

CALIFORNIA TRANSPORTATION COMMISSION

**STATE HIGHWAY OPERATION AND
PROTECTION PROGRAM GUIDELINES**

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I. INTRODUCTION

1. Purpose

These guidelines describe the policy, standards, criteria and procedures for the development, adoption, and management of the State Highway Operation and Protection Program (SHOPP) by the California Transportation Commission (Commission).

2. Commission Mission

The Commission is an independent public agency dedicated to ensuring a safe, financially sustainable, world-class multimodal transportation system that reduces congestion, improves the environment, and facilitates economic development through the efficient movement of people and goods.

3. Guideline Objectives

These guidelines were developed and adopted with the following basic objectives:

- a. Consistent with the Transportation Asset Management Plan (TAMP) and the State Highway System Management Plan (SHSMP), develop and manage the SHOPP as a resource management document.
- b. Facilitate transportation decision making by those who are closest to the transportation problems.
- c. Recognize that, although Caltrans is the owner-operator of the state highway system, the regional agencies have the lead responsibility for resolving urban congestion problems, including those on state highways.
- d. Facilitate cooperative programming and funding ventures between Caltrans and local agencies including the regional transportation agencies.
- e. Recognize regional and statewide goals and objectives in the rehabilitation and operation of the state-owned highway transportation system.
- f. Emphasize partnerships between Caltrans and regional agencies in making investment decisions addressing the most critical corridor needs, regardless of mode choice.
- g. Accelerate project delivery, to ensure efficient use of funds, and to address deferred maintenance on the state highway system.
- h. Establish allocation thresholds that the Commission determines are necessary to ensure efficiency and provide exceptions as necessary so that projects are not unnecessarily delayed.

- i. Recognize that accountability, flexibility, and simplicity are key components to the objectives of the Guidelines.

4. Statutory Authority

See Appendix B for a listing of the Statutory Authority related to the SHOPP Guidelines.

5. Applicability of SHOPP Guidelines

The SHOPP Guidelines apply to projects programmed in the SHOPP. The SHOPP Guidelines do not apply to transportation programming requirements specified in federal Transportation Improvement Programs (TIP) and the federal STIP required by federal statutes. Generally, all projects receiving federal transportation funds must be programmed in a federal TIP (for projects in urbanized regions) and in a federal STIP. Metropolitan Planning Organizations are responsible for developing and adopting federal TIPs and Caltrans is responsible for preparing the federal STIP. The requirements for federal TIPs and the federal STIP are specified in federal statutes (Title 23 USC) and federal regulations (23 CFR part 450).

6. Compliance with Federal and State Requirements

Caltrans shall comply with all Federal and State requirements.

7. Amendments to the Guidelines

The Commission may amend the adopted SHOPP guidelines after first giving notice of the proposed amendment and conducting at least one public hearing.

8. Delegation of Authority

As of the date of these SHOPP Guidelines, the Commission has taken formal action to delegate ([Appendix C](#)) certain authorities to Caltrans:

- Resolution G-05-16: Sub-allocation and Adjustment of Minor Capital Construction Projects.
- Resolution G-06-13: Allocation of Funds for Safety Projects.
- Resolution G-11-16: Funding Emergency Condition Response Projects.
- Resolution G-12-16: Adjustment and Modification of Project Allocations and Descriptions.

II. SHOPP DOCUMENT OVERVIEW AND DEVELOPMENT

9. General

The SHOPP is a biennial program adopted no later than April 1 of each even numbered year. Consistent with the [Biennial STIP Fund Estimate](#), each SHOPP will cover a two-year period and add two new years of programming capacity.

10. SHOPP Preparation

Pursuant to Government Code Section 14526.5(a), and consistent with the TAMP, Caltrans shall prepare a four-year SHOPP for the expenditure of transportation funds for major capital improvements needed to preserve and protect the State

Highway system. Consistent with the TAMP and the State Highway System Management Plan (SHSMP), each new SHOPP document shall include projects carried forward from the previous SHOPP, new projects, and reservations. The total amount programmed in each fiscal year of the SHOPP shall not exceed the amount specified in the STIP Fund Estimate.

