

# **3.00.00.00 – PROGRAMMING AND BUDGETING**

# CHAPTER 3

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## **3.01.00.00 – DATABASES AND DATA MANAGEMENT SYSTEMS**

### **3.01.01.00      General**

The Department uses numerous databases and data management systems. Those used most frequently by R/W personnel are discussed in the following sections.

### **3.01.02.00      R/W Databases and Data Management Systems**

The R/W data entered into various data management systems is used to produce statewide reports required by Caltrans management and external agencies. It is critical that R/W personnel accurately input R/W information into all systems in a timely manner.

The data management systems that require updates from R/W include, but are not limited to, Project Resource and Schedule Management (PRSM), R/W Management Information System (ROWMIS), AMS Advantage (Advantage), Federal Aid Data System (FADS), R/W Property Management System (RWPM), R/W Excess Lands Management System (ELMS), and the R/W Utility Management System (RUMS). Ultimately, the Division plans to roll RWPM, ELMS, and RUMS into an updated ROWMIS system.

#### **DATABASES AND DATA MANAGEMENT SYSTEMS**

- Right of Way Management Information System (ROWMIS)

ROWMIS houses data for several functions in R/W, including R/W Engineering, Estimating, Appraisals, Acquisitions/Condemnation, RAP, and Demolition. ROWMIS contains data on both a project and parcel level. It offers sections to add comments and project-related documents to the server. There is also a built-in tracking report called the Status of Project Report. All R/W functions are responsible for maintaining their own sections of ROWMIS.

- Right of Way Supplement System (ROWSUP)

ROWSUP is a supplemental system that Districts can use to manage their R/W capital annual allocation. ROWSUP can also act as a District ledger and track project-level R/W capital commitments.

- Right of Way Property Management System (RWPM)

RWPM is one of the mainframe databases currently used to maintain Property Management information. It contains information of parcels acquired for project delivery, which can be rented until needed for the project or becomes excess land inventory to be sold.

- Right of Way Excess Lands Management System (ELMS)

ELMS is also a mainframe database being used to track all excess parcels that are no longer needed for project delivery.

- Right of Way Utility Management System (RUMS)

RUMS is also a mainframe database being used to track utility relocation activities for project delivery.

- SCOPE (SCOPE)

SCOPE is the mainframe system that houses ELMS, RUMS, and RWPM data systems. A SCOPE account is needed to access RWPM, ELMS, and RUMS.

- Project Resource and Schedule Management (PRSM)

PRSM is the Department's project management tool to assist in project resource and schedule development, project management, and tracking the status of projects. PRSM is the system of record for the R/W Capital Plan. R/W capital costs are maintained on the R/W Capital Financial Plan (RCFP) screen.

- AMS Advantage (Advantage)

Advantage is the Department's accounting, procurement, and budget database, which houses data for all financial transactions (accounts receivable and payable), support and capital expenditures, procurement transactions, and budgets. The Division of Accounting is responsible for maintenance and support of this statewide system.



Advantage is accessible to all staff for view only, or for data input by appropriate approved staff, through CT Pass.

- Federal Aid Data System (FADS)

FADS was created to replace manual processing of Federal Aid Funding Requests, formerly known as FNM-76 or E-76 (Request for Approval to Proceed) with an electronic transfer data system. This system allows the Department to enter project information directly and to transmit the data electronically to FHWA's Fiscal Management Unit in Sacramento. FHWA can review and approve project data expeditiously and to process the data into FHWA's Federal Management Information System (FMIS) in Washington, D.C.

- California Transportation Improvement Program System (CTIPS)

CTIPS is an Oracle database used internally and externally to manage the programming and allocation of funds for State Transportation Improvement Program (STIP), Traffic Congestion Relief Program (TCRP), Bonds, State Highway Operation and Protection Program (SHOPP), and local projects.

### **3.01.03.00      Accessing Data Systems**

To access the data systems, users must have appropriate user rights. Agents have full access to specific databases depending on the functional unit they are assigned to and read-only access to other databases.

Agents can request access to accounts through their immediate supervisor as follows:

1. ROWMIS Account – Each district has a designated ROWMIS Administrator who can assign a user account, or a request can be sent to the [ROWMIS Administrator](#) (internal Caltrans link).
2. SCOPE Account – R/W Agents who work in RW Property Management, RW Excess Lands, or RW Utilities functional units would require a SCOPE account to access RWPM, ELMS, or RUMS. Each district has a designated [RACF Coordinator](#) (internal Caltrans link) who can assign a SCOPE account. Additional software installation may be required.

3. PRSM Account – New users must complete an online training course through the Project Delivery eLearning Center (PDec) before requesting an account. Contact the appropriate [District Security Gatekeeper](#) (internal Caltrans link) for more information. P&M staff need “Div Co-ord RW Group” security rights to update the RCFP screen.
4. Advantage Account – Employees need CT Pass to access Advantage. Default access roles are automatically assigned when an Advantage account is created. This grants read-only access to all screens in the system. Additional rights must be requested by a supervisor using the [Security and Workflow Form](#) (internal Caltrans link).
5. CTIPS Account – The CTIPS database is managed and updated by the Division of Financial Programming. Read-only rights can be requested by [emailing CTIPS Support](#).
6. FADS Account – The Division of Budgets, Office of Federal Resources, manages the FADS database. New accounts can be requested using the [FADS User ID Request Form](#) (internal Caltrans link).

### **3.01.04.00      Reporting Tools**

Reporting tools provide access to datasets in R/W databases as well as other Department databases. Statewide R/W users have access to the Discoverer, ROWSUP, Quality Management Reporting System (QMRS), and Enterprise Datalink (Datalink) reporting tools. Districts may have other reporting tools, not mentioned here, serving their own needs.

1. Discoverer – This is an Oracle tool allowing an agent to download data from a variety of R/W databases for analysis and reporting purposes. Discoverer can be accessed by all staff from the [Discoverer log-in page](#) (internal Caltrans link). The [Discoverer User Guide](#) (internal Caltrans link) includes instructions for logging into the system and creating reports. A Discoverer account is required. User can request an account under the same process as requesting ROWMIS account.
2. ROWSUP – ROWSUP is a reporting tool created and maintained by North Region R/W. It provides many useful datasets and queries from both R/W and Department databases. User accounts may be requested by R/W staff via email request to the ROWSUP Administrator link shown on the [ROWSUP page](#) (internal Caltrans link).

3. QMRS – QMRS is a database reporting system for Project Delivery. It is used to aggregate and display data captured in the Project Delivery Workload Development Migration warehouse. Data is refreshed daily. QMRS reports can be accessed at the [Project Delivery Reports page](#) (internal Caltrans link). No user account is needed.
4. Enterprise Datalink (Datalink) – Datalink contains information from Advantage and was developed as a method to obtain data in a timely manner for inquiry and reporting purposes. Information is updated nightly and contains historical financial data from the former financial system called TRAMS. Datalink is accessible to all staff through [CT Pass](#) (internal Caltrans link).

## **3.02.00.00 – EXPENDITURE AUTHORIZATION (EA) /PROJECT IDENTIFIER (PROJECT ID)**

### **3.02.01.00      General**

An Expenditure Authorization (EA) is a six-digit numeric code assigned to a project, or to non-project activities such as overhead costs. EAs were recorded in the previous financial system, TRAMS. However, with the implementation of AMS Advantage (Advantage), EAs were replaced with a 10-digit code called a Project Identifier (Project ID). The EA numbering system is still in use since some of the Department's legacy systems depend on it.

EAs/Project IDs are used to track costs. They allow for proper management of project-related expenses and help with budgeting of future resources based on historical data. EAs and the associated Project ID are assigned in the districts by District Project Control. When a Project ID is being created in Advantage, the EA is also entered for reference. Once tabled in Advantage, the Project ID and EA are populated into the Project ID Crosswalk.

### **3.02.02.00      Multiphase Project IDs**

Multiphase EAs (0X01XX to 4X99X9) are for projects with more than one phase (category) of work that requires separate accounting for each phase. A multiphase EA is structured as follows:

<b>XXXX</b> Four Characters	<b>X</b> Fifth	<b>X</b> Sixth
Basic Serial Number (First character is in range 0-4)	Segment Code	Phase Code (Phases specific to R/W activities are 2 and 9)

The first four digits of the EA comprise the Basic Serial Number of a project. The district assigns this number before work is started on the Project Study Report, and the number is retained for the entire life of the project, including all phases of work.

The fifth digit of the multiphase EA identifies the project segment, if the project is segmented.

The last or sixth digit represents the phase of the project. The functional phase codes are as follows:

<b>Phase</b>	<b>Description</b>
K	Project Study Report
0	Project Report/ Project Approval & Environmental Document (PA&ED)
1	Plans, Specification, and Estimate/Design
2	R/W Operations (Support)
3	Construction Engineering (Support)
4	Construction (Major, Minor A, Maintenance Contracts)
9	R/W Capital

### **3.02.02.01      Phase 2 – Support**

A multiphase project EA ending with 2 accounts for R/W support expenditures. The Phase 2 EA covers labor charges and all operating and equipment expenses chargeable to a project.

### **3.02.02.02      Phase 9 – Capital**

A multiphase project EA ending with 9 accounts for R/W capital outlay expenditures. The Phase 9 EA usually covers costs of:

- R/W acquisition
- Excess land purchases
- Inverse condemnation expert witnesses, legal expenses, and settlements
- Title and escrow fees
- Condemnation deposits, expert witnesses, legal expenses, and settlements
- Project development permit fees
- Relocation Assistance Program
- Demolition and clearance
- Railroad Coordination service contracts
- Utility positive location and relocation
- Offsite mitigation activities and mitigation credit purchases

### **3.02.03.00      Single Phase EA**

The types of single phase EAs (9XXXXX) are:

- **Overhead** – to record costs incurred by each function/organization in managing, supervising, and supporting the work and personnel of their areas of responsibility.
- **Owner-Operator** – to record costs considered necessary to ensure the integrity of the Highway System, but which do not directly relate to delivery of a project. (Effective July 1, 1999, it is no longer a valid EA category.)
- **Programmatic** – to record costs associated with achieving the goals of the Department's noncapital outlay programs (e.g., Airspace, Outdoor Advertising).
- **Single Task** – for projects with only one phase (function of work).
- **Service Center** – to record time spent by Caltrans employees for technical services for the department's functional units (e.g., Information Services, Equipment, and Legal).
- **Reimbursed Work for Others** – to record costs of performing work requested by and for the benefit of an entity external to Caltrans.

### **3.02.04.00      Establishing EAs/Project IDs**

The District Project Control Officer assigns an EA sequentially and establishes its Project ID in Advantage with the EA referenced in the project setup. District P&M Project Control is responsible for creating and opening R/W phases for established Project IDs in Advantage. Normally, R/W phases are created by a Cost Accounting Modification (CAM) document in Advantage. This enables the Department to maintain standard identification of projects for proper tracking and management of project costs.

District P&M must ensure that Project IDs for federal-aid projects are tabled in Advantage before commencing R/W work. Also, if Project IDs were previously established as State-only funded, and federal participation is now secured on the project, then District P&M must adjust the Project ID funding source effective with the approval of the E-76.

Accounting occasionally establishes non-project related EAs for special purposes; for example, EA 0R0005 for recording work activities related to excess lands inventory, or 0R006 for recording work activities related to property management of state-owned parcels.

Headquarters Project Control Branch approves all Project IDs and phases entered into Advantage for consistency with legal, financial, and administrative authorities or policies on work and maintains the integrity of the overall system and process.

R/W must conform to the standard identification system to avoid discrepancies between identification of the same project in Advantage and PRSM. (See [Project Management Directive Number PMD 002](#) [internal Caltrans link] on Project Identification.)

The table below entitled “EA/Project ID Process” provides an overview of the process for establishing or supplementing R/W Project IDs.

### **3.02.05.00**      **Project ID Adjustments for Combined and Split Projects**

Upon notification from Project Development to combine or split projects, R/W must adjust Project IDs according to instructions in [Exhibit 03-EX-01](#).

To determine the correct use of the EA/Project ID under specific conditions, Agents should reference Chapter 5 of the latest [Project Changes Handbook](#) (internal Caltrans link).

### **EA/PROJECT ID PROCESS**

<b>Step</b>	<b>Responsible Party</b>	<b>Action</b>
1	District P&M	Accesses Advantage using the CAM document to create R/W phase(s) for a Project ID.
2	District P&M	Approves authorized amounts for R/W phase(s).
3	District P&M	Sends CAM to HQ Project Control via electronic processing and submission in Advantage.
4	HQ Capital Outlay Support Unit	Creates BGE94 in Advantage for the R/W 2 phase for STIP, SHOPP and Reimbursed funded projects and R/W phase 9 for individually allocated projects.
5	District P&M	Creates BGE94 in Advantage for R/W phase 9 for STIP and SHOPP funded projects not individually allocated.
6	HQ Project Control	Reviews CAM and supporting documentation for proper coding.
7	HQ Project Control	Approves CAM in Advantage to table the R/W phase with the Project ID and sends confirmation to District R/W Project Control.

### **3.02.06.00 Closing R/W Phase 2/9**

The R/W phases of an EA/Project ID are closed when District R/W determines that all R/W work is completed, and expenditures are fully recorded. District P&M initiates this action by deactivating the R/W phases in Advantage via the CAM process. The capital outlay close-out policy is documented in [Project Delivery Directive PDD-015R1](#).

Occasionally, Headquarters Federal Program Accounting requests a change in the activity status for R/W phases (from inactive to active) related to a federal-aid project after the federal-aid project is in the final vouchering stage.



## **3.03.00.00 – RESOURCE MANAGEMENT – SUPPORT**

### **3.03.01.00      General**

Capital Outlay funds construction contracts, right of way (R/W) capital and utility relocations for State Highway improvements. Capital Outlay Support is work required to produce Capital Outlay. R/W support personnel provide staff assistance for support matters concerning Project and Resource Management System (PRSM) and Capital Outlay Support budgets. This includes performance of studies and recommendations for improvement of right of way capital outlay support in PRSM, Work Estimating Norms and Work Breakdown Structure (WBS), as well as related workload statusing. Also included is identifying, monitoring, and evaluating workload for R/W minor program projects, projects under construction, Hardship and Protection projects, R/W clean-up projects (commonly referred to as OR0 projects) and preparing budget calculations used to determine capital resource needs (Person Years or PYs) for current and future years.

### **3.03.01.01      Person Years (PYs) – Capital Outlay Support**

At Caltrans, a PY is equal to 1758 hours of productive time and is the equivalent of one permanent fulltime position. To determine support hours and PYs needed to complete the R/W work on projects, functional managers analyze project details as they relate to the work efforts required of the function. Functional managers work with R/W Project Coordination staff to develop workplans based on work norms and the project details. They must identify the hours needed to complete the work efforts for each applicable Work Breakdown Structure (WBS) task, which is then calculated into PYs needed. Completed workplans, usually as an attachment to the R/W Data Sheet, are submitted to the Project Manager for concurrence and scheduling in PRSM.

### **3.03.01.02      PRSM Workplan Calculations**

Since 2016, support resource needs have been scheduled and tracked through PRSM. Open Workbench, which is part of the PRSM database, is used for the development of the project workplans. In PRSM, PYs for R/W activities are calculated based on direct R/W workload hours, converted to PYs; R/W capital dollars do not affect the PY calculations. The following project details

should be considered as they can impact R/W workload:

- Number and type of parcels to be acquired
- Relocation Assistance Program involvement
- Number and type of improvement clearances
- Anticipated property management activities
- Number of anticipated condemnations
- Number and type of railroad and utility coordination
- Right of Way Engineering involvement
- Anticipated excess land sales

Right of Way is involved at various stages of the project delivery process, from the initial identification of a project need to closeout. (See Phase II Right of Way Involvement in Project Delivery, [Exhibit 03-EX-03](#).)

### **3.03.01.03      Projects Involving Work by Others**

Projects that involve work completed by local agencies are referred to as oversight projects. To receive PY resources to perform oversight, the district must properly flag these projects and work with the Division of Local Assistance to obtain sufficient resources. Project workplans must be input into PRSM by Project Management staff so the Department can accurately identify the resources needed.

### **3.03.01.04      PYs on Hardship and Protection Parcels**

District P&M/Project Coordination should follow the procedures below to establish hardship and protection workload.

- Before Program Management's January 9<sup>th</sup> resource pull, identify projects where there is a high likelihood of encountering hardship and protection acquisitions. Estimate the number of parcels that may be involved on each project and the number of hours needed to complete the acquisitions.
- Submit to Project Management a project workplan for the hardship or protection work efforts only – separate from the regular right of way efforts. After the project workplan is agreed to by both R/W and Project Management, ensure the Project Manager enters the workplan in PRSM. Workplans must be input into PRSM so resource hours and PYs

will be generated. In AMS Advantage, District R/W staff will create an earmarked 2 phase for the hardship and protection activities only.

- Project Management may determine a separate child EA/Project ID should be established for the hardship or protection acquisition, which will also require a project workplan. In this case, a Project Change Request must be processed to split the hardship and protection activities from the parent EA. Districts must ensure resources needs for the hardship and protection acquisition are not accounted for in both the parent and child project.

Districts must update data in these projects as information changes to ensure they are current.

### **3.03.01.05      Reimbursable Work**

District R/W may perform work on projects funded by local fund sources and be reimbursed pursuant to a cooperative agreement. The district must carefully differentiate between projects where Caltrans resources will be used and projects where costs will be reimbursed for work done by Caltrans R/W Agents. Project workplans are required in PRSM so resources can be requested. Refer to Chapter 17, Local Programs.

### **3.03.01.06      Duties of the R/W Project Coordinator**

The R/W Project Coordinator is the liaison between Project Management and the functional units that perform R/W work on projects. He/she attends Project Development Team (PDT) meetings to discuss the various components of the project being developed and communicates project related information as it relates to R/W work efforts. The R/W Project Coordinator works with functional managers to develop and submit workplans for the 2 Phase support activities broken down by WBS, and coordinates concurrence of the workplans with the Project Manager. The workplans are loaded in PRSM by Project Management staff, and the R/W Project Coordinator verifies in PRSM that the workplans were loaded as requested. The R/W Project Coordinator also monitors support hours being expended throughout the project delivery process and works with functional managers to ensure sufficient resources are available or added as required.

