

California Department of Transportation

2023

# State of Good Repair (SGR) Program Guidelines

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## Guidelines for the State of Good Repair Program

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## I. Introduction

### 1. Program Background, Authority, and Purpose

On April 28, 2017, Senate Bill 1 (Chapter 5, Statutes of 2017), the Road Repair and Accountability Act of 2017, was signed, providing transit operators in California a consistent revenue source to invest in the repair, upgrade, and improvement of their agency's existing transportation services and infrastructure. This includes the maintenance and rehabilitation of existing vehicles, transit facilities, and the purchase of new, energy efficient transit vehicles. These investments will lead to cleaner transit vehicle fleets, increased reliability and safety, and reduced greenhouse gas emissions and other pollutants. This investment in public transit is the State of Good Repair (SGR) Program.

The SGR Program is funded from the Transportation Improvement Fee portion of the revenues received from the State Transit Assistance (STA) Program to the State Controller's Office (SCO). Pursuant to Public Utilities Code (PUC) Section 99312.1, these funds will be distributed to eligible agencies using the STA Program formula, distributing SGR funds according to population and transit operator revenues.

The SCO publishes annually the estimated SGR funding levels per PUC Section 99313 and PUC Section 99314 according to population and farebox revenues. Per PUC Section 99312.2 (c), only Regional Entities – transportation planning agencies, county transportation commissions, and the San Diego Metropolitan Transit System – shall be eligible to receive direct allocations from the SCO. Funds allocated per PUC Sections 99313 and 99314 shall then be sub-allocated by the Regional Entities to those public transit operators in their purview which have submitted the required project information to their respective Regional Entities for review and have been evaluated to be eligible to receive SGR funding and determined to best meet local transportation needs.

The California Department of Transportation (Caltrans) is legislated to administer the SGR Program and its goal of keeping transit systems in a state of good repair. These guidelines describe the policies and procedures to determine the list of projects eligible to receive an allocation of SGR funding each year, allocating such projects, reporting on project status and expenditures, and project closeout and audit (if needed).

Senate Bill 1 emphasizes the importance of accountability and transparency in the delivery of California's transportation programs. Therefore, eligible agencies receiving SGR funds will need to comply with all reporting requirements. Caltrans may revise these guidelines in future years.

### 2. Program Objectives and Statutory Requirements

The goal of the SGR Program is to provide funding for capital assistance in rehabilitating and modernizing California's existing local transit systems.

Each Fiscal Year, regional entities, working in conjunction with their transit operators, will compile and forward to Caltrans a list of project submittals proposed to be funded with SGR funds. These project submittals must include:

- Project scope and description
- Overall project funding plan
- Project schedule
- Estimated useful life of the project

Caltrans will provide the SCO the list of eligible recipients after having determined all required information was provided and the projects listed are eligible to receive an apportionment of SGR funds.

Each recipient agency is required to submit to Caltrans an annual Project Status and Expenditure Report on all activities ongoing or completed for each project having received SGR funds.

**Caltrans requires all project information and reporting to be submitted electronically through the online California State Multi-Modal Accountability Reporting Tool (CalSMART).**

Each recipient agency must also report to Caltrans the SGR revenues and expenditures in their annual Transportation Development Act (TDA) Audit or Annual Comprehensive Financial Report (ACFR).

### **3. Program Roles and Responsibilities**

Caltrans shall:

- Report to the SCO the list of eligible recipients submitted by the Regional Entities to receive an apportionment of SGR funds for the applicable fiscal year.
- Report project status, progress, and expenditures as supplied by recipient agencies through CalSMART.
- Perform audits of project expenditures and outcomes.
- Develop, maintain, and revise these program guidelines as necessary.

The SCO shall:

- Establish a uniform system of accounts, records, and reporting mechanisms as required.
- Calculate and publish the SGR allocation amounts per PUC Section 99313 and PUC Section 99314.
- Upon receipt of the list of approved recipients from Caltrans, the SCO shall allocate SGR funds on a quarterly basis to the regional entities (unless determined otherwise).