11. SHOPP Development Schedule

The following schedule lists the major milestones for the development and adoption of the SHOPP:

Caltrans submits the proposed SHSMP to the Commission for review and comments	By February 15 of odd numbered years.
Commission reviews and comments on the SHSMP	March of odd numbered years
Caltrans submits final SHSMP to Governor and Legislature	By June 1 of odd numbered years
Caltrans presents Draft Fund Estimate to the Commission	By July 15 of odd numbered years
Commission adopts Fund Estimate	By August 15 of odd numbered years
Caltrans to share initial draft of proposed SHOPP	By December of odd numbered years
Caltrans submits proposed SHOPP	By January 31 of even numbered years
SHOPP Hearing in Northern California	February of even numbered years
SHOPP Hearing in Southern California	March of even numbered years
Commission Adopts SHOPP and Submits to Legislature and Governor	By April 1 of even numbered years

12. Eligibility

Projects eligible for SHOPP funds include major capital improvements that are necessary to preserve and protect the state highway system and are consistent with the TAMP. Projects included in the program shall be limited to improvements relative to the maintenance, safety, operation, and rehabilitation of state highways and bridges that do not add a new traffic lane to the system, and to advance mitigation projects. Streets and Highways Code Section 2030 (b)(1)(D) states that complete street components, including active transportation purposes, pedestrian and bicycle safety projects, transit facilities, and drainage and storm water capture projects are SHOPP-eligible in conjunction with any other allowable project. Examples of operation improvement projects include, but are not limited to the following:

- a. Auxiliary lanes for merging or weaving between adjacent interchanges.
- b. Intersection modifications including traffic signals.

- c. Slow vehicle lanes on conventional highways and four lane freeways.
- d. Curve and vertical alignment corrections.
- e. Two-way left turn lanes.
- f. Channelization.
- g. Turnouts.
- h. Chain control and truck brake inspection sites.
- i. Shoulder widening.
- j. Traffic Management Systems.
- k. Traffic Management Centers.
- l. Multimodal corridor projects.

13. Display of Project Scope, Budget, Schedule, and Performance Measure

The SHOPP document shall include the following information for each project:

- a. The project title, including a brief description of the project location and limits (community name, corridor, street name, etc.), and a phrase describing the type and scope of the project. The project description should be based on quantified and qualitative information to document transparently and in plain language how the project is consistent with the Commission approved TAMP.
- b. A unique project identification number (e.g. PPNO, EA, Project ID) provided by Caltrans.
- c. For projects on the state highway system, the route number and post-mile limits.
- d. Any appropriate funding restriction or designation, including projects requiring state- only funding, or projects requiring federal funds.
- e. Planned performance measure(s) for each project.
- f. For projects that meet the Senate Bill (SB) 1 SHOPP Baseline Agreement threshold, provide a notation stating the requirement.

14. Project Budget

For each project in the SHOPP, Caltrans shall identify each phase of a project and include the specified budget, including the source and amounts of non-SHOPP funds, if any, committed to the project. Pursuant to Government Code Section 14526.5(c)(1), Caltrans, at a minimum, shall specify, for each project in the SHOPP (where applicable), the budget for each of the following project phases:

- PA&ED (only consists of support)
- PS&E (only consists of support)
- Right-of-way (support and capital)
- Construction (support and capital)

15. Project Delivery Dates

Each phase of a project must have a specified schedule. Pursuant to Government Code Section 14526.5(c)(2), Caltrans shall specify a projected delivery date for each of the following components:

- PA&ED completion
- PS&E completion (signified as RTL)
- Right-of-way certification
- Start of Construction

16. Database

Caltrans is responsible for maintaining an electronic database record of the adopted SHOPP documents and Commission actions that amend the SHOPP. The current database is known as the California Transportation Improvement Program System (CTIPS).