## **3.04.00.00 – RESOURCE MANAGEMENT – R/W CAPITAL OUTLAY**

### **3.04.01.00      General**

R/W Planning & Management (P&M) units are responsible for creating, maintaining, managing, and reporting on the R/W Capital Plan and R/W Capital Annual Allocation. The [California Transportation Commission \(CTC\)](#) is responsible for allocating legislatively approved capital outlay appropriations to projects in the Department's programming documents. Section 3.00 of the Budget Act states capital outlay appropriations may include expenditures for the acquisition of land or other real property to be owned by the state and all necessary expenses in connection with the acquisition of property.

Estimates for R/W capital outlay costs are managed through the Right of Way Capital Financial Plan (RCFP) screen within the Project Resource and Schedule Management (PRSM) system. Actual commitments are accounted for in AMS Advantage (Advantage). Prior to the implementation of the RCFP, R/W's Capital Plan was administered through the Department's Project Management Control System (PMCS). Development of the RCFP allows R/W to maintain credible R/W capital estimates and promotes transparent and accountable management of R/W capital budgets.

### **3.04.02.00      R/W Capital Plan**

The R/W Capital Plan is a schedule of projected annual commitments for projects statewide. It is supported by a list of projects with the R/W capital need broken down over multiple fiscal years (FY). The R/W Capital Plan is used to request budget authority from the Division of Budget and CTC approval of the R/W capital annual allocation.

The system of record for the R/W Capital Plan is Project Resource and Schedule Management (PRSM). In PRSM, there is a Right of Way Capital Financial Plan screen (RCFP) for every project. RCFP uses standardized accounting codes from Advantage such as Task Code, PEC/PECT Codes, Appropriation Unit, Fund, Sub Fund, and Object Codes to record estimates for various types of R/W capital functions. These functions include acquisition, relocation assistance, title and escrow, demolition and clearance, utility agreements, project development fees, various project permits fees, etc., associated with each project.

The Districts use a R/W Conceptual Cost Estimate, R/W Data Sheet, or Final Cost Estimate to establish a spending plan for programmed R/W capital funds for each FY that costs are projected to be incurred. This spending plan is a living document. District P&M agents are responsible for ensuring the information entered in the RCFP screen is current and accurate. Projects with complex funding (i.e. multiple fund types) must have an individual spending plan to document the various fund types and how the funds will be spent.

### **3.04.03.00      R/W Estimate**

Chapter 4, Estimating, sets forth in detail the Department's policies regarding R/W project estimates. The estimate, usually documented on a R/W Conceptual Cost Estimate or R/W Data Sheet, is the first step in building a credible budget and programming R/W funds. The initial R/W estimate must be as accurate as possible so informed decisions can be made as the project progresses through the project development process.

The R/W Conceptual Cost Estimate or R/W Data Sheet is the base from which escalated R/W dollars are entered into the PRSM RCFP screen. Only the most current estimate is entered into PRSM. It should be based on the preferred alternative or on the alternative used for the construction cost estimate. If the alternative for the construction cost estimate has not been selected, the highest estimated alternative, shall be used.

R/W estimates are reviewed annually, or whenever project scope, schedule, or cost changes occur. The Deputy District Director-R/W (DDD-R/W) or District Division Chief-R/W (DDC-R/W) determines if the change is significant and warrants revising the R/W estimate. If the estimate requires a revision, a copy shall be forwarded to District P&M to update the PRSM RCFP screen, and to the Project Manager. Programming changes may be required as a result of estimate increases or decreases in accordance with the Project Change Request (PCR) policy. (See Section 3.04.16.00.)

Changing the R/W estimate should not be confused with moving the estimated dollars between FYs. The District can and should move R/W dollars to reflect its most current R/W Capital Plan and should inform the HQ R/W Capital Funds Coordinator of changes as they occur.

### **3.04.04.00**      **Transportation Programming**

The Government Code provides for establishing various project candidate lists that are used to plan and prioritize the State's Transportation Program. The CTC is responsible for programming and allocating funds for the construction of highways, passenger rail, transit, and active transportation improvements throughout California. Approved projects are segregated into separate programming documents. A full list of programs and corresponding guidelines can be found on the [CTC website](#).

#### **3.04.04.01**      **Project Programming**

The adopted programming documents are statements of the CTC's intent to allocate funds during the span of years for each plan. To be considered for programming, a project must have an approved Project Initiation Document (PID). Projects requiring a PID must be identified in a Regional Transportation Planning Agency or Caltrans plan, such as a Regional Transportation Plan or 10-Year SHOPP Plan. Each PID will contain an escalated estimate for R/W capital.

The adopted programming documents assist in planning and implementing transportation improvements and ensure available resources are utilized in a cost-effective manner. The programming documents include:

- Project location and description
- Escalated capital outlay support costs
- Escalated construction capital outlay costs
- Escalated R/W capital outlay costs

The programmed dollars represent the total estimated cost, which should include actual commitments plus the amount needed to complete the component. The programming document should indicate if the programmed project is underfunded. For some programs, the total estimated cost for R/W capital is individually allocated by the CTC. However, a majority of State Transportation Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) projects use an annual allocation for R/W capital costs. See Sections 3.04.06.02 and 3.04.06.03 for details.

## **PROGRAM DOCUMENTS**

- **State Transportation Improvement Program (STIP)**  
A five-year capital improvement program of transportation projects funded with revenues from the State Highway Account and other sources on and off the State Highway System.
  - Listed projects are found in the Regional Transportation Improvement Program (RTIP) and the Interregional Transportation Improvement Program (ITIP). The CTC adopts the STIP prior to the beginning of each even-numbered year.
- **State Highway Operation and Protection Program (SHOPP)**  
A list of projects programmed over a four-year period that are required for rehabilitation, traffic safety, seismic safety, and traffic operational improvements on the State Highway System.
  - The Department adopts the SHOPP every even-numbered year. SHOPP projects are developed jointly from candidate lists submitted by staff in HQ, Districts, and Regional Transportation Commissions.

### **3.04.04.02 R/W Capital Programming Status**

**Candidate Projects** – Candidate projects are projects in the project initiation phase that have not secured programming yet. Department policy requires candidate projects have an approved PID to be considered for programming. District P&M must work closely with District Program/Project Management (PPM) to ensure all PIDs have a valid R/W estimate to effectively compete for funding. Each District should enter the R/W estimates for candidate projects into the PRSM RCFP screen. R/W estimates for candidate projects are included in the R/W Capital Plan for future budget authority estimates purposes. Candidate projects should be coded with task code 1500 in the PRSM RCFP screen.

**SHOPP Programming** – The R/W capital component of SHOPP projects should be programmed in the year of delivery (construction allocation vote). R/W can request allocation in advance of the year of programming. Any SHOPP project with R/W capital programming outside of the current SHOPP cycle, referred to as long lead projects, can only commit R/W capital funds for CTC-approved pre-PA&ED expenses.

**STIP Programming** – STIP Guidelines require the R/W capital component of STIP projects to be programmed in the year of first acquisition or utility relocation expenditure. Allocation can be requested prior to the year of programming

for CTC-approved pre-PA&ED expenses. If a STIP project is only programmed through the Environmental phase, any pre-PA&ED R/W capital commitments should be coded as an unprogrammed cost.

### **3.04.05.00      PRSM RCFP Screen**

The RCFP screen provides capital outlay data about the most current District approved\* R/W estimate for specific projects. The RCFP screen documents the R/W Capital Plan as defined in Section 3.04.02.00.

The PRSM RCFP screen provides information to support R/W's budget authority request as well as the R/W Capital Annual Allocation request. It also contains data regarding contributor dollars and local and federal participation.

The DDD-R/W/DDC-R/W is responsible for ensuring the screen is initiated and maintained whenever there is an anticipated need for R/W capital. In many Districts, this responsibility is delegated down to the District P&M unit. At a minimum, the RCFP screens should be updated when: a) a R/W Conceptual Cost Estimate, R/W Data Sheet or Final Cost Estimate is completed; b) sub-allocation is moved between FYs; and c) the close-out report is distributed at the end of the FY (referred to as "roll-up").

**\*NOTE:** "Approved" means the R/W estimate is the same as contained in the R/W Data Sheet or, if different, the Project Manager is aware of the change and will take appropriate action to amend the R/W programming through PCR procedures.

### **3.04.05.01      Keeping PRSM RCFP Screens Current**

R/W capital estimates on the RCFP screen must be kept current since they are used by HQ P&M in reporting the R/W Capital Plan to the CTC. Districts are responsible for ensuring the RCFP screens are current. The decision to revise R/W project cost information on the RCFP screen is a District responsibility and should be done with careful analysis.

Once the initial estimate is developed and entered on the RCFP screen, the R/W project cost estimate must be changed when there an annual R/W Data Sheet update, a Final Cost Estimate is completed, or a substantial change in project scope, schedule, or cost occurs. For purposes of this chapter, a substantial change is one brought about by a material change to the project (e.g., expressway to full freeway, additional lanes or interchanges with resultant R/W needs, substantially advanced schedule, significant change to



land use at time of acquisition not foreseen in the estimate, or acquisition costs trending more than 20-30% above estimate).

As a best business practice, the RCFP screens should also be updated when sub-allocation is moved between FYs and the close-out report is distributed at the end of the FY (also known as roll-up).

Periodic estimate revisions that reflect only changes to normal inflationary factors should be analyzed, noted, and reviewed with later project estimate revisions and at project milestone dates.

### **3.04.06.00      Budget Development Process**

The Department's proposed budget is submitted to the California State Transportation Agency and the Department of Finance in October. In support of developing the Department's proposed budget, HQ R/W provides a R/W capital budget authority estimate to HQ Budgets every September. This estimate provides a breakdown of the state and federal dollars.

At the same time, HQ R/W provides a R/W capital plan for reimbursed budget authority to HQ Budgets. Reimbursed budget authority covers dollars contributed by local agencies or others that are paid through the Department's accounting system but are not included in the annual budget. Reimbursed projects are identified by the PEC/PECT codes included on the RCFP screens.

Contributor dollars that are paid directly by the locals or others without passing through the Department's accounting system are not included in this process, nor are they included in the annual budget. Generally, contributor dollars are identified in a Cooperative Agreement or other form of agreement between the State and local agencies or others.

Ordinarily, the R/W amounts contained in the latest approved programming documents are used as the basis for budgeting R/W capital dollars.

The R/W capital budget authority estimate for the current FY can be updated concurrent with submittal of the budget authority estimate for the next FY. Current FY budget authority is generally consistent with the R/W Capital Annual Allocation approved by the CTC the previous June plus any known significant changes. The current FY plan for reimbursed dollars is also updated and generally reflects the July 1 allocation plus any significant changes.

The Department of Finance forwards copies of the proposed Department budget to the Legislative Analyst's Office to aid in review of the Governor's Budget. On January 10 of each year, the Governor submits to the Legislature a budget containing itemized statements of recommended sources and use of resources for all departments and activities in the State. This is the printed budget and is referred to as the Governor's Budget.

The Governor signs the Budget Bill after it is passed by both Houses, which then becomes the Budget Act. The Budget Act is a one-year document beginning July 1 and ending the following June 30. This period is referred to as the State FY or Budget Fiscal Year (BFY).

CTC and Department policy for R/W capital outlay is to allow one year to encumber and a total of five years to liquidate.

### **3.04.06.01      Fund Reservation**

Through the STIP Fund Estimate process, HQ P&M establishes a R/W capital fund reservation. The fund reservation covers costs that cannot be planned for or estimated in time to secure programming for the related project. Examples of such costs are:

- Contingent liabilities, such as unidentified right of way, utility overruns, expert witnesses, excess condemnation awards, goodwill payments, interest costs, title company services, rights of entry, and RAP payments
- Pre-environmental clearance (pre-PA&ED) project development capital costs on projects with only the Environmental phase programmed
- Inverse condemnation
- Hardship and protection (H&P) acquisitions

HQ P&M develops the fund reservation based on anticipated costs derived from the RCFP screens. The fund reservation does not provide budget authority over and above the annual allocation. The budget authority is assigned to specific projects during the allocation request submitted to the CTC.

Before using the fund reservation for a project, a Documentation PCR must be approved. The RCFP approval process for Documentation PCRs is detailed in the [RW Capital Financial Plan \(RCFP\) with PRSM – Student Manual](#) (internal Caltrans link). The approval process ensures R/W manages project cost overruns within the limit of the R/W capital fund reservation approved by the CTC in the STIP Fund Estimate.

### **3.04.06.02**      **Distribution of Allocation and Sub-Allocation**

Each July, HQ Budgets issues the R/W Capital Annual Allocation for State and Federal dollars, as approved by the CTC. The annual allocation is available for expenditures and encumbering only after the Governor signs the budget. Once the budget is signed, District P&M can establish the R/W EAs/Project IDs in Advantage. EAs are initially established by District Project Control with the K, 0 or 1 phase, and the R/W phases (2 and/or 9) are established by District R/W Project Control. The process of establishing (opening) R/W phases allows R/W to start expending its allocation.

The annual allocation is sub-allocated to the Districts on a lump-sum basis according to the District's R/W Capital Plan for major projects, programmed H&P acquisitions, inverse condemnation, and fund reservation R/W costs. R/W's annual allocation shall not be used to fund projects that do not meet the requirements of the [R/W Capital Spending Guidelines](#) (internal Caltrans link).

At mid-year and prior to FY end, HQ P&M conducts a statewide review of the R/W capital needs by District. The total R/W Capital Annual Allocation must be managed within the R/W budget authority estimate previously submitted to the CTC. If, after all the District reviews are complete, the annual statewide allocation is deficient or has excess, HQ P&M submits a request to the CTC to right-size the R/W allocation dollars. This ensures there is sufficient allocation for R/W's annual expenditures or allows HQ Budgets to release funds to other programs.

### **3.04.06.03**      **Individually Allocated Projects**

In June 2019, the CTC adopted [CTC Resolution G-19-01](#). Until this Resolution, all R/W capital spending on STIP and SHOPP projects were included as part of the R/W Capital Annual Allocation. Effective July 1, 2019, projects with R/W capital STIP and/or SHOPP programming of \$10 million or more in FY19/20 or after must be allocated individually by the CTC.

Projects must achieve PA&ED before requesting an individual R/W capital allocation. CTC-approved pre-PA&ED expenses will continue to be paid from the R/W Capital Annual Allocation even if a project qualifies for individual allocation. After the project is allocated by the CTC, the project budget will be loaded into Advantage by HQ Budgets. Individually allocated projects use Task Code 1540, Sub Task 0000.

To request R/W capital allocation, the District Project Manager must complete a Funds Request Form (PRG-004 or PRG-005) and process it through the normal channels as shown in the [project allocation process flow chart](#) (internal Caltrans link). District P&M staff shall coordinate with HQ P&M to prepare a Book Item for the next available CTC meeting. HQ P&M will present the Book Item to CTC staff for review. District staff should be prepared to answer detailed questions about the project.

### **3.04.06.04**      **Budgetary Controls**

R/W capital allocation policies and guidelines are issued at the beginning of each FY, outlining allowances and restrictions related to R/W capital spending.

Even though the District sub-allocation is in a lump sum, the basis for the allocation is the project-level detail. The CTC reviews and approves the R/W Capital Annual Allocation. Since the CTC requires the Department to report quarterly on actual R/W total commitments compared to the approved R/W Capital Annual Allocation, each District must be prepared to provide a detailed explanation of significant differences.

As a matter of policy, phase 9 should not be opened until programming for the R/W capital component is sufficient to cover the latest R/W capital estimate. If a programming change is needed, a PCR should be processed at the next available PCR Committee meeting. If an exception is needed, District P&M staff must ensure a corrective action plan is in place. The corrective action plan should be communicated with HQ P&M.

At this time, phase 9 project budgets are only required to be loaded in Advantage for Cooperative Agreement projects, projects with individual R/W capital allocation, and any other project where R/W capital funds are voted separately by the CTC.

### **3.04.06.05**      **Allocation Limitations**

District R/W capital commitments shall not exceed the total District R/W sub-allocation, except with prior approval of the HQ P&M Capital Funds Coordinator. In addition, the following criteria must be met prior to committing R/W capital allocation on a project:

- Project must be programmed in a STIP or SHOPP document
- Allocation requested must not exceed the R/W capital programmed amount without following the policies set forth in the [PCR Handbook](#) (internal Caltrans link).

- All components of the project must be fully funded. Exceptions can be made for advance mitigation, long lead, and contingency projects.
- An E-76 has been approved if the project qualifies for Federal funds
- Freeway agreements have been executed, if applicable
- Project has been environmentally cleared, and an E-Resolution number has been obtained by the CTC, when necessary.
- Project Report or equivalent has been approved
  - Pre-PA&ED commitments made in support of environmental clearance and/or project approval can be paid through the annual allocation; refer to the [R/W Capital Spending Guidelines](#) (internal Caltrans link) for further details.

### **3.04.06.06      Movement of Capital Outlay Dollars**

Programmed dollars for projects may be adjusted in accordance with the internal [PCR Handbook](#) (internal Caltrans link) for STIP and SHOPP projects.

### **3.04.06.07      Allocation Augmentation and Supplements**

Each District has some discretion to move R/W capital outlay dollars subject to the guidelines set forth above. Movement of capital dollars between years or between projects does not change the District's total annual sub-allocation. If allocation is needed for a project not included in the initial Annual Allocation project list and redistributing the District's sub-allocation does not meet the District's needs, the District may request additional funds from HQ P&M.

HQ P&M will look for additional funds available from other Districts. If funds are not available, HQ P&M may ask the CTC to supplement the R/W allocation.

Any request for additional R/W capital funds shall:

- Explain the need for the funds and why that particular alternative is necessary
- Show the effect on project scheduling
- Demonstrate that redistribution of existing dollars cannot meet the need
- Demonstrate that at least 90% of the initial sub-allocation will be encumbered by the end of the FY

### **3.04.07.00      Hardship and Protection**

Chapter 5, Early and Advance Acquisition; Corridor Preservation; Hardship and Protection; Donations and Dedications, contains detailed information on review and approval of hardship and protection (H&P) acquisitions. This section provides guidance and sets limitations for funding of H&P acquisitions. Other limiting conditions may be set forth in the R/W Capital Spending Guidelines issued annually with the Annual Allocation.