Eligible Regional Entities shall:

- Receive project submittals from eligible transit operators and review to ensure the proposed project(s) meets the following criteria:
  - The project meets the SGR eligibility requirements
  - Confirm that the project is appropriate for the overall transit plan designed for the region.
  - Verify estimated amount of SGR funds to be made available to the project/operator based on the SCO's SGR Allocation Estimate letter.
  - Include any requirements the Regional Entity determines best to suit their respective regions and transit/transportation needs.
  - Obtain Board Resolution or other documentation by the region's governing entity indicating approval of the proposed project list.
- Provide Caltrans with the list of projects proposed to be funded with the SGR apportionment:
  - This list should include all proposed allocations of SGR funding made available to the region per PUC Section 99313 to the projects to be implemented directly by the Regional Entity and/or allocated to their respective transit operators.
  - The list of projects submitted by the transit operators within their regional jurisdiction to be funded with the SGR apportionment made available to the operators per PUC Section 99314.
  - This list, along with documentation of approval by the region's governing entity, is to be submitted to Caltrans by September 1.
- Receive and allocate SGR funds to projects in their region based on their local transit/transportation needs (PUC Section 99313).
- Receive and sub-allocate SGR funds to the transit operators under their jurisdiction according to the amounts published by the SCO (PUC Section 99314).
- When implementing its own SGR project(s), the Regional Entity shall report the project status and expenditures to Caltrans annually, ensuring funds have been expended on SGR eligible activities.
- Comply with all relevant federal and state laws, regulations, and funding policies.

Eligible Transit Operators shall:

- Provide to the respective regional entity the proposed list of projects to be funded with SGR apportionment made available per PUC Section 99314 and/or, on a regional basis, per PUC Section 99313 by the deadline set by the respective regional entity.
- When implementing its own SGR project(s), the Transit Operator shall report the project status and expenditures to Caltrans annually, ensuring funds have been expended on SGR eligible activities.

- Provide documentation determined necessary by the operator's respective Regional Entity.
- Comply with all relevant federal and state laws, regulations, guidelines, and funding policies.

#### 4. Program Schedule

The following schedule lists the annual timeline for the SGR Program:

<b>Annual State of Good Repair (SGR) Timeline</b>	
The State Controller's Office (SCO) releases estimated amounts for each potential recipient agency for the upcoming Fiscal Year	No later than January 31
Project lists due to regional entities	TBD by Regional Entities*
The SCO releases revised estimate for the current Fiscal Year	August 1
Project Lists submitted by Regional Entities to Caltrans through CalSMART (use estimates provided by SCO in January should the August estimates not be available)	September 1
List of Agencies with approved projects due from Caltrans to the SCO	October 1
Quarterly Payments made	1 <sup>st</sup> Quarter - November 2 <sup>nd</sup> Quarter - February 3 <sup>rd</sup> Quarter - May 4 <sup>th</sup> Quarter - August
Recipient agencies to report project status, progress, and expenditures through CalSMART	January 31
Transportation Development Act audit and/or Annual Comprehensive Financial Report due from each eligible agency (pursuant to PUC 99245)	December 31

\*Each regional entity shall establish their own deadline for transit operators to submit project lists to meet the September 1 deadline to Caltrans.

## II. Eligibility

### 1. Eligible Recipient Agencies

Pursuant to PUC Section 99312.2(c), the only entities eligible to receive a direct allocation of SGR funds from the SCO are: transportation planning agencies, county transportation commissions, and the San Diego Metropolitan Transit Development Board.

Pursuant to PUC Section 99314, the regional entities listed above shall then sub-allocate funds to:

- Transit operators listed on the State of Controller's Office's SGR Allocation Estimate letter. (For purposes of these guidelines, these transit operators are also eligible agencies.)
- In addition, pursuant to PUC Section 99313, eligible agencies may participate in the regional process, as determined by the applicable regional entity, and may therefore also be an eligible recipient of PUC Section 99313 funding.