Consistent with this database, Caltrans shall develop and maintain a transparent system to display in plain language each SHOPP project's support and capital budget, schedule, scope, expected performance benefits and updates thereof to enhance communication among the districts and headquarters, to ensure efficient management of the entire portfolio, and to provide public transparency.

III. RELATED STATUTORY DOCUMENTS

17. Transportation Asset Management Plan

Pursuant to Government Code Section 14526.4, Caltrans in consultation with the Commission shall prepare a robust Transportation Asset Management Plan (TAMP) to guide selection of projects for the SHOPP. Caltrans may prepare the TAMP in phases, the first phase to be implemented with the 2016 SHOPP. The complete TAMP is due no later than the 2020 SHOPP. The Commission reviews and approves the TAMP and adopts targets and performance measures reflecting state transportation goals and objectives. The TAMP is a strategic and systemic process of operating, maintaining, and upgrading physical assets effectively through their lifecycle by focusing on business and engineering practices for resource allocation and utilization based on well-defined objectives. Pursuant to Section 14526.7(a), Caltrans shall incorporate the performance targets adopted by the Commission pursuant to Government Code Sections 14526.4 and 14526.5. On March 26, 2015, the Commission approved four asset classes for the first phase of the TAMP that included: pavement, bridge, culverts, and Traffic Management System (TMS) elements.

Notwithstanding the foregoing, SB 1 states the Legislature's intent that Caltrans meet the following preliminary performance outcomes for additional state highway investments by the end of 2027, in accordance with applicable state and federal standards:

- Not less than 98 percent of pavement on the state highway system in good or fair condition.

- Not less than 90 percent level of service achieved for maintenance of potholes, spalls, and cracks.
- Not less than 90 percent of culverts in good or fair condition.
- Not less than 90 percent of the transportation management system units in good condition.
- Fix not less than an additional 500 bridges.

18. State Highway System Management Plan

Pursuant to Streets and Highways Code Section 164.6(a)(1), Caltrans shall prepare a State Highway System Management Plan (SHSMP). The SHSMP shall include a 10-year state highway system rehabilitation plan for the rehabilitation or reconstruction, or combination thereof, by the SHOPP, of all state highways and bridges owned by the state.

Pursuant to Streets and Highways Code Section 164.6(a)(2), the SHSMP shall also include a five-year maintenance plan that addresses the maintenance needs of the state highway system. The maintenance plan shall be updated every two years. The maintenance plan shall include only maintenance activities that, if the activities are not performed, could result in increased SHOPP costs in the future. The maintenance plan shall identify any existing backlog in those maintenance activities and shall recommend a strategy, specific activities, and an associated funding level to reduce or prevent any backlog during the plan five-year period.

IV. FUNDING

19. Biennial STIP Fund Estimate

By July 15 of each odd numbered year, Caltrans shall submit to the Commission a proposed fund estimate for the following five-year STIP period which also includes proposed program funding levels for the SHOPP. The Commission shall adopt the STIP Fund Estimate by August 15 of that same year. The assumptions on which the STIP Fund Estimate is based shall be determined by the Commission in consultation with Caltrans, regional agencies, and county transportation commissions.

20. State-Only Funding

Projects must follow the Federal-Aid Project Funding Guidelines as adopted by the Commission. The Commission will assume that all projects will be qualified for federal transportation funding unless specifically exempt per the Federal-Aid Project Funding Guidelines. Whenever Caltrans designates a project to be programmed for state-only (non-Federal) funding, it will explain the reason for this designation. Projects programmed without a state-only designation and later proposed for state-only funding allocations will be subject to Caltrans recommendation for exception to federal funding prior to the Commission's fund allocation.