There are two types of H&P:

- Those which occur in advance of the regular R/W acquisition process
- Those which occur when the requirements for commencement of the regular R/W acquisition process have been met, but funding and activity on the project have been deferred

Authority to approve both types has been delegated to the DDD-R/W or DDC-R/W.

H&P acquisitions should be considered during the estimating process so funding can be included in the Annual Allocation to the Districts. After allocation, the District should consider priorities for spending its allocated dollars and, if necessary, seek additional funding from HQ P&M. Districts must notify HQ P&M of H&P acquisitions by March of the FY prior to the acquisition. If a H&P acquisition is needed in the current FY, notify your HQ P&M Liaison as soon as possible to determine if there is adequate budget authority for the acquisition. Identify H&P estimates and commitments in a separate line item on the RCFP page and include a note in the Comments column.

H&P acquisitions are charged as follows:

- **Acquisitions Resulting from Deferred Projects** – charged to the appropriate “9” phase EA and included in an approved E-76 if federally participating.
- **Acquisitions Prior to Environmental Clearance** – charged to the appropriate Earmark 2 and 9 Phase EA/Project ID. Must have a Stage 1 authorization from FHWA if federally participating. Upon receipt of environmental clearance, the Stage 1 authorization must be converted to a regular federally funded project.
- **Protection Acquisitions** – charged to the appropriate Earmark 2 and 9 Phase EA/Project ID. Must have an approved E-76 if federally participating.

For additional information, see Section 3.05.05.03, Stage 1 Authorization - Hardship and Protection Acquisitions.

### **3.04.08.00**      **Inverse Condemnations – Damages to Property**

Inverse condemnation is the legal term used to describe a legal action brought against a government agency by a property owner, claiming private property has been taken or damaged, temporarily or permanently, without payment of just compensation. Per [Deputy Directive 59](#) (internal Caltrans link), R/W capital can be used for claims related to the Capital Outlay Program. Maintenance funds should be used when a claim relates to the Maintenance program.

For claims relating to a reimbursed project with no STIP/SHOPP funds, Districts should work with Project Management to determine if the Cooperative Agreement has language permitting reimbursement of inverse condemnation costs. If R/W capital funds are used for a claim related to an active STIP/SHOPP project, the inverse costs should be charged to the project and its original program code. For active STIP projects, it is imperative that project stakeholders are informed of the inverse case and the potential liability prior to committing funds.

Inverse condemnation settlements and the associated costs (expert witness fees, legal services costs, court costs, attorney fees, etc.) are funded from the District R/W capital allocation. If R/W capital funds are used for a claim not tied to an active STIP/SHOPP project, Districts should set up an earmarked phase under their pseudo-EA 9RWIC, using PEC/PECT 20.20.800.420 and Task Code 1530. Districts must also maintain an RCFP screen for pseudo-EA 9RWIC.

For more information, refer to the Inverse Condemnation Manual on the [R/W P&M page](#) (internal Caltrans link).

### **3.04.09.00**      **Hazardous Waste/Materials Funding**

The source of funds for identification of hazardous waste and hazardous materials and its subsequent abatement may vary each FY. District R/W should contact the District R/W Resource Manager for the current funding source and consult with HQ P&M to ensure consistent application of funding policies.

### **3.04.10.00      Title and Escrow Fees**

Title and escrow fees are part of the R/W estimate. They are reported on the R/W Data Sheet and entered in the Title column on the RCFP screens.

Title and escrow services are contracted out to title companies through a competitive bid process by the [Division of Procurement and Contracts \(DPAC\)](#) (internal Caltrans link). Service contracts will be issued for five-year periods. New orders for title services can only be placed against a Title and Escrow service contract during the first three years of the contract term. The last two years are available to close escrows and request policy of title insurance for parcels which have already had preliminary title work ordered during the first three years of the contract term. Since the Department's policy is to bring encumbrances in line with expenditures, the dollar amount of each contract must be split-funded in the accounting lines of the contract document (CT) in Advantage over the life of the contract.

Contracts for title and escrow services were previously considered ineligible for federal participation and reimbursement and were required to be funded by State or local funds; however, the internal [Federal Aid Project Funding Guidelines](#) (internal Caltrans link) implemented on January 28, 2019 were changed to allow federal participation for title and escrow costs that are paid after environmental clearance. To establish eligibility for these costs on projects, title and escrow estimates must be included in the federal funds authorization request (E-76) and approved by FHWA, provided the project meets the threshold requirements to seek federal authorization.

For additional information regarding federal eligibility, see Section 3.05.03.00 – Federal Participation in R/W Projects.

### **3.04.11.00      Federal Participation in Right of Way**

District R/W should follow the policy and guidelines in Section 3.05.00.00 – Federal-Aid Project Funding, and the internal [Federal Aid Project Funding Guidelines](#) (internal Caltrans link), in determining federal participation for R/W components and deciding when to complete and submit an E-76 Request for Approval/To Proceed in the Federal Aid Data System (FADS).

Projects previously approved for federal-aid under former policies continue as federal projects, and supplemental E-76s should be submitted, if necessary.



### **3.04.12.00**      **Advance Mitigation Projects**

Advance mitigation refers to performing compensatory mitigation in anticipation of and prior to incurring the environmental effects of an action. Specific to the Department, this means addressing potential environmental impacts before transportation projects are programmed for delivery.

Advance mitigation projects programmed prior to the passage of Senate Bill 1 (SB1) in FY17-18 are funded through the SHOPP 240 program. Adequate SHOPP programming is required and capital commitments are funded through R/W's Annual Allocation. These projects are set up like regular SHOPP projects in Advantage and can qualify for federal funds.

The Advance Mitigation Program established by SB1 provides a new funding source (Fund 2504). To use these funds, projects must be approved through the Division of Environmental Analysis' Advance Mitigation Office. Capital commitments will be coded with phase 9, but the funds do not flow through R/W's Annual Allocation.

For more information on Advance Mitigation, visit the Division of [Environmental Analysis' intranet page](#) (internal Caltrans link) or contact the HQ R/W Advance Mitigation Liaison.

### **3.04.13.00**      **Accountability of Donated Lands**

When land is donated to the Department for right of way purposes, the land's fair market value, based on an approved appraisal at the time of the donation (see Acquisition chapter), can be used in certain circumstances in lieu of state matching fund requirements.

- District R/W Acquisitions must identify donated parcels in ROWMIS as a "donation."
- If federal-aid is requested for the project's R/W phases, the appraised value of the donation parcel can be applied toward the State's matching funds and should be clearly identified in the federal funds request (E-76) in FADS.

HQ P&M provides a report to Accounting of donated right of way acquired each FY.

### **3.04.14.00      CTC Reporting Requirements**

Prior to the beginning of each FY and after consulting with HQ Budgets, HQ P&M presents the proposed R/W Capital Annual Allocation to the CTC for review and acceptance.

The R/W Capital Annual Allocation presented to the CTC shall:

- Show proposed commitments by Program, District, and project
- Show each project's programmed amount
- For each project, show the total commitments to date for the life of the project

Each year during the months of March and April, HQ P&M pulls reports from the RCFP screens to develop the annual allocation. Districts may be requested to provide the following information:

- Amount of planned but unspent encumbrances to be carried-over from the current year to the next FY.
- Reason for requesting allocation on projects with PA&ED planned in or after the 2<sup>nd</sup> half of the next FY.
- Corrective action plan for allocation requests in excess of the R/W capital programmed amount.
- Justification for requesting allocation on projects without construction funding in place.
- Supporting documentation for allocation requests in excess of District's spending trends.

The District should be prepared to provide an explanation for the items listed in the report.

#### **3.04.14.01      Quarterly CTC Reporting Requirements**

During the FY, HQ P&M prepares a quarterly report for the CTC. This report compares the original annual allocation project list against year-to-date commitments. The CTC is looking to ensure Caltrans' spending is in line with what was projected through the Fund Estimate and initial annual allocation. The Districts should be prepared to provide an explanation, when requested, for specific items listed in the report.

### **3.04.14.02      Year-End CTC Reporting Requirements**

[CTC Resolution G19-01](#) requires that after the end of the FY, the Department report the following based on the Department's official book closing statement:

- Actual R/W capital commitments (which includes expenditures and encumbrances) to projects listed in the R/W Capital Annual Allocation.
- Any program level encumbrances against the R/W Capital Annual Allocation.

To meet this requirement, HQ P&M must provide a project-level detail report showing actual R/W expenditures and encumbrances from Advantage compared to the projects that were listed in the initial R/W Annual Allocation. Each District must be prepared to provide a detailed explanation for projects where the commitments substantially deviated from the allocation requested.

Program encumbrance balances at the end of the FY should be just enough to cover prior year invoices in transit. Each District must also prepare a detailed explanation for excessive program encumbrance balances.

Year-end detailed project reports are presented to the CTC at their October meeting.

### **3.04.15.00      R/W Capital Reports**

R/W P&M has various reports that are generated and distributed statewide to assist with the effective and efficient management of the R/W Capital Plan. It is imperative to have adequate reporting for accountability and transparency to ensure that R/W maintains its fiduciary responsibility to the highest standards.

The R/W Capital Monitoring Report, more commonly referred to as the Weekly Monitoring Report, provides data extracted from Advantage for R/W capital transactions that are processed against the R/W Capital Annual Allocation, from July 1<sup>st</sup> to the following June 30<sup>th</sup>.

The following filtering criteria are used for data extraction:

- Task Code and Sub-Task Code:
  - Programmed Costs- 1510/0000
  - Minor Projects- 1520/000
  - Unprogrammed Costs- 1530/0000
  - Individually Allocated Projects- 1540/000
- Fund Code:
  - State- 0042
  - Federal- 0890
  - Reimbursed- 0042R
  - R/W Capital Annual Allocation does not have Budget Authority for SB1 fund 3290.
- Budget Fiscal Year (BFY) + Appropriation + Fund + PEC + PECT:
  - Current 2-digit FY code (Example: BFY 2019-2020 = 20)
  - STIP-RIP (State) = FY301-0042/20.20.075
  - STIP-IIP (State) = FY301-0042/20.20.025
  - STIP-RIP (Federal) = FY301F-0890/20.20.075
  - STIP-IIP (Federal) = FY301F-0890/20.20.025
  - SHOPP (State) = FY302-0042/20.20.201
  - SHOPP (Federal) = FY302F-0890/20.20.201
  - Reimbursement = FY302R-0042/20.20.400
  - Other State Funds = FY302-0042/20.20.800
- Object Code:
  - Must be one of the R/W Capital designated codes as shown in Exhibit 03-EX-08.
- District Code:
  - Must be 01 through 12 or 81 for Advantage expenditure/encumbrance adjustments.

The bi-weekly Combined Life of the Project Report provides data extracted from both Advantage and the previous financial reporting system FIDO, which pulls from the Department's former financial data management system TRAMS. This report includes all R/W capital transactions recorded throughout the life of the project, for all fund types.

The monthly Statewide R/W Capital Encumbrance Report provides data extracted from Advantage, showing projects that have funds encumbered against a specific project for various R/W transactions, such as Utility Agreements, demolition and clearance contracts, expert witness contracts, and other types of R/W capital transactions that allow for encumbrance of funds.

The monthly [R/W Capital Program Encumbrance Report](#) provides data extracted from Advantage, showing documents that have R/W capital funds encumbered at a *program* level, which reserves funds in the 20.20 program for future use on capital projects. Program encumbrances are typically for title and escrow contracts, non-project specific demolition and clearance contracts, legal services contracts specifically used for R/W projects, environmental services, and other types of R/W capital activities which are a part of project delivery.

When financial transactions are processed against an encumbering document, whether encumbered at the program or project level, the encumbrance is liquidated in the amount of the transaction, and then charged against a specific project(s). When liquidating prior year encumbrances, the BFY + Appropriation + Fund + PEC of the payment must match the BFY + Appropriation + Fund + PEC of the encumbrance. For example, if a Utility Agreement is funded with STIP-RIP State in BFY 19 (19301-0042-20.20.075), it must be liquidated the same way.

For additional information on encumbrances, refer to the internal [Accounting Manual, Chapter 11](#) (internal Caltrans link).

### **3.04.16.00      Project Change Request Process**

On September 1, 2016, the Division of Project Management issued internal [Project Management Directive PMD 022R1](#) (internal Caltrans link) titled "Change Management." This directive identifies when corporate management must proceed with processing an amendment to make a programming change. All programmed projects (STIP, SHOPP, TCRP) and Special Program projects (Toll, Seismic, Retrofit Soundwall, etc.) are required to follow the process outlined in the Department's internal [Project Changes Handbook](#) (internal Caltrans link).

### **3.04.16.01      R/W Project Cost Changes**

Scope and schedule changes may have dramatic effects on R/W costs, and District R/W must coordinate closely with District Project Management to determine those effects.

For R/W capital on SHOPP projects, there are many scenarios that lead to cost changes; a PCR should be processed to un-program, delete, and increase or decrease project costs. Refer to guidance for cost changes in the internal [Project Changes Handbook](#) (internal Caltrans link).

For STIP projects, a PCR for R/W is required if the sum of the right of way support and capital costs varies from the programmed amount by twenty percent or more. All cost increases must include a plan outlining how required funds will be obtained. Trade-offs can only be used between projects listed in the same programming document, and in some cases the projects must be in the same county.

### **3.04.16.02      Reporting R/W Project Cost Changes**

District P&M shall report cost increases to District Project Management as soon as possible after it determines a reportable cost change is required.

District Project Management submits a PCR to HQ Project Management for the next available PCR Committee meeting. If the District is not able to submit at PCR for the next meeting, District P&M must ensure a corrective action plan is in place and document the plan for HQ P&M.

### **3.04.16.03      R/W Capital Cost Control**

The CTC has expressed continuing interest in R/W activities related to accomplishing the capital outlay program on time and within budget. As a result, the Department has increased its efforts to improve effectiveness in managing its R/W program. Proper management of R/W capital costs includes the ability to know at any given time the relationship between the R/W Capital Plan, programming, and total commitments to date against the allocation.

### **3.04.16.04      R/W Capital Cost Control Plan**

Each District is responsible for developing and maintaining (staffing) a cost control methodology that allows the District to respond on short notice to requests for R/W cost information. The cost control system must be active and current and must contain information consistent with other statewide sources the Department uses. Data in the system is the basis for information used in the RCFP screens and by Project Management.

At a minimum, the system must contain information that makes and displays a comparison of the status of R/W as estimated (remaining), programmed (remaining), allocated, expended, and approved (if different from programmed). The District must be able to explain any differences between the amounts and indicate when and to whom cost changes were reported. The plan shall also provide for R/W follow-up on reported cost increases.

Day-to-day management of capital outlay resources, including monitoring and reporting R/W cost changes, rests with each District. HQ P&M reviews each District's cost control methodology/plan for conformance with minimum requirements set forth above and for compliance with Department policies and procedures. Once project information is gathered, it must be constantly monitored. When the District reviews its projects and determines that estimated remaining R/W costs are significantly greater than programmed R/W costs, it must report the increase using PCR procedures.

R/W must take an active role in project cost management. It is not sufficient to merely report cost changes to Project Managers. R/W must follow up on what course of action the Project Manager takes and must record this information for future reference. If District R/W does not get a response from Project Management, it should advise HQ P&M of the cost change. The date the report was made to Program Management and the response should be recorded.

### **3.04.17.00      R/W Ledger**

Years ago, R/W developed a system for tracking transaction codes and dollars to correct problems FHWA found in the Department's record-keeping for R/W expenses. The R/W Ledger, which is essentially a R/W capital "checkbook," is part of that system.

The format of the R/W ledger should parallel the various monitoring reports, particularly the Weekly Monitoring Report and Encumbrance reports. The ledger should list projects included on the original sub-allocation list and track any additions or deletions. All EAs/Project IDs with anticipated expenditures/encumbrances are listed in numeric order.

For each transaction on an EA/Project ID, Districts should, at a minimum, record the following:

- Document number
- Date transaction documents forwarded to Accounting
- Amount of transaction
- State portion
- Federal portion\*
- Local portion

\*Federal participation percentages can be verified on the E-76 or the Internal Buyer Line in the Funding Profile setup.

## **RECONCILIATION PROCESS**

R/W Accounting	Processes R/W capital transactions on a daily basis, including posting payments and making expenditure adjustments.
District P&M	<p>Compares the R/W ledger or processed transaction documents against the Weekly Monitoring Report. It is recommended that the reconciliation process be conducted on a weekly basis to reduce the time necessary to complete the FY closeout.</p> <p>Errors in the weekly reports are reviewed and approved by the P&amp;M Senior. The transactions requiring correction are forwarded to R/W Accounting for correction.</p>
R/W Accounting	Determines type of errors and distributes them to appropriate Accounting Liaison for correction. Verifies that error adjustments do not affect other entries for the EA/parcel. Coordinates with District R/W for R/W adjustments.
District P&M	Verifies adjustments have been made in Advantage via the Weekly Monitoring Report.

### **3.04.17.01**      **Reconciliation with Advantage**

The CTC requires the Department to report on total commitments compared to the approved annual allocation. R/W must manage its annual allocation to ensure R/W does not exceed the allocated state, federal, or reimbursed budget authority amounts.

Districts are delegated responsibility to manage their sub-allocations. Managing the allocation includes ensuring expenditures are within the available balances of the state, federal, and reimbursed budget authority. In addition, R/W expenditures should be properly recorded in Advantage. If R/W ledger balances do not agree with Advantage balances, the discrepancy must be resolved. It is District R/W's responsibility to inform R/W Accounting of any discrepancy. R/W Accounting has primary responsibility to isolate the transaction(s) causing the discrepancy and adjust Advantage accordingly.



It is recommended that District P&M reconcile expenditure transactions on a weekly basis between the Weekly Monitoring Report and the R/W ledger to reduce the time necessary to conduct the reconciliation process at fiscal year-end. R/W ledger information and transaction documents should be compared against the Weekly Monitoring Report to ensure each transaction (EA/Project ID, Phase, Object Code, Reporting Code, and amount) are properly recorded.