All SGR eligible agencies that are identified in the SCO's annual SGR Allocation Estimate letter, must prepare and submit a project list to qualify for funding. Eligible recipients should prepare and submit their project list to their respective regional entity.

The regional entity shall review the project lists as submitted by the SGR eligible agencies in their region and, if projects listed are in compliance with eligibility of these Guidelines and no additional information is needed, forward the project list(s) to Caltrans for review.

Eligible recipients assume responsibility and accountability for the use and expenditure of SGR Program funds and must comply with all relevant federal and state laws, regulations, policies and procedures.

## 2. Eligible Projects

SGR funds are made available for capital projects that maintain the public transit system in a state of good repair. PUC Section 99212.1 (c) lists the projects eligible for SGR funding, which are:

- Transit capital projects or services to maintain or repair a transit operator's existing transit vehicle fleet or transit facilities, including the rehabilitation and/or modernization of the existing vehicles or facilities.
- The design, acquisition, and construction of new vehicles or facilities that improve existing transit services.
- Transit services that complement local efforts for repair and improvement of local transportation infrastructure.

Examples include, but are not limited to, the following:

- Replacement or rehabilitation of:
  - Rolling stock
  - Passenger stations and terminals
  - Security equipment and systems
  - Maintenance facilities and equipment
  - Ferry vessels
  - Rail
- Transit Preventative Maintenance
  - Preventative maintenance is only to maintain existing infrastructure and vehicles in a state of good repair, essentially repair and rehabilitation. Normal maintenance such as oil changes and other regularly scheduled

vehicle maintenance are to be covered under the transit agency's normal operating costs and are not eligible for SGR funding.

- Public and Staff Safety
- New transit facilities or equipment needed to maintain existing transit service(s)

To the extent possible, cost effective, and where feasible, the SGR Program encourages eligible recipients to promote "fix-it-first" transit capital projects that reduce greenhouse gases and help achieve the state's environmental goals. Examples of such projects may include replacement of vehicles with partial and/or zero emission vehicles, green technology equipment enhancements, or transit facility upgrades to improve energy efficiency.

Caltrans may approve other appropriate replacement and rehabilitation projects not listed here. Projects that solely expand capacity or service are not eligible projects. However, the expansion of capacity within a replacement project to address current or projected short-term service needs, e.g., replacing a maintenance facility with a larger facility or replacing a bus with a larger bus, are eligible.

The SGR Program is a transit capital program. Transit operations, transit agency administration, and program management are not eligible. Also, the following project construction development phases are not eligible as a stand-alone project:

- Pre-planning
- Planning
- Environmental

However, expenditures on these project construction development phases are allowable when included as part of a capital project. Project development costs should not exceed 20 percent of the total estimated project cost.

Eligible recipients must have the financial means to maintain and operate project services and the ability to accept their legal liabilities and fulfill financial obligations for the project's useful life.

### **3. State of Good Repair and Federal Transit Asset Management Plans**

With the national mandate to implement transit asset management plans and systems, in the future, the SGR Program envisions its projects should be included in a prioritized listing and/or a program of transportation projects consistent with the regional transportation plans within each region.

## **III. Project List Submittal**

Pursuant to PUC Section 99312.1(d)(1), prior to receiving an apportionment of the SGR funding from the SCO in a given Fiscal Year, agencies identified on the SCO Allocation

Estimate letter must submit a list of projects, and supporting documentation, proposed to be funded with SGR funds.

Project lists and all supporting documentation are to be submitted electronically through CalSMART. Electronic submissions via: SB [1SGRcomments@dot.ca.gov](mailto:1SGRcomments@dot.ca.gov) will only be accepted should submissions of this nature be prearranged and agreed upon by the transit operator, the regional entity, and Caltrans.

### 1. Project List Submittal Information

Each regional entity shall review all project lists from the operators within their region and, having obtained review and approval by their respective governing board, forward the project lists, including anticipated use of PUC Section 99313 and Section 99314 funds to Caltrans via CalSMART. In anticipation of the SGR Program's September 1 deadline, the regional entity shall establish its own timelines in its efforts to collect project lists from transit providers within their region.