21. Joint State and Local Funding

If Caltrans and a local or regional agency agree, they may, if consistent with all applicable laws and regulations, recommend that a new project or a project cost increase be jointly funded from state and local funds and execute a cooperative agreement to reflect the agreed participations.

22. GARVEE Bonding

If the fund estimate projects the availability of federal funding for the SHOPP, the Commission may, by SHOPP amendment, select SHOPP eligible projects proposed for accelerated construction through GARVEE bonding. The Commission will select projects for GARVEE bonding that rehabilitate and/or improve operation of corridors and gateways for interregional travel and goods movement, especially projects that promote economic development and projects that are too large to be programmed within the SHOPP on a pay-as-you-go basis. The Commission's expectation is that, generally, these will be projects that require bond proceeds exceeding \$25 million.

Each bond will be structured for debt service payments over a term of not more than 12 years. In designating projects for bonding and scheduling bond sales, the Commission will give consideration to the overall annual debt service limit of 15 percent of Federal revenues.

GARVEE bonds cover only the federally-funded portion of a project's cost (generally 88½ percent). GARVEE bonding in California is structured so that the state's future federal transportation apportionments cover all debt service payments. This requires that the entire non-federal portion of project cost (including costs of issuance and interest) be provided at the time of construction on a pay-as-you-go basis. The Commission's policy is that the non-federal portion of project costs will be programmed within the current SHOPP capacity. Although local funds may be applied to the non-federal share, the ability of a local agency to contribute its funding to a SHOPP project will not be a major criterion in the selection of SHOPP projects for GARVEE bonding.

V. ADOPTION/PROGRAMMING

23. SHOPP Submittal

Pursuant to Government Code Section 14526.5(d), Caltrans shall submit the proposed SHOPP, to the Commission no later than January 31 of each even year. Caltrans shall provide the Commission with detailed information for all projects including, but not limited to, cost, scope, schedule, and performance metrics. The SHOPP document will describe in plain language its overall adequacy and consistency with the SHSMP as well as the Commission approved TAMP, funding priorities established in Streets and Highways Code Section 167, the level of annual funding needed to implement the program, and the impact of those expenditures on the STIP. Prior to submitting its proposed program, Caltrans shall make a draft of the proposed SHOPP available to transportation planning agencies for review and comment and shall include the comments in its submittal to the Commission.

24. Adoption

Pursuant to Government Code Section 14526.5(e), the Commission shall review each two-year cycle SHOPP document relative to its overall adequacy and consistency with the TAMP prepared and approved pursuant to Government Code Section 14526.4 and funding priorities established in Streets and Highways Code Section 167, the level of annual funding needed to implement the program, and the impact of those expenditures on the state transportation improvement program.

Not later than April 1 of each even numbered year the Commission shall adopt the SHOPP document and submit it to the Legislature and to the Governor. The Commission may decline to adopt the SHOPP if the Commission determines that the program is inadequate or it is not sufficiently consistent with the SHSMP and TAMP.

Pursuant to Government Code Section 14526.5 (f), as part of the Commission's review, the Commission shall hold at least one hearing in northern California and one hearing in southern California regarding the proposed program.

Each two-year cycle SHOPP document shall be a statement of the Commission's intent for allocation and expenditure of funds for the following four years as well as a resource management document to assist in the planning and utilization of transportation resources in a cost-effective manner. Each adopted SHOPP shall remain in effect until a new SHOPP is adopted.

Caltrans will publish the SHOPP record within 75 days of the SHOPP adoption and make copies available to the Commission. To facilitate development, analysis and management of the SHOPP, Caltrans will provide the Commission appropriate access to the SHOPP database.

Projects allocated for construction in prior SHOPP documents but which have not achieved final acceptance are incorporated by reference in the newly adopted SHOPP until final acceptance is achieved and a final report of actual expenditures against Commission allocations is provided to the Commission.