Available balances are what remains from the District sub-allocation after recording expenditures and encumbrances.

### **3.04.18.00      Coding**

The coding used to establish EAs/Project IDs and Phases in Advantage is determined by the type(s) of funds programmed on a project, as well as whether federal funds have been obligated under a federal project agreement (E-76). FHWA requests that all transaction documents contain a box in which the Federal Project Number can be clearly displayed. The number is used to confirm federal participation eligibility during examination or audit of parcel files and helps P&M and R/W Accounting determine if the proper coding has been entered on transaction documents and ultimately in Advantage.

Each transaction document should note the Funding Profile associated with the Project ID and FY in Advantage. The Funding Profile indicates what Fund was debited/credited. Fund Code 0890 confirms federal funds were used on the transaction.

Coding elements and abbreviations used most often by R/W are shown on the following page.

## R/W CODING ELEMENTS

<b>Element</b>	<b>Explanation</b>
District (Dist)	The Department is broken down by 12 Districts.
Unit	The functional unit within a District/Division.
Fiscal Year (FY)	Fiscal year in which a transaction is processed.
Budget Fiscal Year (BFY)	Fiscal year in which funds are appropriated by the Governor.
Appropriation (APPR)	Authorization from a specific fund to incur obligations for a specific purpose and period of time, most commonly done in the Budget Act, signed by the Governor each year.
Fund	Source or account covering the expense, for example: 0042 = State Highway Account 0890 = Federal Trust Fund 0042 with 'R' designation on the Appropriation = Reimbursement from Local Agencies, Toll Bridge funds or Subvention funds
Program Code (PEC/PECT)	Program, Element, Component, and Task of the fund source.  For example: 20.20.400.100 indicates 20 = Program (Capital program), 20 = Element (Capital element), 400 = Component (State Highway projects funded from other sources), 100 = Task (Locally generated funds)
Expenditure Authorization (EA)	Former legacy system 5-digit project identification number assigned to a new project at time of project initiation.
Project Identifier or Project ID (Proj ID)	Advantage 10-digit project identification number which is cross-referenced with the EA.
Phase	The project development phase of a project.
Document Identification Number (Doc ID)	Number assigned to a transaction document, such as a contract number or utility agreement number.
Reporting Code (RPT)	A unique code established in Advantage to identify specific expenses, such as parcel numbers or environmental permit type.
Object Code (OBJ)	Designates the type of expense, such as acquisition or RAP. An Object Code followed by "N" is <u>not</u> federally eligible.

### **3.04.18.01      Coding Verification**

Verification of coding occurs during examination and completion of R/W Accounting payment request forms, as follows:

- Fund Certification – District P&M verifies sufficient programming, allocation, and budget authority are available and codes various transaction documents for Fund Certification prior to processing payment. Only approved R/W staff can certify phase 9 funds.
- Reconciliation – District P&M and R/W Accounting verify coding elements and the EA/Project ID status (opened, closed, suspended) during this process.
- Monitoring Process – District P&M verifies coding for expenditures when reviewing the Weekly Monitoring Report. (See Section 3.06.09.00.)
- Audits – Coding is reviewed during project audits or Quality Enhancement/Joint Review (QEJR).

The Weekly Monitoring Report and Combined Life of the Project Report are the recommended resources for determining if proper coding has been entered into Advantage.

## 3.05.00.00 – FEDERAL-AID PROJECT FUNDING

### 3.05.01.00      General

To obtain federal financing of projects, the Department must comply with laws, regulations, requirements, and procedures established by Congress and the [Federal Highway Administration \(FHWA\)](#). The decision to apply for federal participation on a project or phase of a project is made during the programming phase and is guided by the Department's federal-aid policy.

The following are laws and regulations that govern FHWA Program financing:

- [Title 23 United States Code \(USC\)](#)
- [Title 23 Code of Federal Regulations \(CFR\)](#)
- [Infrastructure Investment and Jobs Act \(Bipartisan Infrastructure Law\)](#)
- [Clean Air Act](#)
- [National Environmental Protection Act \(NEPA\)](#)
- [Title 49 United States Code \(USC\)](#)
- [Uniform Relocation Act](#)
- [Annual Appropriation Act](#)
- [Special Congressional Action](#)

The Department utilizes FHWA's publication entitled "[A Guide to Federal-Aid Programs and Projects](#)" in the administration of the Federal-aid highway program. The guide provides basic information about the Federal-aid programs, projects, and other program characteristics. The publication is being updated to include information from the latest multiyear Federal-aid authorizing legislative act, [Infrastructure Investment and Jobs Act \(IIJA\) \(Public Law 117-58, also known as the "Bipartisan Infrastructure Law" \[BIL\]\)](#).

Federal-aid to California encompasses federal funding to Local Agencies, and Caltrans' STIP and SHOPP projects and other transportation agencies. Under [SB 45](#), the STIP provides 75% of new STIP funds for the Regional Transportation Improvement Program (RIP) and 25% for the Interregional Transportation Improvement Program (IIP).

FHWA provides a portion of the total cost of each project in which it participates; the state or local agency must provide matching funds. The [Infrastructure Investment and Jobs Act](#) sets the federal participating ratio (percentage) for each program.

[Title 23, Section 115, of the USC](#), as amended by the Federal Highway Act of 1987, allows states to federally authorize projects, initially financed with their own funds, and later claim reimbursement when federal funds are obligated on the project – also known as Advance Construction funding.

Under the conditions in [23 CFR 1.36](#), FHWA may withhold payment where the state fails to comply with federal laws or regulations, or may withhold approval of further State projects, and take other actions deemed appropriate until compliance or remedial action has been accomplished by the State.

FHWA amended the right of way regulations for federally assisted transportation programs administered under [Title 23, USC](#). The FHWA clarified and reduced federal regulatory requirements and placed primary responsibility for a number of approval actions at the state level.

Changes in [23 CFR](#), as a result of [TEA-21](#), [MAP-21](#), and [FAST Act](#) that affect Right of Way (R/W) activities are detailed in the functional sections of the R/W Manual. Significant changes to the federal regulations affecting right of way include, but are not limited to the following:

1. Expanding federal funds to participate in all costs required by state law.
2. Allowing states to receive credits or reimbursement for early acquisition when the acquired property is incorporated into a federally eligible transportation project, or use the normal federal-aid project agreement and reimbursement process to fund an early acquisition.
3. Allowing states to advance preliminary acquisition activities under preliminary engineering for requesting federal participation in funding and reimbursement of incidental or support costs.
4. Allowing states to retain the proceeds for the lease or sale of real estate purchased with federal funds, as long as the proceeds are used for Title 23 USC type projects.
5. Eliminating the federal right-of-way revolving fund for acquiring right-of-way in advance of available state funding.
6. Requiring states to submit an up-to-date R/W Manual (to document methods and practices to assure compliance with state and federal laws and regulations) to FHWA for approval no later than August 23, 2018.
7. Requiring State Transportation Departments to certify to FHWA every five years after August 23, 2018 that the current R/W operations manual conforms to existing practices and contains necessary procedures to

ensure compliance with federal and state real estate law and regulation.

8. Requiring State Transportation Departments to periodically update its R/W Manual to reflect changes in operations and submit the updated materials for approval by FHWA.

### **3.05.02.00**      **Departmental Policies and Guidelines**

The Department has established policies and guidelines for developing budget and programming documents (STIP and SHOPP) and for administering and programming federal-aid projects. The Department maximizes use of federal resources by capturing all federal aid available and applying it to construction, right of way acquisition, and preliminary engineering.

Current policy directs that all projects requesting federal aid must be listed in the current federally approved State Transportation Improvement Program (FSTIP). Departmental directive requires federal aid for both capital and support be requested for all eligible R/W projects. (See Section 3.04.11.00, Federal Participation in Right of Way.)

Refer to the internal [Federal Aid Project Funding Guidelines](#) (internal Caltrans link) for further directions.

It takes several years to expend funds for R/W project costs. To avoid obligating excess federal funds unnecessarily, the Department, therefore, typically does not request the total estimated at one time. The Headquarters Budgets Office of Federal Resources (OFR) will determine the amount of funds to obligate and the amount to authorize as Advance Construction (AC). AC authorizations allow the department to proceed with work efforts while reimbursement of expenses will not occur until AC funds are converted to obligated federal funds.

OFR is responsible for developing and submitting the R/W projects' AC conversions or partial obligations to FHWA. OFR will consider the R/W project's federal program funds involved and the relationship of total funds expected to be available during the Federal Fiscal Year.

District R/W submits requests for federal funding through a State/Federal Project Agreement, an electronic request in the Federal Aid Data System (FADS) commonly referred to as an E-76. Districts may submit multiple E-76 modifications to cover incremental portions of R/W work over the duration of the R/W phase of a project, actions typically supported by an updated R/W Data Sheet.

### **3.05.02.01      Federal-Aid on State and Local R/W Projects**

The Department secures federal funding on State and Local projects that qualify for federal-aid. To request federal-aid, a project must be listed in the FSTIP or FTIP and have an approved environmental document, known as the National Environmental Policy Act (NEPA) document, dated within 3 years of the submittal of the E-76, and supported by an Environmental Certification within 1 year of the submittal of the E-76.

With the enactment of SB 45, programmed projects on the State Highway System may have a mix of both state and local funds. State funds are STIP funds, which include the RIP and the IIP. Local Agency Funds include tax measure, property tax, developer fees, and Local Assistance federal subventions.

OFR and Office of Local Programs (OLP) are both responsible for authorizing and obligating federal funds on R/W projects. Headquarters OFR is responsible for State (Capital) projects while Local Programs is responsible for Local Agency projects.

- State Projects are those projects on the State Highway System.
- Local Projects are those projects on Local Streets and Roads.

In administering state and locally funded R/W projects, there must be separate accountability of State and Local federal funds. The Department must establish separate Earmark Phases and Funding Profiles in Advantage to account for separate funding and expenditures on each (State or Local) federal-aid project.

For locally funded (including subvention funds) projects, the Department must enter into a cooperative agreement or master agreement with a local agency or regional planning organization prior to performing any right of way activities.

### **3.05.02.02      Early Acquisition Under 23 CFR Section 710.501**

Effective January 20, 2000, 23 CFR amended R/W regulations for federally assisted transportation programs to allow the state, under certain circumstances, to initiate early acquisition for corridor preservation, access management, or other purposes and use eligible acquisition costs toward the state's share of the project into which the right of way is incorporated. It

specifically provides for early acquisition in advance of final environmental and project approval.

In discussing "early acquisition" and acquisition costs as credit or soft match of federal funds, early acquisition refers to the acquisition of real property by state or local governments in advance of federal authorization or agreement. Early acquisition referenced in this section is not the same as advance acquisition under hardship or protection purchase criteria. See Chapter 5, Early and Advance Acquisition; Corridor Preservation; Hardship and Protection; Donations and Dedications.

Amendments to 23 CFR allow flexibility in considering early acquisition under certain situations. However, state and local governments must conform to statutory requirements in early acquisition approaches and follow federal guidelines that include careful observance to the environmental process before obtaining credit. Before initiating early acquisition, proper legal authority must be obtained and careful consideration given to program and project needs.

On December 09, 2002, the HQ Chief Engineer issued a memorandum that revises and clarifies approval criteria for beginning R/W acquisition on STIP projects prior to approval of environmental clearance. The guidelines are a departmental process only and are not applicable to local agencies. See [Exhibit 03-EX-06](#).

### **3.05.02.03      Credit (Soft Match) Toward State's Share of Project Cost**

[23 CFR 710.501](#) allows early acquisition project costs (capital costs only) incurred by a state agency to become eligible for use as a credit towards the state's share of a federal-aid project, provided the project receives surface transportation program funds and other conditions are met as indicated in 23 CFR 710.501 (c). Credits can be applied to projects where the initial project agreement with FHWA was executed after June 9, 1998.

Essentially, this provides that the value of property acquired by state or local governments and incorporated into the project could be credited to the **non-federal share** of the right of way costs of a federal project. However, it is only **land** and **building** costs (state only funded) that are deemed to be qualifying and are permitted as a contribution toward the non-federal share. (All other costs, such as support, appraisal, related acquisition costs, damages, and RAP are not counted as soft match or credits.) **Credits are not**



**available for lands acquired with any form of federal financial assistance, or already incorporated and used for transportation purposes.**

Prior to [TEA-21](#), publicly-owned property could not be used as credit toward the non-federal share of the cost of a project. However, with the amended [23 CFR 710.507](#), state and local contributions of properties (incorporated within a federally funded project) can be used as a credit toward the matching share of the total project cost.

[23 CFR 710.501\(c\)](#), Early Acquisition, provides conditions that must be met if eligible acquisition costs are used as credit (soft match) on a federal-aid project. Those conditions are, in part, as follows:

1. The property was lawfully obtained.
2. The property is not Park Land ([23 U.S.C. 138](#)).
3. The property was acquired in accordance with [49 CFR, Part 24](#).
4. The state complied with Title VI ([42 U.S.C. 2000d – 2000d-4](#)).
5. The FHWA concurs that the action taken did not influence the environmental assessment, or
  - i. The decision to construct the project;
  - ii. The consideration of alternatives; and
  - iii. The selection of the design or location; and
6. The property must be incorporated into a federal-aid project.
7. The original project agreement covering the project was executed on or after June 9, 1998.

Provisions of [23 CFR, Section 710.505–Real Property Donations](#) and [710.507–State and Local Contributions](#), provide opportunities to the State Transportation Department to utilize the value of real properties as credit towards the state share of a project.

Under [Section 710.505 \(b\)](#), donations of real property from a non-governmental owner may be credited to the state's matching share of the project. The credit is to be based on fair market value established on either the date on which the donation becomes effective, or the date on which equitable title to the property vests in the State. The total credit cannot exceed the State's pro-rata share under the project agreement to which it is applied.

Under [Section 710.507 \(a\)](#), contributions of real property owned by State and local governments that is incorporated within a project receiving financial assistance from the Highway Trust Fund can be used as a credit toward the

non-federal matching share of project costs provided documentation supporting all credits includes the following:

1. Certification that the acquisition satisfied the conditions in [23 CFR 710.501\(c\)\(1\) through \(6\)](#); and
2. Justification of the value of credit applied. Acquisitions costs incurred by the State to acquire title can be used as justification for the value of the real property.

Sufficient documentation of the financial data to support the soft match or credit must be included in the project file for the final voucher. Expenditure reports from Advantage will suffice as financial support to document the State's matching share of the project.

OFR and the Division of Accounting should also be consulted for further guidance on the application of soft match or credit toward a federal-aid project.

### **3.05.03.00      Federal Participation in R/W Projects**

OFR establishes the [Federal Aid Project Funding Guidelines](#) (internal Caltrans link), including thresholds based on federal funds management, for federal-aid funding for R/W projects. Although federally approved R/W projects are generally 100% participating, only those parcels within the R/W lines and eligible excess land are eligible for federal participation.

The current established thresholds for requesting federal aid funding on R/W projects are as follows:

- State Highway Operation & Protection Program (SHOPP) projects that are identified for Road Maintenance & Rehabilitation Account (RMRA) funding with programmed R/W capital of \$10,000,000 or more are qualified for Federal-aid funding.
- SHOPP projects (including HSIP) that are NOT identified for RMRA funding with programmed R/W capital of \$2,000,000 or more are qualified for Federal-aid funding.
- State Transportation Improvement Program (STIP) projects with programmed R/W capital of \$10,000,000 or more are qualified for Federal-aid funding.
- Active Transportation Projects (ATP) projects awarded as part of the statewide competition with programmed R/W capital of \$1,000,000 or more in ATP funding are qualified for Federal-aid funding.

- Some federal programs, including Demonstration project programs, are federalized regardless of the R/W capital estimate amount.

Exceptions:

- All ER projects greater than \$5,000 in total are to be qualified for Federal-aid ER funding and must be developed in accordance with federal requirements. This threshold applies to both construction capital and R/W capital. The final eligibility determination for Federal-aid ER funding is determined by the FHWA on a Damage Assessment Form (DAF). District R/W staff should work directly with their OFR Area Engineer to determine eligibility of their project prior to reaching out to property owners or otherwise expending against R/W phases.
- Capital Outlay projects programmed in the Railroad Grade Separation Program (20.30.010.400) and the Safety Railroad Grade Crossing Protection Program (20.30.010.500) with estimated construction capital of \$100,000 or more are to be qualified for Federal-aid funding.
- Projects under Section 146.5 of the Streets and Highways Code, Parking Facilities, estimated to cost \$30,000 or more in total are qualified for Federal-aid funding.
- Projects under Section 148 of the Streets and Highways Code, Transit Related Highway Facilities, estimated to cost \$30,000 or more in total are qualified for Federal-aid funding.
- Mitigation bank credit purchases will not be federalized unless the following conditions are met:
  - a. The FHWA-1273 form is confirmed to be included in the DPAC contract agreement to purchase credits.
  - b. Confirmation is obtained that the mitigation bank involved in the credit purchase was not developed using federal funding.
- Until further notice, 201.999 ZEV projects will not be federalized.
- It is expected that the programmed amount for most R/W child projects will fall under the federal-aid threshold, and those projects will move forward as state-only funding. If there is a possibility a R/W child project could exceed the federal-aid threshold, District R/W staff should reach out to their OFR Area Engineer to confirm eligibility. It is crucial that the parent and child projects are not linked to the same Federal project, as each Federal project should be associated with a single State Project ID/EA to prevent accounting issues during the closeout process.

- All federally funded R/W projects, including mitigation projects, must comply with Davis-Bacon Act prevailing wage requirements. Due to prevailing wage issues with the California Conservation Corps, and many Regional Conservation Districts, OFR will not be federalizing projects contracted out to these entities at this time.

### **Other Federal Program Projects**

Projects funded from federal earmark programs such as High Priority Projects, Projects of National and Regional Significance, and National Corridor Infrastructure Improvement Program shall be qualified for Federal-aid funding regardless of the project's capital cost estimate.

