

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: June 27-28, 2018

Reference No: 4.27
Action Item

From: STEVEN KECK
Chief Financial Officer

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Division of Budgets

Subject: **ADOPTION OF THE FEDERAL AID PROJECT FUNDING GUIDELINES
RESOLUTION G-18-35**

ISSUE:

Should the California Transportation Commission (Commission) approve the California Department of Transportation's (Department) Federal-Aid Project Funding Guidelines?

RECOMMENDATION:

The Department recommends that the Commission approve the proposed changes to the Federal-Aid Project Funding Guidelines that set new levels for federal participation. The Department has completed an in-depth analysis, and has determined the threshold for maintaining federal eligibility may increase while still maximizing flexibility in the use of federal funds.

BACKGROUND:

The purpose of the Federal-Aid Project Funding Guidelines is to maximize the use of federal funds, and to ensure that no resources are lost to California. The guidelines specify which projects should maintain federal eligibility, throughout the project development phases, by identifying a construction value as a lower threshold. The previous threshold was set at \$1,000,000. Due to an increase in funding from Senate Bill 1 (SB1), the Department analyzed capital projects and available resources to determine a new threshold requirement. By making specific assumptions and utilizing funding projections from the 2018 State Transportation Improvement Program (STIP) Fund Estimate, the Active Transportation Program (ATP) Fund Estimate, and the 2018 State Highway Operation and Protection Program (SHOPP), it was determined that the Department could safely increase the threshold as follows:

- STIP Projects with capital construction values of \$10,000,000 or more in STIP funding must maintain federal eligibility.
- ATP Projects awarded as part of the statewide competition with capital construction values of \$1,000,000 or more in ATP funding must maintain federal eligibility.
- SHOPP Projects that are not identified for Road Maintenance and Rehabilitation Account funding with capital construction values of \$2,000,000 or more in SHOPP funding must maintain federal eligibility, otherwise, the requirement is increased to \$10,000,000.

The Federal-Aid Project Funding Guidelines apply to the capital construction phase of projects programmed in the SHOPP, STIP, and all projects awarded in the statewide competition for the ATP without regard to whether the Department or a local agency administers the project. These projects are to be qualified for Federal Aid Highway Funds, unless specifically exempted as detailed below.

The 2017-18 guidelines will be streamlined, and include minor changes with regard to State-only funding. When a project above the aforementioned thresholds is programmed for state-only funding, the request must include the reason for state-only designation. Projects programmed without a state-only designation and later proposed for state-only funding will be subject to the Department's recommendation for exception to federal funding prior to the Commission's allocation.

State-only funding will only be considered on an exception basis for projects otherwise qualified for Federal Aid Highway Funds. In order for projects to be considered:

- Requests for State-only funding must be submitted to the Chief, Division of Budgets.
- Division of Budgets will prepare State-only funding requests for Commission approval.
- Projects funded from the Maintenance Program (20.80.XXX.XXX), STIP, SHOPP or ATP projects previously approved for State-only funding by the Commission, are approved for State funding and do not require a subsequent "Request for State-only funding". The exception is, federally funded highway preventative maintenance projects (20.80.124.000).

The allocation of state funds for one or more phases of a project does **not** relieve the requirement to maintain federal eligibility for that project. Unless the entire project receives approval for State-only funding, in writing, from the Department's Division of Budgets, the project **must** maintain federal eligibility.

Projects programmed in the SHOPP for an estimated construction cost in excess of \$2,000,000 or \$10,000,000 respectively, STIP for an estimated construction cost in excess of \$10,000,000, and ATP projects programmed for an estimated construction cost in excess to \$1,000,000 are to be qualified for Federal-Aid Highway Funds. Federal Funds will be requested for all such projects unless the Division of Budgets determines use of non-federal funds is warranted. Exceptions include:

- Highway Safety Improvement Program projects with total capital cost of \$300,000 or more will be qualified for Federal-Aid Highway Funds.
- All Emergency Relief (ER) projects greater than \$5,000 in total are to be qualified for Federal ER funds and must be developed in accordance with Federal requirements. Federal eligibility determination for ER funding is determined by the FHWA.

RESOLUTION:

Resolved that the Commission approve the proposed updates to the Department's Federal Aid Project Funding Guidelines.