25. Project Initiation Documents

A new project may only be programmed in the SHOPP with a complete project initiation document (PID) that defines and justifies the project scope, cost, schedule, and expected benefits including performance goals/benefits. A PID is a report that meets the standards of the Commission's *Guidelines for the Preparation of Project Study Reports*. The PID must provide a preliminary estimate of costs for all components. The PID must be submitted, or a link may be provided to view the document electronically. Each PID needs to account for known risks that might impact the project budget, scope, schedule, and achievement of performance goals/targets from initiation through construction completion.

26. Project Selections

Consistent with the TAMP and the SHSMP, Caltrans shall establish a transparent selection process to select quality eligible projects for each SHOPP document. Each project's planned performance measures for achievement of goals and targets must be identified consistent with the TAMP.

27. Programming Project Components Sequentially

Caltrans may not begin project development work on SHOPP projects until the project is programmed in the SHOPP document. Pursuant to Commission Resolution G-00-13, a SHOPP eligible project may be programmed for environmental work only. The Commission recognizes a particular benefit in programming projects for environmental work only, since project costs and particularly project scheduling often cannot be determined with meaningful accuracy until environmental studies have been completed. The premature programming of post-environmental components can needlessly tie up SHOPP programming resources while other transportation needs go unmet.

The Commission will program a project component only if it makes a determination that the component itself is fully funded, either from SHOPP funds or from other committed funds. The Commission will regard non-SHOPP funds as committed when the local agency with discretionary authority over the funds has made its commitment to the project by ordinance or resolution and has entered into a cooperative agreement with Caltrans.

When applicable for federal formula funds, including RSTP, CMAQ, the commitment may be by Federal TIP adoption.

A project that is programmed prior to receiving federal approval for construction must receive the federal approval for construction prior to construction allocation.

28. Programming of Long-Lead and Contingency Projects

Commission Resolution G-00-13, approved in June 2000, provides Caltrans with a means to commence project delivery efforts on SHOPP Long Lead projects that require periods longer than the four-year SHOPP time frame to develop. Subject to the approval of the Commission, Long Lead projects shall be programmed in the SHOPP and will be subject to the same delivery, management, and reporting requirements as all other SHOPP projects in the Commission adopted program.

The Commission further authorized Caltrans to program Contingency projects for pre-construction development only, when appropriate, thus creating projects that address performance goals without committing SHOPP resources to construction capital and support prematurely, before the resources are actually needed.

29. Multi-Modal Corridor Projects

SHOPP eligible Multi-Modal Corridor projects may be programmed in the SHOPP when consistent with the TAMP and the SHSMP. A corridor is defined as a largely linear geographic band defined by existing and forecasted travel patterns involving both people and goods. The corridor serves a particular travel market or markets affected by similar transportation needs and mobility issues. It includes various modes that provide similar or complementary transportation functions, including cross-mode connections.

30. Completion of Environmental Process

The Commission may program funding for project right-of-way or construction only if it makes a determination that Caltrans will complete the environmental process and can proceed with right-of-way acquisition or construction within the four-year

period of the SHOPP.

The Commission will not allocate funds to projects for design, right of way or construction until the final environmental document is complete and the Commission has approved the environmentally cleared project for consideration of future funding. For projects that are categorically cleared, a Caltrans determination of categorical exemption is acceptable.

31. Programming Combined SHOPP and Non-SHOPP Projects

Where a project or project component is to be programmed and funded from both SHOPP and non-SHOPP sources, the project description shall indicate whether the non-SHOPP programming commitment is for a particular dollar amount, a particular percentage of total project cost, or a particular element or item of work. All SHOPP projects must be expended proportionally, except as otherwise approved by the Commission. The Commission must approve non-proportional spending for the initial expenditure of SHOPP funds before other non-SHOPP resources. For projects funded from both SHOPP and non-SHOPP sources and where the Commission has approved non-proportional spending allowing for the expenditure of SHOPP funds before other funds (sometimes referred to as sequential spending), the project is not eligible for an increase (supplemental) allocation under the authority delegated to Caltrans by Commission Resolution G-12-16 until all other non-SHOPP funds committed to the project have been expended.