All projects funded from Federal Discretionary Programs shall be qualified for Federal-aid funding. Federal Discretionary Programs include but are not limited to:

- Fostering Advancements in Shipping and Transportation for Long-term Achievement of National Efficiencies (FASTLANE) Grants
- Infrastructure for Rebuilding America (INFRA) Grants
- Coordinated Borders and Infrastructure program (CBI)
- Federal Lands Access Program
- Federal Lands Transportation Program
- Ferry Boat Program
- Intelligent Transportation System Program
- Surface Transportation System Funding Alternative Program
- Technology and Innovation Deployment Program

There could be federal authorization and participation on a R/W project, but not on specific parcels because acquisitions may have occurred prior to initial federal authorization, or not approved through a subsequent authorization on the R/W project. (Those non-participating acquisition costs should be coded in Advantage as ineligible.) Also, where the Department did not apply for and receive FHWA authorization and specific federal approval for utility relocations, the utility relocation costs may not be charged to the project with federal participation and must be state-only funded.

There may be federal aid for preliminary engineering and construction engineering on a highway project, but not for R/W. The nature and complexity of R/W projects, compared to construction or preliminary engineering projects, require that extreme care be exercised in identifying federal eligibility and participation. To accommodate the multifunctional R/W costs and credits, various federal participation forms are used to identify federal participating costs and to segregate eligible and ineligible R/W costs for federal reimbursement. Each R/W functional area has included special instructions for properly coding functional costs in its procedures. (See functional sections of the R/W Manual for detailed instructions.)

### **3.05.04.00      Federal Funding Overview**

Whenever federal funds provide a portion of a project's funding, in any phase or project covered under the primary NEPA document, the Department must qualify the project for federal participation by meeting applicable requirements of federal laws, and implementing regulations and directives.

The following is a summary of activities necessary for obtaining federal authorization, funding, and reimbursement for a federal-aid project:

- Verify project is included in programming documents (e.g., STIP, SHOPP, FTIP, FSTIP).
- Request work/project authorization and execution of project agreement by submitting an electronic E-76 in FADS to the OFR for processing to FHWA, including a current R/W Data Sheet.
- Receive FHWA's approval through electronic signature document in FADS for the work/project, prior to beginning R/W work.
- Bill FHWA for progress payments through Advantage.
- Initiate and submit, when necessary, an electronic modification of project agreement in FADS to adjust federal funding, supported by an updated R/W Data Sheet, and/or the Project End Date (PED) under agreement with FHWA.
- Prepare a final voucher for the project after all work is completed and close out project with FHWA.

### **3.05.05.00      Federal Authorization/Approval**

FHWA has delegated to the Department much of the authority for determining FHWA Involvement and Oversight on projects. OFR and OLP have overall responsibility for the management of federal funds on State and Local projects.

The Department obtains separate authorizations/agreements on capital outlay projects for Preliminary Engineering, R/W, and Construction through the electronic combined authorization/agreement E-76 process in FADS. The FHWA authorization to proceed with work, and obligation of federal-aid funds (for an exception, see Section 3.05.05.01 on advanced construction projects) occurs with the execution of the project agreement. FHWA's approval to proceed with work establishes the date after which expenditures are eligible for reimbursement.

Federal funds may not be used for costs incurred prior to the date of authorization to proceed. Since Advantage precludes costs prior to authorization from billing FHWA, special coding is not needed for segregating costs in the billing.

R/W projects are sometimes authorized and funded for an amount less than the total estimated cost (usually the amount that can be expended on a timely basis, generally one year), or funds are authorized as advance construction (AC) (see Section 3.05.05.01). Since R/W project limits frequently differ from construction project limits, these projects are authorized separately with FHWA and are assigned different federal-aid project numbers compared to the PE and Cons federal-aid project numbers. FADS has the capability to identify related projects to create a relationship between the different phases.

OFR and OLP coordinate authorization of all federal funds with FHWA and submit necessary back-up documentation for the projects.

### **3.05.05.01**      **Federal Authorization for Advance Construction (AC) Projects**

OFR will use its discretion in authorizing and processing federal-aid projects. When a R/W project is designated as an advance construction (AC) project, it is processed in the same manner as a regular federal-aid project and a project agreement is executed. The only exception is that the FHWA authorization does not constitute a commitment of federal funds on the AC project. OFR at some future date will convert, or obligate, the AC project and request federal funds be obligated through an electronic modification of the project agreement so that project expenditures can then be billed to FHWA for reimbursement.

### **3.05.05.02**      **Federal Participation in Preliminary Acquisition Activities**

[23 CFR 710.203 \(a\)\(3\)](#) allows preliminary acquisition activities to be advanced under preliminary engineering prior to National Environment Policy Act (NEPA) clearance ([42 USC 4321 et seq.](#)). Appraisal completion may also be authorized as preliminary right-of-way activity prior to completion of the environmental document. Thus, costs of preliminary R/W activities incurred in conformance with state and federal law requirements may qualify for federal participation.

Districts may prepare and submit an electronic E-76, Project Authorization/Agreement to seek Federal participation in preliminary R/W activities following:

1. June 9, 1994 guidelines that define preliminary right of way (see [Exhibit 03-EX-05](#) and Section 3.08.01.00).
2. [Departmental internal guidelines for federal aid project funding for Right of Way Projects](#) (internal Caltrans link).

### **3.05.05.03**      **Stage 1 Authorization – Hardship and Protection (H&P) Acquisitions**

Federal aid for H&P acquisition is requested only when total R/W capital costs, including H&P acquisition meet the thresholds referenced in Section 3.05.03.00. The Department's practice is to budget expenditures H&P acquisitions showing federal participation.

The provisions of [23 CFR 710.503 \(b\)\(c\)](#) allow authorizations for protective buying and hardship acquisitions. FHWA may authorize federal participation in acquisition of a particular parcel or a limited number of parcels within the limits of a proposed highway corridor prior to completion of the Environmental Impact Study and selection of the route. Known as Stage 1 Authorization, this is simply a federal authorization to proceed without the obligation of federal funds.

Stage 1 Authorization for H&P parcels requires submittal of a complete justification package, along with the preparation and submittal of an E-76 to FHWA. When submitting the E-76 for a Hardship or protection acquisition, the FADS COMMENT screen must clearly indicate that the request for a Stage 1 Authorization is pursuant to [23 CFR Section 710.503](#), and authorization to proceed under [23 CFR 630.106 \(c\) \(3\)](#).

Pursuant to [23 CFR Section 630.106\(d\)](#), the following statement must be included in the E-76 request for Stage 1 Authorization in the FADS COMMENT screen:

“Authorization to proceed is not a commitment or obligation to provide Federal funds for that portion of the undertaking not fully funded herein.”

The Stage 1 Authorization allows eligible incurred costs to be reimbursed after the appropriate requirements are fulfilled, provided a revised E-76 (converting the authorization from Stage 1 to 2 – Regular Right of Way) is transmitted to and approved by FHWA.

Since all eligible Stage 1 costs, including appraisal, acquisition, and rental activities, potentially qualify for federal participation, they must be captured by a multiphase (project) EA and not by a single-phase EA. See Section 3.04.04.01 for charging information on H&P acquisitions.

On Stage 1 Authorization, R/W Project Control sets up the project in Advantage with an Earmark 2 and 9 Phase with an ineligible, state-only funding profile. Upon conversion to a Stage 2 Authorization, a new funding



profile is established for the Earmark phases for federal participation and must reflect federal-aid eligibility, and other appropriate federal-aid information.

### **3.05.05.04      Stage 2 Authorization – Conversion to Regular Federal-Aid Project**

When an H&P project progresses to the environmental clearance stage, the Stage 1 authorized project must be converted to a Stage 2 regularly funded federal-aid R/W project. As soon as project criteria are met, district P&M must submit a revised E-76 using FADS to receive federal funding obligations.

The following information must be included in the COMMENT Screen on the revised E-76 for a Stage 2 Authorization:

- Stage 2 Authorization (Conversion from Stage 1 Authorization)
- Environmental Clearance Document Date
- Route Adoption Date
- Public Hearing Date

Upon approval of the Stage 2 Authorization, R/W Project Control establishes a federally eligible 2 or 9 Phase in Advantage, to reflect federal-aid eligibility, and other appropriate federal-aid information.

Once a project has progressed to Stage 2, R/W support and capital outlay expenditures are charged to the federally eligible 2 and 9 Phase, and the Earmark Phases for the Hardship or protection acquisition charges become federally eligible.

### **3.05.05.05      20-Year Rule**

As a part of federal funds management, it is important to monitor the progress of projects that are federally authorized. A project must continue to move forward within the specified timeframe, or risk losing or refunding federal funds:

**20-YEAR RULE** – Once the R/W phase is authorized, Construction must proceed within 20 years, or risk losing or refunding R/W federal funds.

### **3.05.06.00**      **Project Identification**

A project seeking federal aid will be assigned a seven digit Federal-Aid Project Number (FPN) by OFR at the start of the E-76 process. For State purposes, the Advantage Project ID is the ten digit project identifier, and the EA is the Alternate State project identifier. (See Section 3.02.00.00 for additional information on EAs.) Although it is not recommended, more than one project EA may be assigned to a federal project. And depending on funding circumstances, more than one federal project may be assigned to an EA.

The FPN, Project ID, and EA are referenced on various documents, including the E-76, and are contained in ROWMIS, PRSM, and Advantage/Datalink.

The relationship between FPNs and Project IDs/EAs is important, especially with regard to federal authorization and reimbursement. Proper federal-aid information must be established in Advantage on the Funding Profile of the Project ID to link an FPN to one or more Project IDs/EAs, or vice versa, for the department to record project expenditures and to bill and collect federal reimbursement.

### **3.05.06.01**      **Federal-Aid Project Number**

OFR assigns an FPN to identify an authorized highway project or federally approved research study. The FPN is used to monitor project activities and funding and must be on the E-76, and any other support documents for the project.

An example of an FPN is:

- 1053 (311)
- P041 (041)

The FPN must be shown on R/W plans, contracts, deeds, appraisals, options, vouchers, utility agreements, correspondence, and other documents and papers.

### **3.05.06.02      EA Adjustments for Combined and Split Projects**

When combining or splitting project EAs, district R/W must exercise caution to maintain the federal-aid information related to authorized federal-aid R/W projects.

- **One Federal-Aid R/W Project Involved** – newly created EAs/Project IDs must reflect the original federal-aid project number if they are within the project termini authorized by the E-76 and maintain the approved scope of work.
- **Two Federal-Aid R/W Projects Involved** – newly created EAs must have separate Earmark Phases and funding profiles established to correspond respectively with each federal-aid project. (Post mile, or kilometer post, identification will be key to relating to appropriate federal aid R/W project.)

Consult with Headquarters P&M if the combined or split projects result in discrepancies with the federal project limits. OFR should also be consulted on these projects for a determination on whether or not the project is federally qualified.

### **3.05.07.00      Request for Federal-Aid Funding Approval/To Proceed (E-76)**

As a condition for receiving federal-aid, the Department must obtain FHWA authorization of work and execute a project agreement.

The Department and FHWA use the FADS Electronic Signature System to electronically transmit information required to authorize the project, execute the project agreement, and obligate funds for the federal-aid project. (See Section 3.01.02.00 for additional information on FADS.)

Prior to the passage of [TEA-21](#), there was a two-step process for committing federal funds and entering into a formal agreement with FHWA. Previous FHWA regulations (23 CFR 630.303[c]) combined these steps into a single action and the Department and FHWA Division office, in accordance with [23 CFR 630.106\(2\)](#), now handle all project authorizations/agreements as a single action through execution of the project agreement in the FADS System. After reviewing E-76 data, FHWA Division transmits the FADS data to the Fiscal Management Information System (FMIS) in Washington, D.C. for electronic signature to finalize the agreement. The process on the E-76

authorization/agreement is complete when the data is transmitted back to FADS from FMIS with signature names and dates for each project. The electronic processing of the Authorization to Proceed (E-76), Project Agreement, and Modifications of Project Agreements replaces the hard copies of these referenced documents.

Since costs are not eligible for federal participation if incurred prior to the authorization to proceed date, timeliness of E-76 submittal and authorization is critical. The district must submit an E-76 to OFR as soon as possible after environmental approval. Authorization to proceed with preliminary engineering and acquisition of rights of way on H&P projects is obtained in the same manner as regularly financed federal-aid projects.

The E-76 must be prepared for each highway project eligible for federal-aid funding. The purpose of the E-76 is to:

- Cover the various types of projects and kinds of work to be undertaken.
- Indicate the effective date governing FHWA authorization for federal share of eligible costs.
- Show the total amount of project cost requested and federal funds obligated.
- Set forth any special provisions or limits relating to the project.

The E-76 must be submitted at the following milestones for R/W projects:

- Prior to Project Approval & Environmental Document (PA & ED): Preliminary work – before beginning any effort, such as appraisal maps. This work effort can be included on the Preliminary Engineering (PE) authorization if preliminary R/W work needs to be started prior to PA & ED being achieved. R/W hardship or protection authorizations are executed prior to PA & ED as a Stage 1 authorization, and then upon achieving PA & ED, are converted to a Stage 2-Regular R/W authorization.
- At or soon after PA & ED: Appraisal, acquisition, relocation assistance (RAP), demolition/clearance, and utility relocation – before beginning effort.

Capital outlay costs are eligible for participation upon E-76 approval prior to commencement of the activity proposed for participation. For example, acquisition activities commence with the "First Written Offer." Submittal of the "First Written Offer" before the E-76 is approved makes all acquisition costs non-participative. The same restrictions apply to other capital outlay activities, e.g., utility relocation and RAP.

Federal aid must also be requested for R/W support when federal aid is requested for capital outlay costs. Initially an E-76 may be submitted to cover preliminary R/W work and capital outlay costs, such as R/W engineering activities and title reports, with subsequent E-76 modifications being submitted for the remainder of capital outlay and support costs, or a full request for all regular R/W support and capital may be requested upon achieving PA & ED.

The E-76 contains basic data about the project and the phase for which participation is being requested. The district drafts the request and OFR finalizes it. The E-76 should include:

- Total estimated support costs and functions involved in the support costs (e.g., acquisition, utilities, and RAP).
- Total estimated capital outlay broken down by costs of acquisition (right of way, excess land, and demolition and clearance), RAP, Last Resort Housing, and utilities.
- Total number of acquisition parcels.
- Total number of RAP families and business relocations.
- Total number of Last Resort Housing units or Hardship parcels.

Supporting documentation for initial requests must be submitted to OFR with the E-76 request as follows:

- Current R/W Data Sheet (estimate) with attached parcel estimate list or spreadsheet, showing parcel number, grantor, and acquisition and relocation cost estimates; and attached utility relocation list showing utility owner name, type of utility, and cost estimate
- CTIPS printout showing the support estimate or California Transportation Commission (CTC) vote.
- Federal Transportation Improvement Program (FTIP) printout that lists the R/W phase(s)
- Signed NEPA (environmental) document

Districts must ensure that parcel acquisition estimates are entered in the parcel screen in the Right of Way Management Information System (ROWMIS). Districts are no longer required to enter individual parcels or utilities in FADS, and the tabs where this data was previously entered have been removed.

### **3.05.08.00**      **R/W Project Estimate**

The Department must provide total R/W costs for an entire project when submitting an E-76 for FHWA's approval to proceed. The total R/W costs must include separate estimates for:

- Acquisition (R/W, excess, and demolition/clearance)
- RAP Families and Businesses
- Last Resort Housing/Hardship Acquisition
- Utilities
- Support

The total R/W costs displayed on the E-76 must reflect R/W (capital outlay) cost estimates that are on the R/W Data Sheet and PRSM Right of Way Capital Estimate screen, as well as support cost. The major capital items on the R/W Data Sheet should each have their own Funding Line on the Fund Detail tab of the E-76. For R/W capital costs, Utilities uses Improvement Type Code 43, while all remaining R/W capital costs use Improvement Type 16.

The R/W support cost estimate must also be itemized separately on its own Funding Line on the E-76, and uses Improvement Type 16 as well; therefore, it is imperative that each type of R/W be listed on individual lines. Since support estimates currently are calculated manually and no standard procedures are applied, many projects are under-obligated and underfunded in federal funds. Support costs must be current and realistic, and based on anticipated workload. If workload changes, support costs must be revised and should be reflected in an updated R/W Data Sheet support calculation estimate.

The R/W cost estimate provided on the E-76 should be kept current and updated whenever it is determined the estimate is no longer valid. See Chapter 4, Estimating.

### **3.05.09.00**      **Amendment/Modification of Federal-Aid Project Agreement**

When it is necessary to adjust federal funding on a project, Districts will prepare and transmit an electronic E-76 Amendment/Modification to OFR, who will review and submit to FHWA for review and approval. The modification of project agreements should continue to be processed in accordance with the requirements in [23 CFR 630.110](#).

The modifications to the project agreement are based on funding adjustments on an “as needed basis” to cover additional eligible project costs with increased programmed funding, and adjustments requested by R/W and/or Accounting.

Eligible project costs incurred beyond the funding limits of the federal project agreement become known as an accrual or excess of agreement and cannot be billed to FHWA for reimbursement until additional federal funding is obligated for the project agreement. Therefore, it is advisable that the electronic E-76 Amendments/Modifications be submitted to FHWA in a timely manner.

Federal project agreements that are in accrual status will require a modification to the federal project agreement, and the request for additional funding must be supported by an updated R/W capital cost estimate (R/W Data Sheet) and having sufficient budget capacity in the appropriate R/W Phase to accommodate the increase in funding. If enough funds are not programmed to cover the increased cost, a PCR is required to increase the project budget.

OFR provides a [monthly federal accrual report](#) (internal Caltrans link) identifying projects that require a request for additional funding.

Supporting documentation must be submitted to OFR with the Amendment/Modification E-76 request as follows:

- Updated R/W Data Sheet (estimate) which reflects capital costs already expended and remaining estimated costs
- Utility relocation list that shows utility owner name, type of utility, and estimated cost
- Approved G-12, California Transportation Commission (CTC) Supplemental vote, or Documentation Project Change Request (PCR) to support an increase in federal authorization (budget capacity)

### **3.05.10.00      Multiple Federal Funding Sources**

R/W projects may have multiple federal funding sources. Two examples of dual or multiple funding sources are:

- A project with STIP and SHOPP funds.
- A project with Surface Transportation Block Grant Program (STBGP) and Highway Safety Improvement Program (HSIP) funds.