Note: Quarterly, the SCO will allocate SGR funds solely to those eligible recipients that have submitted timely and complete information. Funds will not be held for allocation to agencies that submitted late project lists or failed to submit at all.

### 2. Required Documents from Potential Recipients

All potential recipients listed in the SCO Allocation Estimate letter must submit the following two documents to Caltrans prior to receiving their initial SGR allocation. This is a one-time requirement. However, a re-submittal of an amended Authorized Agent form is required should the local agency have a personnel change.

- Authorized Agent Form – The executive authority of the potential recipient must submit a signed and dated Authorized Agent Form identifying the agent who has the authority to act on behalf the Agency.
- Certifications and Assurances – Each potential recipient must submit a signed, dated, and Board Approved Certifications and Assurances document.

All regional entities and transit operators who expect to receive SGR funds are required to submit both the Authorized Agent and Certifications and Assurances documents to Caltrans prior to receiving SGR funding. A Board Resolution or equivalent verifying approval should accompany the Certifications and Assurances.

### 3. Content and Format of Project List Submittals (in CalSMART)

Each potential recipient as listed in the SCO Allocation Estimate letter shall submit a list of projects to their respective regional entity including the following:

- A proposed list of projects to utilize, at a minimum, the estimated amount of SGR funding programmed for the recipient for the upcoming fiscal year (use estimates provided by the SCO in January and/or August). This list must include the following information:

1. Project Title
2. Proposed Project Description (Scope of Work)
  - a) Vehicle or rolling stock projects should indicate the number of vehicles, size, passenger count, accessibility, and fuel type
  - b) Estimated benefits provided by project
3. Proposed Project Schedule (Start to Completion)
4. Project Location
5. Estimated Project Cost by Fiscal Year
6. Estimated Useful Life of the Improvement

An eligible recipient may choose to contribute its SGR funding apportionment (partial or whole) to another eligible recipient to carry out a project consistent with the SGR Program's goals and objectives. The contributing agency must notify the regional entity and Caltrans of their intention to transfer funds and indicate the amount and the operator to whom the funding will be transferred.

Funds can only be allocated from the SCO to the contributing agency's designated regional entity. The local agency must make arrangements for the transfer of funds to the alternate local agency. Caltrans is not responsible for tracking funding agreements (borrowing, loaning, delegating, relinquishing funds, etc.) between the contributing and recipient agencies.

A pass-through arrangement to another recipient does not relieve the contributing agency of its responsibilities to carry out the terms and conditions of the SGR Program. The contributing agency is responsible for ensuring the project is completed as described on the project list and in compliance with all items in the Certifications and Assurances document.

Regional Entities shall review project lists submitted by the transit operators in their region and forward the project list(s) to Caltrans accompanied by an approved declaration, board resolution and/or other appropriate document(s), from their respective governing board.

Regional Entities are expected to verify the local operator's approval of their individual project lists. This could include:

- Requiring a signed cover letter on agency letterhead, with original signature authorizing and approving the list of projects for funding,
- A signed and dated Board Resolution, or equivalent, authorizing the list of projects for SGR funding commitment, or
- A copy of a publicly adopted document listing the applicable projects (for example the Short-Range Transit Plan).

Regional Entities shall establish their own requirements for the supporting documentation their respective local operators are to provide in respect to the

documentation required of the Regional Entity by their respective governing board when supplying both operators and the region's own project list.

#### **4. Fund Accruals**

Failure to submit an annual project list will result in loss of the year's SGR apportionment. The SCO will allocate each year's funding according to the regular quarterly payment schedule allowing the agency to accrue the needed funds and then begin on the project. If a potential recipient is not prepared to start the project in the current fiscal year, it may submit a project list that includes a project scheduled to begin later and may accrue funding for up to four years to be used for a future project.

### **IV. Project List Approval, Allocation, and Delivery**

#### **1. Project List Approval**

Caltrans will review the proposed project list to ensure compliance with the requirements and objectives of the SGR Program. Once the proposed project list is approved, Caltrans will provide the list of eligible recipients to the SCO. This list of approved recipient agencies will be posted on Caltrans' [State of Good Repair website](#).