32. Programming Escalations

Caltrans is responsible to apply escalations when recommending projects to the Commission for programming. The amount programmed for each project phase shall be escalated to the mid-point of the duration of each phase. The standard escalation rate shall be the rate specified in the last Commission adopted Fund Estimate for the SHOPP. Caltrans may elect to use alternative escalation factors as it deems appropriate.

VI. ALLOCATIONS

33. Safety Projects

Pursuant to Commission Resolution G-06-13 Caltrans may allocate up to 120 percent of the programmed construction funds to SHOPP safety projects. Caltrans shall bring forward for Commission consideration any safety project with a construction allocation greater than or equal to 120 percent of the programmed amount.

34. Emergency Condition Response Projects

Pursuant to Commission Resolution G-11-16 Caltrans is authorized to allocate funds for emergency condition response projects (Appendix C) and associated right-of-way acquisition from appropriate state and federal fund sources to immediately perform emergency work on state-owned transportation facilities and property or related work in adjacent areas, with the understanding that these allocations will be amended into the SHOPP and reported to the Commission at its next meeting.

35. Minor Projects

Pursuant to Commission Resolution G-05-16 (Appendix C), the Commission delegated authority to Caltrans for sub-allocations and/or adjustment authority to streamline and help in the management of minor projects. The Minor Reserve in the SHOPP is for SHOPP-eligible projects only that are consistent with the Commission adopted TAMP. The Commission will not allocate funds from the SHOPP minor program for capacity-increasing projects, stand-alone bicycle and pedestrian facilities, soundwalls, and enhancements, mitigation, or cost increases for STIP projects.

36. Allocation of Support and Construction Funds

Pursuant to Government Code Section 14526.5(g) the Commission is required to allocate Caltrans' capital outlay support resources by project phase, including preconstruction. Through this action, the Commission will provide public transparency for Caltrans' budget estimates, increasing assurance that the annual budget forecast is reasonable. The following applies to the Commission's allocations effective July 1, 2017:

- a. The Commission allocates the programmed support and construction capital funds for all projects listed in the SHOPP. This establishes the original allocation budget for each phase.
- b. The Commission will consider allocation of funds for a programmed project or programmed phase when it receives an allocation request and recommendation from Caltrans. The Commission will only consider an allocation of construction capital and/or construction support funds to projects that are ready to advertise.
- c. For ready to advertise projects, the Commission expects Caltrans to certify that a project's PS&E is complete, constraints are cleared for environmental and right-of-way, and all necessary permits and agreements (including railroad construction and maintenance) are secured. These projects are considered Ready-To List (RTL) by Caltrans.
- d. Projects not ready for advertisement will not be placed on the Commission's agenda for allocation approval.
- e. Unless otherwise approved by the Commission in accordance with the Timely Use of Funds provisions, all construction capital allocations are valid for six months from the date of allocation unless the Commission approves a contract award time extension.
- f. Unless otherwise approved by the Commission in accordance with the Timely Use of Funds provisions, all allocations for support are valid for six months from the date of allocation unless the Commission approves a project expenditure time extension.
- g. All allocations will be made in units of \$1,000, and all allocation requests shall therefore be in units of \$1,000.
- h. The allocation request will include a determination of the availability of funding and a recommendation on the source of funding. The

recommendation on the source of funding shall include the amounts by fund account, i.e., State Highway Account, Public Transportation Account, Road Maintenance and Repair Act, or Federal Trust Fund, as well as the fund type within the account. Caltrans' recommendation to the Commission for state-only funding of a project will be made in accordance with Caltrans' current policy for exceptions to federal funding. The final determination of fund type available for a project will be made in the Commission's allocation of funds to the project. The Commission will approve the allocation only if the funds are available and are necessary to implement the project as programmed in the SHOPP.