OFR can obligate different classes of federal funds for a specific project depending on the need and availability of funds. It is not unusual for a R/W project that spans a number of years to be financed with different types of federal funds, identified as different federal program codes (known as federal appropriations in AMS).

A R/W project that is multi-funded (dual, triple, or quadruple funded) must have correct federal-aid information on the project setup in Advantage for each federal fund source related to the project. Specifically, the project must reflect the correct participating ratio for each federal-aid fund type, or federal program code. This is to ensure that project expenditures will be accurately charged to the appropriate federal program code and maintain proportional liability as determined by programmed amounts or an executed cooperative agreement. Each federal program code carries a separate class of program fund reflecting its reimbursement rate.

District R/W sets up the initial federal-aid information on the Funding Profile of a 2/9 Phase R/W Project ID using information from the approved E-76 — essentially the initial federal funding program code and the federal project number(s) (e.g., P052(061)). HQ Budgets Capital Outlay Support Unit (COSU) will establish and modify the 2 Phase project budget in Advantage for federal project authorizations approved by FHWA, and District R/W Project Control establishes and modifies the 2 and 9 Phase Funding Profiles in Advantage.

Infrequently, a R/W project has dual funding that requires separate accountability of federal funds. For example:

- A project involves **two** different routes - one is an Interstate route, the other is a State route (e.g., I-880 and SR 237).
- A R/W project is approved with both STIP and SHOPP funds.
- A project has state-administered federal funds, such as Traffic Congestion Relief Program (TCRP) and local federal subvention funds, such as Regional Surface Transportation Program (RSTP).



P&M must receive sufficient project information related to conditional funding requirements and limitations when a project is approved by FHWA and R/W work is identified for federal funding. This is to ensure that R/W Project ID Funding Profiles are correctly established in Advantage to maintain separate accountability for costs to be charged to each federal fund type. District R/W must be aware of the funding restrictions inherent in the different federal fund types to prevent mischarging project costs to FHWA. In addition to the above, under [SB 45](#) programmed projects may also have multiple federal funding sources that require separate accountability. Therefore, it is important to exercise care to segregate the different federal fund types and properly account to each fund type and individual federal-aid project.

R/W should consult with OFR when clarification is needed on separate accountability of federal funds and other federal-aid funding issues.

### **3.05.11.00**      **Federal Emergency Relief (ER) Funded Projects**

In situations where there are declared disasters (storms, earthquakes, fires, etc.) eligible for Federal Emergency Relief (ER) funds, the Department must follow Federal Emergency Relief Recovery Procedures to assure maximum federal reimbursement. Where the damage is significant, Caltrans will prepare a Letter of Intent, and subsequent ER Application letter, for submittal to the Federal Highway Administration (FHWA) to apply for ER funds. FHWA allocates ER funds either administratively or when a Presidential Declaration of Disaster is declared and ER funding allocations are approved.

Under the Emergency Relief Program, Emergency Opening (EO) and Permanent Restoration (PR) work are eligible for ER funds. Consult the HA-23 Statewide Program Advisor or [Federal Resources Area Engineer](#) (internal Caltrans link) for the difference between Emergency Opening and Permanent Restoration.

Emergency Opening projects approved for ER funding must be authorized for Construction (and therefore R/W) within 2 federal fiscal years after the end of the federal fiscal year in which the disaster occurs. Therefore, it is imperative that the District R/W team prioritize delivery of the R/W Certification required for the authorization of the emergency opening E-76.

All ER projects greater than \$5,000 in total are to be qualified for Federal-aid ER funding and must be developed in accordance with federal requirements. This threshold applies to both construction capital and R/W capital. The final eligibility determination for Federal-aid ER funding is determined by the FHWA on a Damage Assessment Form (DAF). Note that OFR is currently utilizing a qualifying threshold of \$50,000 for R/W Capital due to the lower actual expenses on lower cost projects, where limited work is expected and typical work is limited to permits and easements.

FHWA will reimburse the Department with ER funds at a rate of 100 percent for eligible emergency opening expenditures incurred during the first 270 days of a federally declared disaster. The IIJA revised the 180 day emergency opening period to 270 days, which starts on the initial day of the disaster. Emergency opening work continuing beyond the 270-day period will be reimbursed using the normal system rates for the project.

Permanent repairs or restoration must have prior FHWA program approval and authorization through an E-76, unless done as part of the emergency repairs completed during the first 270 days of the federally declared disaster. Projects for permanent restoration work will follow the normal federal-aid process. Permanent Restoration work is reimbursed by FHWA at the normal system rate, currently 91.57 percent on Interstate routes and 88.53 percent on all other Federal Aid Highways, except Safety projects which are reimbursed at a higher 90% rate.

While OFR and Headquarters Maintenance are responsible for processing the ER projects for approval and funding with FHWA, it is still the District's responsibility to initiate the authorization request (E-76) and assure all requirements are met before beginning work. If work is begun prior to approval of the E-76, Federal ER funds will be lost. (Consult with OFR for guidelines and procedures for handling ER funded projects.)

For ER funded projects, only Emergency Opening work, or Permanent Repairs under Emergency Opening procedures, such as temporary operations, emergency repairs (including permanent repairs under emergency opening procedures), and preliminary engineering may proceed without prior Federal authorization. All other work including right of way appraisals and permanent restoration must have a FMIS approved E-76 prior to proceeding.

EO projects must have photographs and other documentation of the initial damaged site to substantiate emergency opening costs. Also, a Damage Assessment Form (DAF) must be prepared for each site located on Federal-aid highways. The DAFs for State highway projects must include cost estimates for all phases of work, including R/W.

When major damage and disasters occur, Right of Way must actively participate in the Emergency Relief process to ensure that R/W work is considered and included in the DAF. The following are necessary:

### **Emergency Opening (EO) Projects**

- Participating as part of the disaster team to perform field reviews of damage sites.
- Providing R/W cost estimates to the District Major Damage Coordinator in the District Maintenance Office for the Damage Assessment Form (DAF).
- Providing R/W cost estimates to the District Major Damage Coordinator for the E-76 (**HQ Office of Federal Resources is responsible for preparing the E-76 for EO projects, including attachment of the R/W estimates.**).
- Ensuring R/W staff charges to the proper EA/Project ID established for the EO projects.
- Delivering R/W work in a timely manner for Emergency Opening Phase.
- Upon receipt of Final Voucher Request form, confirming completion of R/W work on ER projects through a completed and approved R/W Final Voucher Questionnaire being returned to the Project Manager/ER Program Manager, who will then submit a complete Final Voucher package to Final Voucher Accounting for final vouchering of ER projects.

### **Permanent Restoration (PR) Projects**

- Coordinating with Project Development on the PR projects
- Developing R/W estimates as in regular typical projects
- Requesting federal participation by submitting an E-76 in a timely manner (**R/W prepares and submits E-76 for all PR projects.**)

**NOTE:** Permanent restoration projects are not required to be listed in a Federally approved Transportation Improvement Plan unless they involve substantial functional, locational or capacity changes ([23 CFR 450.326\[e\] \[5\]](#)).

**All R/W work for permanent restoration projects must have an electronically signed E-76 prior to proceeding.**

- Ensuring R/W staff charge to the proper EAs established for the PR projects
- Delivering R/W work in a timely manner for Permanent Restoration Phase
- Monitoring PR projects funded by ER funds and confirming completion of R/W work on PR projects through a completed and approved R/W Final Voucher Questionnaire being returned to the Project Manager/ER Program Manager, who will then submit a complete Final Voucher package to Final Voucher Accounting for final vouchering of PR projects

General questions regarding the ER Program, the HA-23 program, [Deputy Directive DD-26](#) (internal Caltrans link), the Major Damage Restoration Handbook, and the Director's Order and Resolution G-11 Processes should be directed to the Headquarters Maintenance HA-23 Statewide Program Advisor. A list of approved Director's Order projects can be located on the [Major Damage website](#) (internal Caltrans link).

### **3.05.12.00      Federal Reimbursement**

The Federal-Aid Highway Program is a reimbursement program. The Department provides the initial cash to get a project underway, then receives federal funds on a reimbursement basis for the federal share of the project cost incurred and work completed. This means Caltrans must first execute a project agreement, obligate federal funding, incur costs, and bill FHWA for reimbursement. Then it can receive payment. FHWA will pay only those expenses eligible for reimbursement, limited to the amounts shown on the executed Project Agreement, or latest modification of the Project Agreement.

In order for Accounting to bill FHWA, a project must have funding profiles that match the federal program codes in FADS. If there is a misalignment in the funding profiles with federal program code used at obligation, then funding profiles must be adjusted, and expenditures moved by submitting an expenditure adjustment request (EAR) to Accounting.

Once the project is authorized and the Federal-Aid Agreement is executed, expenditures are accumulated in Advantage and reimbursement procedures are initiated. Project expenditures are matched with the appropriate federal funds reimbursement criteria, and FHWA pays the State a pro rata share of

eligible participating costs. See Section 3.05.12.07 for information about the Department's system for billing FHWA.

### **3.05.12.01      Importance of Federal Reimbursements**

Over 50 percent of the Department's annual resources come from federal reimbursements. Although the amount apportioned to California from the current Federal Highway Act is part of the annual Caltrans budget for a given fiscal year, the actual amount reimbursed depends on the amount claimed in compliance with established approval and reimbursement procedures.

### **3.05.12.02      Maximizing Federal Reimbursement**

Timeliness of accounting entries and proper coding of transactions are essential for maximizing federal reimbursement. Each employee who codes a time sheet, car tag, or any other accounting document is performing an accounting function and has a responsibility for coding those costs properly.

A key element is correct project setup in Advantage, as well as correct use of object codes. See Section 3.05.12.05 for detailed information.

### **3.05.12.03      Federal Project Setup in Advantage**

There are two types of projects in Caltrans' financial system (Advantage) involved in the federal reimbursement process:

1. Advantage federal project identification (ID) or FF number
2. Physical project ID

When a federally participating project is authorized via E-76, the approved project's information is interfaced from FMIS to Advantage. This process creates an Advantage federal project ID which is a 10-character code with a prefix "FF," this FF number changes based on the Federal Program Code used at obligation. The authorized amount (obligation) and other information are passed into Advantage to complete the federal project ID record. The federal project ID sets the parameters for billing FHWA.

The physical project ID is a 10-character code used to program, budget and record expenditures for a Caltrans capital project. It identifies the funding source, i.e., fund, appropriation, and program code, of labor and/or operating costs charged to a project. Physical project IDs are created in various areas within Caltrans. For example, District Project Control creates the physical project ID for most multiphase projects and HQ Office of Engineer creates the state administered Phase 4 construction projects. If a project's

funding profile includes federal funds, the relevant Advantage federal project ID is connected to the physical project ID's federal funding line. Once connected, the Advantage federal project ID will be listed on the internal buyer line section of the funding profile.

The physical project ID cannot be setup with a federal funding line without a valid federal project, or FF number, to reference. Therefore, the federal project needs to be established first in Advantage (interface from FMIS) before it can be associated with the physical project. This prevents expenditures from posting to a federal funding line prior to the federal project authorization date.

### **3.05.12.04      Reimbursable R/W Costs**

FHWA approves and limits the project expenditures it reimburses to those costs the Department has actually incurred (i.e., cash disbursed, not dollars encumbered).

Federal funds may participate in R/W costs recorded in Advantage in two categories:

- **Capital Outlay** – costs necessary to acquire and clear rights of way for project construction. All capital outlay costs must be charged to a specific project. To meet FHWA requirements, capital costs must be recorded in sufficient detail to determine eligibility. To achieve this, the department uses Object Codes and Reporting codes to identify the specific financial transaction and federal-aid eligibility. This includes transactions for land, improvements, damages, utility relocation, demolition, clearance, relocation assistance, condemnation deposits, and income relating to sale of improvements and excess lands.
- **Incidental (Support)** – personnel and operating expenses supporting R/W functions that produce the capital outlay payments. FHWA uses the term “incidental cost;” the Department uses “support cost.”

### **3.05.12.05      Definitions**

**Direct eligible costs** are those expenditures incurred after federal authorization on a project is obtained. Generally, eligible acquisition and related costs are based on a parcel-by-parcel authorization by FHWA. Federal participation in real property costs is limited to the costs of property incorporated into the final project and the associated direct costs of acquisition, unless provided otherwise.

[23 CFR 710.203 \(b\)\(1\)](#) expands federal reimbursement for right-of-way acquisition costs beyond the current limits of “generally compensable” costs. Federal aid eligibility now extends to items usually covered by state law and items formerly determined not to be compensable under earlier CFR guidelines. See above-referenced section of 23 CFR for details on federal participation in direct costs.

District R/W is responsible for determining federal eligibility of R/W costs.

**Ineligible costs** are those expenditures that are not eligible for reimbursement (e.g., costs that would normally be eligible, but are incurred prior to FHWA’s approval of the E-76). FHWA does not participate in any costs (except early acquisition soft match) that are incurred prior to the authorization of a project.

As a result of [TEA-21](#) and the newly adopted Federal regulations, FHWA no longer limits federal reimbursements on formerly excluded costs, such as goodwill and defendant’s costs in connection with condemnation action.

The Department may also decide not to obtain federal reimbursements on certain eligible project costs. For example, since 1991 R/W had provided state funds to cover the costs of title reports and escrow fees and had charged these as ineligible project costs. However, in January 2019, the Federal Aid Funding Guidelines were revised and now allow federal participation for title report and escrow fee costs. Additionally, in 2000, Caltrans made a policy decision not to seek federal reimbursement for property management costs (see Section 11.01.09.00).

See Section 8.50.04.00, Segregation of Acquisition Costs for Federal Reimbursement, and Section 8.50.04.01, Federal Reimbursement Provisions.

**Participation Ratio (Percentage)** refers to that portion of the project costs authorized for federal reimbursement compared to the total cost of the entire project. Projects can include work outside the limits of the Federal Aid Highway System (not participated in by FHWA) or elements of a project's costs that are non-participating, thereby creating a non-participating portion. Furthermore, if a project or phase of work qualifies for federal funding but is not included in the federal project agreement, the costs will not be participating or reimbursable.

Reimbursement Percentage is the portion of the participating eligible costs that will be reimbursed. Each federal program has a reimbursement percentage that is established by federal regulations. The reimbursement percentage designates what the state's matching share will be for project costs.

In summary, eligible costs multiplied by the participating ratio of the specific project and multiplied by the reimbursement percentage for the federal program pertaining to the project equals the amount of expenditures that will be federally reimbursed. Note the reimbursement rate percentage on a physical project's regular federal funding line in Advantage is actually the funding split percentage assigned to the federal funding source based on the funding plan of a specific project. It does not always represent the percentage of the federal share authorized by FHWA. The approved reimbursement percentage is recorded on the sub account field in the Advantage federal project ID, for informational purposes only.

The following is an example of Advantage calculations of federal reimbursement:

Eligible Cost		Participation Ratio		Reimbursed Rate	=	Reimbursed Federal Funds
\$150	X	100%	X	91.57	=	\$137.36
<u>Matching State Funds</u>						<u>\$12.64</u>
Total Eligible						\$150.00



### **3.05.12.06**      **Federal-Aid Eligibility Coding**

The coding of expenditures on accounting system entry documents indicates whether or not costs are treated as eligible expenditures. The Project/Phase setup in Advantage requires a Funding Profile that establishes federal-aid eligibility, and charges will post against the appropriate Funding Profile, depending on eligibility of the expense. The Coding Manual, Section 5, Object Codes, and Section 6, Activity Codes, lists the allowable codes for labor and other expenditures.

Generally, the eligibility of R/W costs for federal participation relates directly to whether or not specific parcels have FHWA approval on the federal project agreement. Utility relocation costs, however, are only eligible for federal participation if FHWA approves and if federal rules and regulations that dictate federal-aid eligibility on R/W project costs are met.

District P&M should be consulted when it is necessary to determine whether or not certain R/W costs are approved for federal participation.

See [Exhibit 03-EX-08](#) for object codes commonly used by R/W.

### **3.05.12.07**      **Supporting Claims for Reimbursement**

Any claims made with FHWA for reimbursement shall be supported by various types of documentation on file, including a R/W map or plan showing the rights of way authorized and being acquired, including parcel identification numbers, area to acquire, property lines of acquired area, and any other pertinent data affecting the cost of right of way (e.g., structures, improvements, and fences). Right of Way Contracts for acquired property rights shall support acquisition costs claimed for reimbursement, and include parcel number, cost of parcel, and cost of excess land, if any, acquired from the same ownership. For Utility relocations, utility agreements must be on file. Incidental, (or support) costs and all other R/W costs, including credits and cost of construction performed to mitigate damages on a parcel basis (if claimed as a R/W item) shall be supported by project expenditure reports that are coded to reflect federal eligibility.

### **3.05.12.08**      **Current Bill**

As a project incurs costs, federally eligible expenditures post to the physical project ID's federal funding line. During the Advantage reimbursement billing cycle (twice a week), federal project expenditures are identified and "internally bill" the Advantage federal project ID associated with the federal funding line. If the federal project has sufficient obligation balance, the expenditures are considered billable. Otherwise, if the expenditures exceed the federal project's obligation balance, the expenditures are considered unbillable and will remain as such until the condition is resolved (e.g.: additional obligation authority is approved for the project). Billable expenditures are summarized, and a federal bill is generated.

The final step in the Advantage reimbursement processes generates a billing file transmitted electronically to FHWA's FMIS. Next day payment for an approved bill is usually made to the State. For next day payment to occur, Accounting's Federal Reimbursement Section (FRS) reviews and approves the bill in FMIS by 8:00 am. An email is sent to FHWA that a bill file is awaiting their review and approval. FHWA needs to approve the bill file by 8:30 am to receive next day pay. If FHWA approval is not completed by 8:30 am, the payment will be sent the following day (excluding holidays and weekends). Also, when the bill file is created, the Receivable and Cash Receipt documents are generated in Advantage. Office of Financial Accounting and Analysis utilize these documents to clear FHWA's electronic fund transfer to the State Treasury and to process a plan of financial adjustment with the State Controller's Office (SCO).