#### **2. Allocation**

After receiving the approved list of eligible recipients from Caltrans, the SCO will apply the formula pursuant to PUC Section 99313 and PUC Section 99314 to those recipient agencies eligible to receive an apportionment of SGR funds for that applicable Fiscal Year. The SCO will issue and release payments to the eligible recipient's County Treasurer's Office on a quarterly basis. The regional entities are responsible to sub-allocate the funding pursuant to PUC Section 99314 to the applicable transit operators according to the amounts provided by the SCO.

Upon the receipt of funds, recipient agencies should deposit their SGR funds into a bank account dedicated solely to SGR funds for transparency of fund receipt. If a separate account is not possible, the recipient agency must provide documentation, or a subaccount dedicated to SGR funds. All recipient agencies will be asked to report the amount of accrued interest on allocated SGR funds. Earned interest on SGR funds can only be encumbered and liquidated on approved SGR projects.

#### **3. Project Revisions**

Each region's project list shall not limit its flexibility to fund listed projects in accordance with local needs and priorities. If a recipient agency determines it needs to spend an allocation on a different project that was not included on an approved project list, and the newly identified project scope is eligible for SGR funding, it shall submit a modified project list and supporting documentation to the regional entity for approval.

The regional entity must notify Caltrans of the project change and provide an updated project list and related documentation indicating governing board's review and approval.

Caltrans shall respond within 30 days to the region and recipient agency, and, once approved by Caltrans, the recipient agency may expend funds on the substitute project.

Any identified savings after the completion/cancellation of a project should be applied to an existing project or new project, the scope of which is eligible for SGR funding. Any new proposed project must demonstrate documentation of review and approval by respective governing board (i.e., approved board resolution). Unexpended funds must be listed on the project list submitted each year until fully expended.

#### 4. Extensions in Case of Delays

Once a project has started the funds should be fully liquidated within four years. In certain situations, an extension may be granted for delays beyond the four years. The agency must provide a signed letter from their designated authority to the SGR Program Manager, addressing the special circumstances requiring an extension. The request for additional time should supply the following information:

- An explanation of the situation and/or cause of the delay,
- Steps the agency plans to take in resolving the source of the delay, and
- An estimation of additional time needed.

## V. Project Status and Expenditure Reporting

Each year recipient agencies are required to submit a report on the activities and progress made toward implementation of SGR funded project(s) to Caltrans. The purpose of these reports is to ensure SGR funded projects achieve the intended goals of the SGR Program, are executed in a timely manner, and are within the identified and approved scope and budget.

Recipient agencies will provide project status and expenditure reporting through [CalSMART](#). CalSMART User Guides are available upon request.

#### 1. Annual Project Status/Expenditure Report

Using CalSMART, recipient agencies must report on project status and all SGR expenditures by January 31 each year. The report must include the total amount of SGR funding received during the Fiscal Year and the amount of funding expended or carried over. If a balance of SGR funds is carried over to a future year, that balance must be listed in each year's Project Status and Expenditure Report until fully expended. The report must include yearly progress on each funded project. This includes:

- Project Title
- Detailed Project Description (Scope of Work)
  - a) Vehicle or Rolling Stock projects should indicate the number of vehicles, size, passenger count, accessibility, and fuel type

- b) Preventative maintenance projects should include details on how/what these funds were expended and the asset(s) that were maintained
- Updated Project Schedule of Completion
  - Project Location
  - Actual Expenditures per Project
  - Useful Life of the Project Improvement
  - Unexpended Balances and earned interests

To conform to State regulation, compliance, and accountability, Caltrans may adopt additional performance targets of capital assets in the future. The SGR program will provide notification of such changes.

Each regional entity shall submit an annual Project Status and Expenditure Report to Caltrans including the above information for any projects in which the regional entity is designated as the applicant agency or undertaking on behalf of the local transit operator. In addition, the regional entity must identify both the actual amount of funding sub-allocated to each operator in their region and the actual amount retained by the regional entity each Fiscal Year.