- i. Pursuant to Public Resources Code Section 21102, the Commission may not allocate funds for design, right-of-way, or construction prior to documentation of environmental clearance under the California Environmental Quality Act (CEQA). For projects that are categorically cleared a Caltrans determination of categorical exemption is acceptable. As a matter of policy, the Commission will not allocate funds for design, right-of-way, or construction of a federally funded project prior to documentation and/or determination as appropriate of environmental clearance under the National Environmental Policy Act (NEPA). Exceptions to this policy may be made in instances where federal law allows for the acquisition of right-of-way prior to completion of NEPA review.
- j. Each project's programmed phase must be allocated on time as scheduled. Scheduled fiscal year allocations must be completed no later than June 30th of each year.
- k. Projects using design-build or design-sequencing procurement shall be identified at the time of allocation. If the procurement strategy is changed at a later date, the project shall be amended accordingly. The allocation may be a combined amount to include design, right-of-way, and construction support and construction.
- l. Projects using the Construction Management/General Contractor (CM/GC) delivery method should be identified at the time of programming. If a CM/GC delivery strategy is determined at a later date, the project shall be amended accordingly. During the design phase, the CM/GC contract costs are considered design phase expenditures. Upon award of the construction contract, expenditures will be reported as construction phase expenditures. The project will be programmed and allocated in the same manner as projects utilizing design-bid-build delivery, although flexibility in schedule, scope and cost may be requested and approved consistent with allocation and programming capacity, and timely use of funds rules.
- m. If a project or project phase is ready for implementation earlier than the fiscal year that it is programmed in the SHOPP, Caltrans may request an allocation in advance of the programmed year. The Commission may make an allocation in advance of the programmed year if it finds that the

allocation will not delay availability of funding for other projects.

VII. MANAGEMENT & DELIVERY OF THE SHOPP

37. Scope, Cost, Schedule

Caltrans is responsible to manage the entire SHOPP portfolio of projects to meet the state's transportation needs and ensure that each project is delivered within scope, budget, and schedule, and consistent with the TAMP and SHSMP.

38. Management of Reservation Projects

Reservations established at Commission SHOPP adoption are managed on a fiscal year basis, where projects approved by the Commission for amendment in the SHOPP reduce the reservation amount. An increase or decrease to a reservation amount between programming cycles requires Commission action.

39. Management of Minor Projects

Minor projects are managed on a fiscal year basis within a financially constrained annual minor program reservation. Caltrans is responsible for managing within the Commission approved annual minor reservation and assuring that all minor projects are awarded within the approved reservation by the conclusion of each fiscal year.

40. Stewardship

It is a Commission policy that all transportation funds programmed be allocated, awarded, and expended in a timely manner to ensure projects are delivered as promised, public benefits are achieved, the accumulation of excessive fund balances as well as lapsing federal funds are avoided, and performance from each dollar invested to improve California's transportation system is tracked and reported.

41. Timely Use of Funds for Support

The following requirements apply to timely use of funds allocated by the Commission for SHOPP capital outlay support (COS) costs:

- a. Funds that are programmed for Caltrans' COS costs are available for allocation only until the end of the fiscal year identified in the SHOPP. Whenever programmed funds are not allocated within this deadline, the project phase lapses and the phase will be deleted from the SHOPP, unless Caltrans requests an allocation time extension that is approved by the Commission before the end of the fiscal year. If the lapsed phase is critical to the delivery of the project, the project is considered a failed project and all unallocated phases will be unprogrammed from the SHOPP.
- b. Funds allocated for all support phases must initiate expenditure within 6 months of the date of allocation unless the Commission approves a project expenditure time extension.
- c. After the Commission's allocation for PA&ED, PS&E, and Construction support, Caltrans has up to 36 months to complete the scope of work

specific to that project phase. At the time of fund allocation, the Commission may extend the deadline for completion of work and the expenditure of funds if necessary to accommodate the proposed expenditure plan for the project. For the purpose of this section, the construction support phase is deemed to end at construction contract acceptance.