### **3.05.12.09**      **Accruals – Unbilled Federal Share**

Federal-aid accruals are the reimbursable expenditures incurred by the Department that FHWA has not reimbursed. These unbilled federal expenditures are for advance construction projects, in excess of project agreement amounts, and for ER projects that do not have DAFs or federal projects identified. [Accounting's Quarterly Federal Accruals Report](#) (internal Caltrans link) is produced and provided to OFR and Division of Local Assistance.

FRS provides OFR and R/W with quarterly reports on all federal-aid projects with accruals. Accounting, Budgets, and R/W use the reports to monitor unbilled federal funds and to clear accruals to the extent of available appropriated federal funds.

As part of the process to clear accruals, OFR provides monthly Unbilled reports and requests R/W to provide justifications and project cost information necessary for preparing and submitting a E-76 Modification to FHWA for additional federal funds. HQ R/W assists in resolving accrual issues and is the liaison with OFR and District R/W.

### **3.05.12.10      Unbilled Expenditures – Cost Overruns**

After a federal aid project has been authorized and expenditures accumulate, OFR will do AC conversions to partially obligate federal funds so expenditures can be billed to FHWA. However, after all AC funds have been converted to obligated Federal funds and R/W project costs exceed the federal funds in the Federal Project agreement, those costs go into Unbillable status and additional federal funds must be requested in order to bill FHWA for those costs. If there is enough budget capacity (programming) remaining in the project to cover the cost overruns, an E-76 modification must be submitted to increase the federal funds. If there is insufficient budget capacity remaining, an approved Documentation PCR will be required as supporting documentation in the E-76 modification request. An updated R/W Data Sheet, Parcel by Parcel Estimate and Utility Estimate will also be required as supporting documentation in the request.

### **3.05.12.11      Inactive Projects**

A federal project that has not had any expenditures charged against federal funds in 12 or more months is considered “Inactive” and requires action.

Possible actions to take are:

- Process an expenditure to support or capital to generate a billing to FHWA
- Decrease obligation (de-obligation) if no further expenditures are pending
- Provide justification to OFR when inactivity is beyond Caltrans' control, such as:
  - Litigation delays
  - Unforeseen Utility relocations
  - Catastrophic events that delay project
  - Unforeseen Environmental concerns
  - Delays by other external agencies (utility companies)

OFR is responsible for creating a [quarterly Inactive report](#) (internal Caltrans link) tracking all inactive projects that require an action to keep the inactive rate below 2%.

**FHWA has the authority to unilaterally de-obligate remaining federal funds for inactive projects.**

### **3.05.13.00      FHWA Citations – Federal Ineligibility Notice**

#### **3.05.13.01      General**

Authorized by [23](#) and [31 CFR](#), FHWA has implemented the Financial Management Program for effective management of federal-aid funds and control of ineligible costs for federal participation.

[23 CFR](#) contains criteria relating to the eligibility of costs for reimbursement of Federal-Aid Highway funds. Pursuant to it, FHWA reviews and audits costs charged to federally reimbursable projects for eligibility. When certain costs are determined to be ineligible for reimbursement, FHWA issues a citation to the Department in the form of a Federal Ineligibility Notice (FIN) that identifies those costs.

#### **3.05.13.02      Purpose of FIN**

FIN Form PR-1367 is used to cite final or progress voucher claims for federal reimbursement or to require additional supporting information for such claims. FHWA prepares and submits a PR-1367 to the Department when deficiencies are disclosed that require a deduction from federal-aid participating costs or place such costs in an unbillable status.

#### **3.05.13.03      FHWA Issuance of FIN**

FHWA may issue FINs during three major activities:

- **Operational Audit** – FHWA may discover improper charges on the sample projects under audit.
- **FHWA Functional or Technical Review** – the reviewer may find items that have been improperly billed.
- **Voucher Fiscal Analysis** – FHWA may question certain cost items. The issues raised must be resolved before a revised final voucher can be processed and the project closed.

### **3.05.13.04**      **Required Adjustments to Current Bill**

When a FIN is issued, FHWA requires the Department to make an adjustment in the next billing cycle to move the questioned cost from “Eligible” to “Citation Suspense” category. This is done in accordance with FHWA Order H 2500.1A that all costs documented on a FIN shall be credited at the EA level from the next state current billing, but no later than 30 days from date of the FIN.

FRS does all initial crediting for federal reimbursement when the FIN is received. Credit must be given whether or not Caltrans concurs with the citation. Any differences of opinion on a citation may be negotiated, but should be resolved within nine months.

### **3.05.13.05**      **Process for Resolving FIN**

The overall process for resolving FINs is shown on the following page.

### **3.05.13.06**      **Final Adjustments to Projects**

FRS makes the final federal fund adjustments to projects once the FIN is resolved. R/W Accounting coordinates this effort with R/W to ensure the correction is timely and the appropriate amounts are adjusted.

### **3.05.14.00**      **Federal Funds Management**

#### **3.05.14.01**      **General**

Federal funds management involves managing federal-aid projects from authorization to reimbursement and is the key to achieving better control over the use of federal funds among all federal formula programs. Project funds management assures the reprogramming of federal funds through the timely release of excess unexpended funds.

The Department has implemented continuous project funds management in response to audit findings by FHWA and the Office of Inspector General. The Department must manage its federal-aid funds with emphasis on the following:

- Continuously monitoring project expenditures against obligational authority.
- Applying accelerated procedures for closing completed projects.

- Promptly withdrawing federal-aid projects that will not be completed.
- Releasing funds that exceed project needs in a timely manner.

**PROCESS FOR RESOLVING FIN**

<b>Step</b>	<b>Responsible Party</b>	<b>Action</b>
1	Federal Reimbursement Section	Receives all FINs issued.
2	Federal Reimbursement Section	Distributes copy of FIN to HQ R/W Federal Aid Liaison for the R/W federal-aid project at issue.
3	HQ R/W Federal Aid Liaison	Forwards FIN to the appropriate District P&M Chief for review and action.
4	District R/W P&M Chief	Investigates the allegation, prepares a draft response to FHWA, and recommends final resolution of FIN; forwards draft response and recommendations to HQ R/W Federal Aid Liaison.
5	HQ R/W Federal Aid Liaison	Prepares final response to FHWA and submits to Federal Reimbursement Section and R/W Accounting to ensure that the FIN is resolved and cleared from FHWA's and Accounting's tracking systems.

District R/W, HQ R/W, OFR, OLP, Federal Reimbursements Accounting, R/W Accounting, and Local Program Accounting all share in managing federal funds for federal-aid R/W projects.

HQ R/W has oversight responsibilities for project funds management and is the liaison with District R/W, OFR, and R/W Accounting.

District R/W administers federal-aid projects and manages federal funds. This primarily involves, but is not limited to:

- Obtaining FHWA authorization promptly.
- Monitoring project expenditures against federal obligations.
- Taking timely actions to release unexpended funds or cancel federal obligations.

### **3.05.14.02**      **Monitoring Federal Aid Project Expenditures**

At a minimum the district takes the following actions to monitor all activities and project costs:

- Compares approved amounts with actual expenditures incurred.
- Monitors cost overruns to request increased funds.
- Monitors underruns to release or deobligate excess unexpended funds.
- Makes revised project cost estimates as required.

For additional information on project cost overruns, see Sections 3.05.12.09 and 3.05.12.10.

For additional information on excess federal funds, see Sections 3.05.14.07 and 3.05.14.08.

### **3.05.14.03**      **Project Expenditure Report, Federal Aid Report**

In managing federal-aid projects, the Department must properly track project costs by EAs. The Datalink Federal Aid Report is a standardized accounting report that provides the most current information available in Advantage related to federal projects. It is important to note that the Datalink Federal Aid report only records transactions posted since the implementation of Advantage in July 2010; for expenditures prior to Advantage, use the Datalink Major Project Summary Report, which includes converted expenditures that had been posted in the prior financial system, TRAMS.

The report can be obtained by accessing **CT Pass**, clicking on **Enterprise Datalink**, then click the drop-down menu for **Projects**, then select **Major Project Summary**. The report has different views that can be selected by clicking the drop-down menu for View; the default view is PEC Class/PEC/Project Summary. The "To" field indicates the point up to which you want to extract data for the project; Datalink automatically defaults to the most current fiscal period at time of extraction or gives you the option to go back as far as July 1, 1998.

### 3.05.14.04      Estimating Remaining Project Costs

Prior to completion of a project, the district may need to provide OFR with a reasonable estimate of remaining costs. This may occur when project expenditures exceed the current agreement amount, when the Project End Date (PED) is nearing, or when there are anticipated excess unexpended funds to deobligate.

In developing remaining cost estimates, the district needs to:

- Review outstanding encumbrances for all R/W EAs related to the federal project. (refer to the monthly Statewide R/W Capital Encumbrance Report from HQ R/W)
- Estimate project support costs for R/W activities left to be performed (e.g., acquisition, RAP, utilities, R/W Engineering).
- Estimate outstanding capital outlay costs for each type of expenditure (e.g., title and escrow, acquisition, utility relocation, demolition and clearance, and RAP).



### **3.05.14.05**      **Accelerated Closing Procedures**

R/W monitors federal-aid projects for timely progression through the final voucher stage to prevent unnecessary delays in closing out projects. To advance projects for final vouchering, district R/W should periodically review R/W projects for completion of the related construction projects. Using PRSM to identify projects where construction is completed, district R/W confirms completion of R/W work and verifies that all R/W costs have been paid and no R/W transactions remain outstanding. If a project is completed, R/W notifies the project manager and requests a Final Voucher Request form be submitted to R/W; R/W will then complete the R/W Final Voucher Questionnaire form and return it to the project manager, who will then submit the Final Voucher request package to the Final Voucher section in Accounting to begin the final voucher process with FHWA.

It is important to identify if the R/W project has a federal project number that should also be final vouchered on the Final Voucher Request form. It is possible to project control to Final Voucher and close the state project portion and leave the federal project active in FADS.

See [Form FA-2658](#) (internal Caltrans link) for the Final Voucher Request Form and [Exhibit 03-EX-09](#) (internal Caltrans link) for the R/W Final Voucher Questionnaire.

### **3.05.14.06**      **Cancellation of Obligational Authority**

When a project has been deleted through the appropriate Departmental process, district R/W prepares a modification to the E-76 federal project agreement requesting cancellation of federal obligations and deobligation of federal funds, if funds are under agreement. OFR reviews and approves the request and forwards to FHWA.

### **3.05.14.07**      **Release (Deobligation) of Excess Funds**

Unused federal funds must be released (deobligated) promptly and made available for reprogramming on other highway projects or for other FHWA programs.

The FRS periodically provides district R/W with a Project Status Report of inactive projects with significant fund balances to reassess funding needs. District R/W reviews projects to determine whether they will become active or need to be canceled and the funds deobligated. The district advises HQ R/W on project status. If appropriate, the district prepares and submits an E-76

modification to OFR to request the release of excess unexpended funds. OFR reviews and approves the request and forwards to FHWA to reduce federal funding on a project.

District R/W should take the initiative at any time prior to completion of a project to release unexpended obligations and identify excess federal funds. (It is not necessary to wait to review the Project Status Report before taking actions to release federal funds.)

### **3.05.15.00      Close R/W Phases**

As soon as P&M determines that all R/W costs on a project are recorded in Advantage, it must close all R/W phases for the project. This prevents inappropriate charges from being recorded against the project and allows Accounting's Final Voucher section to begin final vouchering activities.

See Section 3.02.06.00, Closing R/W Phase 2/9.

### **3.05.16.00      Final Vouchering – Project Close Out**

The last phase of a federal-aid project is final vouchering and closing of the project.

District P&M should periodically review the RCFP screen to identify potentially completed R/W federal-aid projects (based on milestone M600-Construction Contract Acceptance) and verify with all functional units that all R/W work is complete, and all costs are recorded in Advantage. Upon verification of completion of all support activities and capital costs, District P&M completes a final reconciliation of the federal project (State projects only, not Local) and submits a final E-76 modification to modify the federal project agreement to reconcile with the final project costs. District P&M then notifies the project manager that the R/W project is ready for final voucher. The project manager should then submit a Final Voucher Request form to District P&M or to the designated District R/W Project Closeout Coordinator. The R/W Final Voucher Questionnaire form is then completed and returned to the Project Manager, who will then forward the Final Voucher Request package to the [Final Voucher section in Accounting](#) with a copy to [HQ R/W](#).

The Final Voucher section audits project charges to ensure FHWA is billed for all eligible expenses. They then prepare a final voucher representing the final claim for a single, completed, and FHWA-accepted project and submit it to FHWA.

The final claim for the federal share of project costs is made on form FHWA-1447. The final voucher is a segregated summary of the project's total costs and a determination of the final federal share. Accounting uses expenditures in Advantage as the basis for the final voucher. (A summary of project costs, classified by work type and other supporting documents, shall accompany the final voucher as a means of verifying costs.)

### **3.05.16.01      Final R/W Maps and Parcel List**

Prior to 1994, R/W Engineering prepared a final R/W map that delineated the "as-built lines" and a Parcel List, FA 1567, to support the final vouchering of a completed federal-aid project. Under streamlined procedures approved by FHWA, R/W no longer prepares and forwards the final R/W maps to FHWA. All information required for completed federal-aid projects is recorded on R/W record maps and other maps. R/W Engineering must maintain these maps and make them available for FHWA's review upon request.

## **3.06.00.00 – MONITORING PROCESS**

### **3.06.01.00      General**

R/W Planning & Management (P&M) is responsible for monitoring R/W's capital budget and ensuring approved capital plans are correctly implemented. It is especially important to verify that transactions on projects with multiple funding sources, such as federal, state and/or local funds, are accurately recorded. Prior to 1997, the Department used the "Closing the Loop" process to check payment coding and funding splits. In 1997, Accounting began providing weekly and monthly expenditure reports to R/W P&M staff to ensure all R/W transactions were accurately recorded.

With the implementation of AMS Advantage in 2010, R/W Accounting discontinued providing monitoring reports as report data is now available to all Department staff through InfoAdvantage and Datalink, the Department's reporting systems for all financial transactions in Advantage. As a result, HQ P&M established a revised monitoring process and created the Weekly Monitoring Report. This report identifies all financial transactions for R/W capital processed during the fiscal year, which includes cost breakdowns by fund type.

### **3.06.02.00      Objective**

The Monitoring Process was implemented to streamline the "Closing the Loop" process while continuing to assure that R/W transaction coding and funding splits on federal projects are recorded accurately and accounted timely. This allows the Department to receive federal reimbursements based on current bills generated by Advantage.

The Monitoring Process facilitates identification of federal participation at the project and the parcel levels; assists in segregating R/W costs in eligible and ineligible categories; and identifies the type of costs involved. The process uses standard procedures that establish control for appropriate and proper accounting of revenues and expenditures on federally aided projects. It requires that adequate documentation be available for review by federal and state auditors.

### **3.06.03.00**      **Roles and Responsibilities**

A successful monitoring process requires a close working relationship among the various R/W functional units, P&M and R/W Accounting. R/W has primary responsibility, authority, and accountability for parcel level detail, by establishing individual Reporting codes in Advantage that relate to each individual parcel on a capital project. P&M is responsible for ensuring that R/W capital transactions clearly identify the parcel in the financial coding on the payment or encumbrance transaction document. R/W Accounting has primary responsibility for ensuring that R/W follows statues and policies related to payments, and that R/W's parcel detail coding and funding splits are entered accurately in Advantage.

#### **MONITORING PROCESS RESPONSIBILITIES**

District R/W Agent	The R/W Agent must initiate transactions accurately and timely. The Agent obtains the proper financial coding and fund certification from P&M to record the expenditures accurately on the appropriate Accounting documents.
P&M	P&M has primary responsibility for reviewing all Phase 9 transactions and Weekly Monitoring Reports. Additionally, P&M has responsibility for ensuring the documents are coded properly with correct funding splits.
R/W Accounting	R/W Accounting performs all accounting activities (including providing independent analysis of financial transactions) in accordance with prescribed accounting and fiscal procedures. R/W Accounting also provides accounting and coding instructions and procedures to assist P&M in monitoring transactions; ensures appropriate internal checks and balances are applied to fiscal data; and maintains the integrity of the accounting system.

### **3.06.04.00**      **Scope**

The Department is accountable for all expenditure billings and credits applied to projects. This encompasses capital outlay and support expenditures; incomes from rental properties and sales of excess lands, improvements, and equipment; and adjustments resulting from FHWA citations.

### **3.06.05.00**      **Federal Eligibility**

R/W is responsible for determining federal eligibility of transactions and relaying this information to R/W Accounting on the appropriate accounting documents.

For additional information, refer to:

- Section 3.05.12.05, Definitions.
- Section 3.05.12.06, Federal-Aid Eligibility Code.

### **3.06.06.00**      **Procedures**

The procedures on the following pages establish a formalized tracking process to assure timely and uniform follow-up of R/W expenditure transactions and compliance with federal requirements. Where appropriate, e-signatures can be used, and routing documents electronically is acceptable.

#### **MONITORING PROCEDURES**

R/W Agent	The R/W Agent initiates functional transactions in a timely manner and identifies federal participation at the project and parcel levels with P&M's assistance. The Agent must segregate R/W costs into eligible and ineligible categories and classify expenditures to code them properly for Advantage. The Agent must accurately prepare and sign the Federal Participation Memorandum or a similar form to reflect the appropriate R/W transactions.
Functional Supervisor	The functional supervisor reviews the payment document and all necessary support documentation to verify appropriateness and accuracy of the Agent's work. The supervisor approves and signs the RW Accounting forms and returns the transaction package to the Agent (or forwards to P&M, varies by District).
R/W Agent	The R/W Agent or his/her functional supervisor forwards the transaction package (including support data) to P&M for encumbrances or payments.