Each transit operator shall submit an annual status and expenditure report including the above information on all funded projects and identifying the actual SGR funding amounts received each fiscal year.

## 2. Final Delivery

When the project is completed, the recipient agency shall provide final delivery outcomes during the Project Status and Expenditure Reporting period within that year of project completion. The final delivery outcomes must reflect:

- Final project expenditures,
- Changes that occurred after submittal of the Completion Report, and
- Updated evaluation of the benefits derived from the project (see the following table):

PERFORMANCE MEASURE	QUANTITATIVE BENEFITS
Improved Safety	Reduction in related incidents, improved security onboard or at facilities
Increased Useful Life	Preventative maintenance (identify asset, time and investment made, amount of downtime reduced, expected increased life expectancy of the asset)
Efficiency	Improved farebox recovery, reduced cost per trip or passenger mile, reduced vehicle miles traveled, improved on-time performance, increased ridership

Environmental Resources Conservation	Reduced emissions or fuel consumption, purchase of rolling stock that use alternative fuels, “green” facilities purchase or upgrade
System Preservation - Increase reliability	Reduced average age of fleet and/or reduced maintenance costs
Accessibility	Improve geographic coverage in populations served
Mobility	Connectivity to other modes, improved quality of services such as connectivity, reliability, and amenities
Economic Impacts	Direct impacts include jobs created directly by the transit system, indirect impacts resulting from jobs and income spent in industries that supply inputs to the transit system (fuel, repairs, insurance, etc.), and induced impacts.

Caltrans may include this information in its reporting.

### 3. Financial Audit Report

Pursuant to PUC Section 99245, the annual audit of public transportation operators required under the Transportation Development Act (TDA) Audit must include verification of the receipt and appropriate expenditure of SGR funds.

Agencies having received an allocation of SGR funds in a Fiscal Year a TDA Audit is conducted must submit a copy of that audit, or Annual Comprehensive Financial Report (if applicable), identifying SGR funds separately from other State Transit Assistance funds to Caltrans within six months after the close of the Fiscal Year (December 31).

A 90-day extension (from the December 31 deadline to March 31) may be requested but the recipient agency must notify Caltrans in writing, via email or formal letter, if such an extension is needed.

### 4. Senate Bill 1 Accountability Reporting

It is important for Caltrans to receive timely reports from each eligible recipient agency to demonstrate the performance outcomes and benefits of the SGR Program.

Additional reporting requirements may be added as needed to meet accountability measures.

Recipients of SGR funding agree to submit reports in a timely manner in accordance with the terms and provisions of these Guidelines cited herein.

Recipient agencies must ensure that projects and/or project component(s) programmed to receive SGR funding will be administered in accordance with both these Guidelines

and with the Senate Bill 1 Accountability and Transparency Guidelines as adopted (and amended) by the California Transportation Commission.

Failure to comply with all applicable guidelines, including the Senate Bill 1 Accountability and Transparency Guidelines, could result in actions against the recipient agency. Caltrans will determine appropriate corrective action for noncompliant recipient agencies. These actions may include but are not limited to the following:

- A written warning to the recipient agency.
- Placement on a watch list posted to the State of Good Repair website.
- Be recommended that the agency undergo an audit performed by the Bureau of State Audits.

## VI. Spot Audits

All recipients and sub recipients of SGR funds are subject to audits. Caltrans, the Department of General Services, the Department of Finance, the Bureau of State Audits, the California State Legislature, and their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of the SGR Program's recipients and sub recipients.

All recipients and sub recipients must maintain program records for possible audit for a minimum of three years after final payment unless a longer period of record retention is stipulated. Recipients and sub recipients shall allow the auditor(s) access to such records during normal business hours and allow interviews of any employees who might reasonably have information related to such records. Further, recipients and sub recipients must agree to include a similar right of the State to audit records and interview staff in any subcontract related to projects under the SGR Program.