going to parachute in and do a quick audit without making a fuss about it."

Project Records & Audits

LAPM Section 2.12

Local Public Agency Records & Documentation

Good records of all project-related activities clearly demonstrate to all concerned that project supervision and control were maintained on the project.

As stated in the Master Agreement, project records are to be retained by LPAs for a period of **three years** from state payment of the final voucher.



Common Audit Deficiencies

Source documentation

- **Progress Payments**
Quantity Sheets *not* present or *not* executed properly. *Not* signed and check.
- **Weekly Statement of Working Days**
Not present, *not* signed and dated.
- **Resident Engineer & ARE**
Daily Reports
Not correlating to progress payments.
- **Tentative Agreements.**
Not correlating to daily reports.
- **Change Order**
Lacking or no documentation, procedures not followed.
- **Certificate of Compliance - Buy America**
Lacking or no documentation.
- **Consultant Procurement**
Lacking or no documentation, procedures not followed.

Possible Sanctions

- **Request reimbursement** of questioned and/or disallowed cost(s).
- **Do not authorize** new federal funds and do not recommend State allocations until corrective actions are implemented.
- **Suspend** the LPA's Master Agreement with Caltrans.
- **Stop** the project and project reimbursements if the audit is interim.
- **Withhold** State and federal funding until the deficiency is corrected.

State-Only Funds Project Matrix

What is the State-Only Funded (SOF) Matrix?

The SOF matrix was designed to clarify the roles and responsibilities when implementing State-only funded projects.

The SOF matrix provides direction to local agencies, the districts, and HQ on who-does-what and when for SOF projects.

State-Only Funds Project Matrix

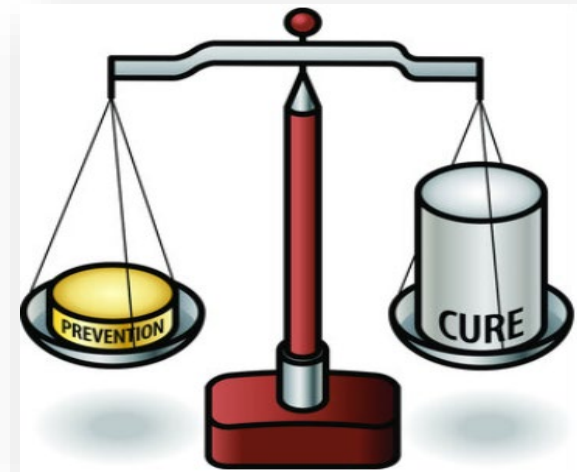
	Topic	Information Submitted to CT		Action by CT	Mandate/Best Practices	References
		DIAE	HQ	File, Review, or Approve		
Pre-Allocation	Reimbursement before allocation	Yes	Yes	File, Review	STIP: They could exercise SB184 with prior notice to the CTC and get reimbursed later, or they would not be able to reimburse costs prior to allocation ATP/SB1: Letter of No Prejudice (LONP) goes to CTC for approval	STIP Guidelines, SB184 utilization ATP Guidelines SB1 Guidelines
	A&E Consultants	No	Yes	File	CA Government Code 4525-4529.5	LAPM Ch. 10 (Consultant Selection). See 10.2
Allocation	CTC Allocation	Yes	Yes	File, Review, Recommend	CA Government Code/Statutes of 1977 Ch. 1106	LAPG Ch. 22 (ATP) and 23 (Local Agency STIP Projects) & CTC Allocation Form
Post-Allocations	PS&E Scope Verification Pilot	Yes	No	File	Senate Bill 1 Pilot and PS&E requirements on ATP projects where the PS&E scope is verified.	LAPM Ch. 12 (PS&E) and Exhibit 12-D: PS&E Checklist
	ADA	No	No	None	CA Gov. Codes 4450 and 4454(b)(5). Division of State Architect will review and approve ATP Safe Routes to School Projects only.	See COIN 19-02 (Plans, Specifications And Estimate, Division Of State Architect (DSA) Review).
	CEQA Date	Yes	Yes	File	CEQA Statute, Section 21082 CEQA Implementing Regulation, Section 15022(a), CEQA documents are not reviewed	LAPG CTC Allocation Form (e-resolution) http://www.ctc.ca.gov/programs/environmental
	R/W Clearance Date	Yes	Yes	File	CA Government Codes 14556.13	LAPG CTC Allocation Form. R/W Cert is self-certified by the implementing agency.
	Invoicing	Yes	Local Programs Accounting	Approve		LAPM Ch. 5 (Invoicing)
	Force Account	No	No	None	CA PCC 22030-22045	
	Timely Use of Funds	Yes	Yes	File, Review, Recommend	STIP Guidelines and CTC Guidelines	LAPG Ch. 23 (Local Agency STIP Projects) & CTC Allocation Form
	Projects getting federalized midstream (including Fed to State)	Yes	Yes	Approve	Any amount of federal funds on a project makes the project federalized. If a project switches unexpectedly from State-only to federalized, then all work stops and NEPA and right-of-way have to be brought into compliance before proceeding. Programmed to include the FTIP. It is best to federalize a project at the beginning if there is a chance of federal funds to be included later.	See COIN 19-01 (Project Delivery Requirements: Federal Funding vs. Non-Federal Funding By Project Phase).
Awarding with only 1 bidder (sole source)	No	No	None	CA Govt. Code 4527		
Close - Out	Final Inspection	Yes	Yes	Approve	LAPM Ch. 17 (Project Completion) Exhibit 17-H: Cover Letter and Final Report of Expenditures Checklist (FE Only). Exhibit 17-M: Final Project Expenditure Report	

Best Practices for SOF Projects

Best Practices

- Treat your SOF project as if they were Federal-Aid Projects.
- Employ the same Federal-Aid Project practices.
- Assume your project will be audited.
- Familiarize yourself with you SOF Master Agreement and the applicable chapters of LAPM and LAPG.
- Be Proactive!
Not Reactive!

**An Ounce of Prevention
is worth a Pound of Cure**
- Benjamin Franklin



Contacts for Local Assistance

- Caltrans [DLAE](#) and District Area Engineer, if questions arise.
- Caltrans [COE](#) and [A&E Area Engineers](#) can also be contacted for specific questions.