## **MONITORING PROCEDURES (Continued)**

P&M	<p>The P&amp;M reviewer should request the complete file with all supporting material required to verify the functional transactions R/W Accounting will process. The reviewer provides all financial coding to the project and parcel level, and federal-aid related data, including the proposed segregation of charges, to ensure an appropriate distribution between eligible and ineligible categories. The P&amp;M reviewer completes the Fund Certification and signs the R/W Accounting form(s), places a copy of the transaction request form in the pending file, and forwards the transactions package to R/W Accounting.</p>
R/W Accounting	<p>R/W Accounting reviews and verifies coding accuracy on all documents and ensures that each transaction package is complete. Accounting then enters the data into Advantage.</p>
HQ P&M	<p>HQ P&amp;M forwards the Weekly Monitoring Report to Districts each Tuesday for district staff to monitor R/W capital financial transactions.</p>
P&M	<p>Upon receipt of the Weekly Monitoring Report from HQ P&amp;M, the P&amp;M reviewer confirms coding and funding splits on all capital outlay payment/encumbrance transactions.</p> <p>If there are no variances, P&amp;M notates the Claim Schedule number on the pending payment document (i.e. Federal Participation Memo), files a copy in the P&amp;M project file and forwards a copy to the appropriate function, which reviews coding and funding splits one last time (safety net) and files it in the parcel folder.</p> <p>If there is a variance, P&amp;M advises R/W Accounting either by phone or email and submits an Expenditure Adjustment Request (EAR) form to R/W Accounting to clear the variance.</p>

## **MONITORING PROCEDURES (Continued)**

R/W Accounting	R/W Accounting makes adjustments in Advantage within 10 working days. The adjustments are reflected on the Weekly Monitoring Report.
P&M	P&M reviews the Weekly Monitoring Report for the next period to confirm that adjustments were made.

### **3.06.07.00 Document Log**

The Monitoring Process requires a document log to monitor documents as they progress between R/W and R/W Accounting. This log may be in the form of a spreadsheet, R/W Ledger or database that tracks all financial activity on projects. Since the majority of documents flow from the R/W function through P&M, P&M should maintain the document log. Other functions, such as Excess Land, may also maintain its own document tracking log for their function's documents. The document log includes the following information:

- Parcel Number
- Expenditure Authorization/Project ID
- Reporting Code
- Date document received from functional unit (if appropriate)
- Date document forwarded to R/W Accounting
- Date document returned from R/W Accounting
- Date document returned to functional unit (if appropriate)

It is recommended that the document log be set up by type of R/W transaction, such as:

- Acquisition
- Condemnation Deposit
- RAP
- Utility Relocation
- Demolition and Clearance
- Property Management
- Sales of Improvement/Equipment
- Excess Land Acquisition
- Sales of Excess Land



### **3.06.07.01**      **Expenditure Document Retention File**

All capital outlay transactions for phase 9 are processed through P&M. P&M maintains a copy of the transaction document in a pending file. When HQ P&M electronically transmits the Weekly Monitoring Report, District P&M compares the two documents for accuracy and completeness.

- **No Variances** – note the Claim Schedule number on the payment document and R/W Ledger, and file in the P&M project file.
- **Variances** – follow procedures in Section 3.06.08.01.

### **3.06.07.02**      **R/W Forms**

Before R/W Accounting can process functional transaction requests, R/W must submit appropriate functional documents. A complete listing of the required documents for each functional transaction can be obtained from the internal [District Guidelines for Complete Payment Packages](#) (internal Caltrans link).

### **3.06.08.00**      **Weekly Monitoring Report**

The Weekly Monitoring Report is electronically forwarded to each District P&M Office every Tuesday. If the report contains a variance, it is reported to the district RW Accounting liaison. An adjustment is made within 10 working days. The adjustment appears on the reports issued during the next two weekly cycles. The first line entry records the reversal of the variance and should be shown as a credit. The second line entry is the adjustment.

The Claim Schedule number is noted on the pending file document and is placed in the parcel file.

FHWA has approved replacing the Closing the Loop and prior weekly transaction report with the current electronically transmitted Weekly Monitoring Report.

### **3.06.08.01**      **Variance Resolution**

The need to resolve variances arises in both R/W Accounting and R/W.

When R/W Accounting reviews R/W transaction documents, questions may ensue about federal participation and eligibility or proper coding. R/W Accounting shall contact the appropriate R/W function to clarify and resolve

any item in question. Accepted policy is that R/W Accounting will not make any coding changes to R/W transactions without R/W's approval.

If R/W Accounting is not certain about whom to call, their contact is P&M. P&M will direct them to the correct unit/person and will follow up to ensure the issue is resolved.

If District P&M discovers a variance upon review of the Weekly Monitoring Report issued by HQ P&M, P&M investigates to determine if an accounting adjustment is needed, and then contacts the appropriate RW Accounting liaison regarding the variance to be adjusted.

Variations on the Weekly Monitoring Reports are to be reported immediately to the District's R/W Accounting liaison with the Expenditure Adjustment Request form to indicate the incorrect coding posted and the correct coding to make the accounting adjustment. District P&M should notify HQ P&M of the corrective action and make notes in the document log or Ledger.

If adjustments are not made in a reasonable time or the R/W Accounting liaison is not responsive, R/W can contact the R/W Accounting Office Chief.

### **3.06.09.00**      **Follow-Up Action**

Inherent in maintenance of document logs and ledger files is the requirement to follow up with Accounting.

Accounting has committed to the following:

**R/W Accounting:** Processes all types of payments and Expenditure Adjustment Requests (EAR) for Phase 9.

Most payments are paid through the direct payment process in accordance with the Prompt Payment Act. However, RAP, Permit Fee, and Special Requests (e.g. condemnation judgment and/or other urgent time-sensitive payments) are paid through an expedite process as follows:

- RAP payments are processed within three working days through the State Controller's Office (SCO) using an Expedite "Next Day Release" (\$50 fee). Expedite fees are charged against Accounting's overhead account.
- Permit Fee payments are processed within three working days through the SCO using an Expedite "Second Day Release" (\$25 fee). Expedite fees are charged against Accounting's overhead account.

- Special Request payments are prioritized as deemed appropriate by R/W Accounting and processed through the SCO using an Expedite Format per the instructions on the condemnation/acquisition invoice. Expedite fees are charged against the District's overhead account.

Expenditure Adjustment Requests are processed within 10 working days when the project and phase are set-up properly.

**Cashiering Unit:** Processes the R/W condemnation deposits.

Cashiering prepares a cover memo (FA 1621) and forwards, along with the [RW 09-19 request](#) (internal Caltrans link), to the SCO. The SCO then prepares the Notice of Transfer of Funds (CA13), certifying that the transfer has been made as requested, and forwards it to the State Treasurer. This process takes several working days and cannot be expedited. The State Treasurer's Office (STO) forwards the documentation to Caltrans Cashiering for the department's records.

If the time frames listed above are exceeded without explanation, district P&M initiates follow-up action to request payments be made, or transactions be posted or adjusted.

## 3.07.00.00 – COOPERATIVE AGREEMENTS WITH R/W INVOLVEMENT

In delivering projects on the State Highway System, the Department may be requested to perform R/W work financed with Local Agency Funds (e.g., Tax Measure, Property Tax, Developer Fees, Local Assistance federal subvention). To the extent that Departmental policy and budget authority allows, the State and Local Agencies may enter into cooperative agreements (co-op) for the R/W to be performed by State personnel.

The following procedures should be followed to ensure that cooperative agreements for reimbursed R/W work are properly developed and managed. Depending upon R/W's organizational structure in the region or district, these steps may be performed by various R/W functions including Planning & Management (P&M), Local Programs, the R/W Project Coordinator, or a combination of the three.

- Upon conception of a cooperative agreement, the R/W Project Coordinator works with the Project Manager to identify the type of R/W work to be covered by the agreement. The Project Manager should ensure that reimbursable work to be done is consistent with departmental policy.
- At the earliest stage of the project, the R/W Project Coordinator verifies with P&M that the District has sufficient reimbursement budget authority for the proposed reimbursed R/W work.
- Before negotiating an agreement with the other party or parties, the Project Manager and R/W Project Coordinator must verify that conceptual approval exists for doing the work cooperatively and that adequate funding is available.
- R/W develops resource information (R/W capital and support estimates) needed for the agreement. Also, R/W ensures adequate budget estimates are computed for R/W Support Costs that include both **direct** (the loaded rate for labor costs) and **indirect** costs.

**NOTE:** The indirect is also known as **Indirect Cost Rate Proposal (ICRP)** rate for reimbursed work. It is a combined rate consisting of Functional and Administrative rates for each of the various programs in the Department. (The ICRP for Right of Way historically has been quite significant, that is, as high as 87 percent.)

The ICRP rate in effect at the time the expense was incurred is applied to the direct costs and is billed out to the Local Agency for the reimbursed work. The Accounting Division calculates and revises the ICRP rate for departmental programs annually.

- The R/W Project Coordinator forwards sufficient R/W information to the Project Manager for the writing of the project cooperative agreement.
- The R/W Project Coordinator and other appropriate functions review the draft cooperative agreement for all aspects of the R/W involvement and recommend approval to the R/W Manager or designee.
- The R/W Project Coordinator ensures that R/W activities do not begin prior to having a formal executed agreement.
- Upon execution of the cooperative agreement, R/W P&M establishes the R/W Phase(s) in Advantage, establishing the funding structure and budget for the reimbursed Project ID with all pertinent data (e.g., contributor number, dollar estimates for funding fiscal year), for recording and controlling reimbursed expenditures.
- R/W P&M provides charging instructions to staff for reimbursed work to be performed under the agreement.
- R/W P&M tracks and monitors expenditures by fund source. Also, R/W P&M and/or Accounting provide information to the R/W Project Coordinator on reimbursed expenditures.
- The R/W Project Coordinator monitors and manages the co-op to ensure that work is performed and reimbursed costs are within the limits of the agreement.
- The R/W Project Coordinator makes request to the Project Manager for an amendment to the cooperative agreement prior to exceeding funding limits.

See Caltrans [Cooperative Agreement Handbook](#) (internal Caltrans link) for detailed information on cooperative projects and reimbursed work. Please also refer to Right of Way Manual Chapter 17, Local Programs.

## **3.08.00.00 – PREREQUISITES FOR RIGHT OF WAY ACTIVITIES**

### **3.08.01.00      Preliminary Right of Way (R/W) Activities – Support**

Preliminary R/W activities are defined as those R/W activities that occur after the project is programmed, but prior to environmental clearance. Staff time for these activities are typically charged as R/W support to phase 2. These activities include:

1. Ordering Title Reports.
2. Preparing Base Maps.
3. Preparing Appraisal Maps.
4. Conducting project-wide comparable sales searches once a preferred alternative is internally selected.
5. Assigning appraisers to specific parcels, contacting the property owners to commence appraisal activity, and completing the appraisal.

Unless the prerequisites outlined below are met, these activities shall be avoided in all cases unless prior Headquarters R/W approval has been secured in writing in accordance with the instructions found below.

### **3.08.01.01      Preliminary Right of Way (R/W) Activities – Capital**

Under [CTC Resolution G-19-01](#), the following R/W capital commitments can be made prior to environmental clearance:

1. Permits to Enter
2. Environmental permit fees
3. Positive location of utilities
4. Agreements for railroad coordination
5. Preliminary title fees

Requests to use phase 9 for commitments not listed above must be discussed with HQ P&M. Phase 9 commitments made prior to environmental clearance require sufficient R/W capital programming unless the project is on the approved long-lead list or funds have only been secured through project approval. If a project does not qualify under one of those exception, District

Project Management staff must process a PCR prior to R/W capital funds being committed.

[CTC Resolution G-19-01](#) limits the amount of R/W capital commitments that can be made prior to environmental clearance to 5% of the total R/W annual allocation requested for the year. HQ P&M monitors these commitments and reports to the CTC quarterly.

### **3.08.02.00      Prerequisites for Commencement of Preliminary Right of Way Activities**

The prerequisites for initiating preliminary R/W activities are outlined as follows:

(These requirements do not apply to hardship and protection parcels or parcels subject to Acquisition Reference File 99-1 Regular R/W Activities prior to Environmental Clearance (non-STIP), or Acquisition Reference File 02-1 R/W Acquisition Prior to Environmental (STIP).

1. The project development component (Environmental and Permits, phase 0) must be programmed, the amount requested must be managed within the annual allocation, and phase 9 must be approved.
2. If Federal funds are to participate in preliminary R/W costs, environmental clearance (PA&ED milestone) must be achieved, and R/W activities must have been authorized by FHWA through the E-76 process; however, if project schedules require that these activities be started prior to achieving PA&ED, the department may request authorization for preliminary R/W activities in the Preliminary Engineering (PE) federal authorization request (E-76) so that these costs may be federally reimbursed.
3. When a STIP/SHOPP project is 100% federally funded, a non-STIP/non-SHOPP fund (PECT 20.20.800.200, Fund 0042) can be used to record costs related to such preliminary R/W activities. HQ P&M must be notified prior to using the fund reservation.
4. If a project is locally funded and STIP or SHOPP funds have not been identified for the project, it is the responsibility of the District to secure funds through a Cooperative Agreement prior to initiating the applicable activities.

### **3.08.03.00**      **Regular Right of Way Activities – Defined**

The following is a nonexclusive list of activities, which shall not commence prior to satisfying the above prerequisites.

1. Acquiring right of way parcels
2. Relocating Displaced Persons or Businesses
3. Performing Utility Relocation activities from the request for Relocation Plans forward

Unless the prerequisites are met, these activities shall be avoided in all cases unless prior Headquarters R/W approval has been secured in writing in accordance with the instructions found in Section 3.08.04.00 or as defined in Acquisition Reference File 00-1 R/W Acquisition Prior to Environmental Approval.

### **3.08.04.00**      **Prerequisites for Commencement of Regular Right of Way Activities**

The prerequisites for initiating regular R/W activities are outlined as follows:

(These requirements do not apply to hardship and protection parcels or parcels subject to Acquisition Reference File 99-1 Regular R/W Activities prior to Environmental Clearance (non-STIP), or Acquisition Reference File 02-1 R/W Acquisition Prior to Environmental (STIP).

1. The project report must have been approved.
2. The project must have current final environmental clearance.

**NOTE:** As an alternative to having final environmental clearance, this requirement may be satisfied if the following three events have occurred:

- a) The draft environmental document has been circulated.
  - b) The public hearing process is complete.  
and
  - c) A preferred alternative has been approved.
3. Freeway agreement(s), including required amendments, must have been executed if required for the project.



**NOTE:** By statute ([Streets and Highways Code Section 100.21](#)), “(a) Whenever a street or highway closing agreement is required by [Section 100.2](#), the department shall not acquire, except by gift, and except in hardship or protective cases as determined by the department or the commission, any real property for a freeway through a city until an agreement is first executed with the city council, or for a freeway through unincorporated territory in a county until an agreement is first executed with the board of supervisors. The department shall give notice to the city council or the board of supervisors, as the case may be, of any acquisition of real property prior to the execution of an agreement.

(b) Notwithstanding subdivision (a), a city council, or a county board of supervisors may, by resolution, authorize the purchase of rights-of-way prior to approval of an agreement if the purchase is limited to the mainline corridor of the proposed freeway and the alignment of the freeway is not at issue.”  
(Direct quote from the Statute)

Current final environmental clearance means:

- a. An approved determination that the project is categorically exempt under CEQA, and if there is Federal participation in any part of the project, FHWA concurrence in a determination that the project is a categorical exclusion under NEPA.  
or
- b. Final environmental documents (Environmental Impact Report [EIR], Environmental Impact Statement [EIS], Negative Declaration [ND], Environmental Assessment [EA]) have been prepared and approved, and, under NEPA, a Finding of No Significant Impact (FONSI) or a Record of Decision (ROD) has been completed and signed, and, under CEQA, a Notice of Determination (NOD) has been filed with the Office of Planning and Research.  
and
- c. When required pursuant to the Environmental Handbook, an Environmental Reevaluation has been prepared and approved.

## 3.09.00.00 – DELEGATIONS

### 3.09.01.00      Delegations of Authority

As referenced in Section 2.05.01.00, the delegation matrix for Planning and Management is noted below. The delegation matrix reflects the associated policy and RW Manual reference for each delegated item. The matrix also distinguishes whether an item is delegated to the District or Headquarters (HQ) level, along with the lowest level of sub-delegation authorized.

Reference (Statutory, WBS, Director's Policy, Deputy Directive, etc.)	RW Manual Section	Responsibility	Delegation	Lowest Level of Sub-Delegation
	3.02.04.00	Establishing Right of Way EA	District	Associated Governmental Program Analyst (AGPA)
<a href="#">DD-11</a> (internal Caltrans link)	3.04.04.05	Request Federal Participation on Right of Way	District	AGPA
	Update Pending	Certification of Right of Way Capital Funds Availability	District	AGPA
<a href="#">CTC G19-01</a>	3.04.05.00	Authority to Sub-Allocate Funds for Right of Way Annual Capital Allocation	HQ	Senior RW Agent
<a href="#">CTC G19-01</a>	3.04.06.01	Authority to Increase Right of Way Annual Capital Sub-Allocation	HQ	Senior RW Agent
<a href="#">PMD 022R1</a> (internal Caltrans link)	3.04.04.07	Inform Project Manager of Need for Change Management Document	District	AGPA
	3.04.14.04	Authorize Amounts in PMCS	District	AGPA

# CHAPTER 3

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### EXHIBITS

<b><u>Exhibit No.</u></b>	<b><u>Title</u></b>
03-EX-01	Project Identification in Advantage and PRSM
03-EX-02	<i>Held for Future Use</i>
03-EX-03	Right of Way Involvement – Project Delivery Process Phase II
03-EX-04	<i>Held for Future Use</i>
03-EX-05	Right of Way Activities Prior to Environmental Clearance
03-EX-06	Right of Way Acquisition Prior to Environmental Approval on STIP Projects
03-EX-07	<i>Held for Future Use</i>
03-EX-08	Right of Way Object Codes
03-EX-09	Right of Way Final Voucher (for internal Caltrans use)

Exhibits are located online:

- [External Exhibits site](#)
- [Internal Exhibits site](#) (internal Caltrans link)

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### FORMS

<b><u>Form No.</u></b>	<b><u>Title</u></b>
RW 03-01	Project Development Fee/Project Specific Permit Fee Invoice (for internal Caltrans use)
RW 03-02	Inverse Condemnation (for internal Caltrans use)
RW 03-03	Expert Witness Contract Request (for internal Caltrans use)

Forms are located online:

- [External Forms site](#)
- [Internal Forms site](#) (internal Caltrans link)

(REV 7/2023)