- d. After the Commission's allocation for Right of Way support, Caltrans has up to 72 months to complete the scope of work specific to that project phase. At the time of fund allocation, the Commission may extend the deadline for completion of work and the expenditure of funds if necessary to accommodate the proposed expenditure plan for the project. This is retroactive to June 2017.
- e. Whenever allocated support funds have not initiated expenditure within six months of the date of allocation these allocated funds will be rescinded.
- f. Caltrans will provide a report at each Commission meeting on projects which have not started expending allocated support funds within four months of the date of the Commission's allocation.
- g. The Commission will not amend the SHOPP to delete or change the program year of the funding for any project phase programmed in the current fiscal year or earlier except to reprogram funds from a construction project to later mitigation work required for that project, including landscaping or mitigation. The Commission will consider the amendment only if it is proposed concurrently with an allocation of funds programmed for the project in the current fiscal year. These types of amendments are adjustments that may be incorporated into the Commission's allocation action.

42. Timely Use of Funds for Construction Capital

The following requirements apply to timely use of construction capital funds allocated by the Commission for SHOPP projects:

- a. Funds programmed for Caltrans' construction capital costs are available for allocation only until the end of the fiscal year identified in the SHOPP. Whenever programmed funds are not allocated within this deadline, the project is considered a failed project and will be deleted from the SHOPP, unless the Commission approves an allocation time extension before the end of the fiscal year.
- b. Funds allocated for construction capital must be encumbered by the award of a construction contract within 6 months of the date of allocation unless the Commission approves a contract award time extension. The project will be deleted from the SHOPP if funds are not encumbered within approved deadlines.
- c. After the award of the construction contract, Caltrans has up to 36 months to complete (accept) the construction contract. At the time of fund

allocation, the Commission may extend the deadline for completion of work and the expenditure of funds if necessary to accommodate the proposed expenditure plan for the project.

- d. Whenever allocated funds are not encumbered by the award of a construction contract or expended within the deadlines specified in section (b) above, all unencumbered or unexpended funds from the allocation will be rescinded for that project.
- e. Caltrans will provide a report at each Commission meeting on projects which have not been awarded within four months of the date of the Commission's allocation.
- f. The provisions for the timely use of funds above do not apply to Caltrans' right-of-way capital costs, which the Commission allocates annually on a lump sum basis rather than by project. The annual right-of-way capital allocation will not exceed the amount programmed for capital project costs. Unprogrammed right-of-way commitments such as post-certification costs, project development fees and inverse condemnation are funded through the right-of-way capital fund reservation established in the STIP Fund Estimate.
- g. The Commission will not amend the SHOPP to delete or change the program year of the funding for any project phase programmed in the current fiscal year or earlier except to reprogram funds from a construction project to later mitigation work required for that project, including landscaping or mitigation. The Commission will consider the amendment only if it is proposed concurrently with an allocation of funds programmed for the project in the current fiscal year. These are adjustments that may be incorporated into the Commission's allocation action.

43. Timely Use of Funds – Extension

- a. Where a programmed project or project phase will not be ready for allocation as programmed in the current fiscal year, Caltrans shall request an extension of the allocation deadline. In the event where a programmed project or project phase is not ready for allocation as programmed in the current fiscal year, Caltrans is prohibited from submitting a SHOPP amendment.
- b. The Commission may allow a one-time extension of up to 20-months per unique stage in a project's progress for unforeseen and extraordinary circumstance beyond the control of Caltrans and only for the period of delay directly attributed to the extraordinary circumstance. Those stages are identified as:
 - Allocation Time Extension
 - Project Expenditure Time Extension
 - Contract Award Time Extension

- Project Completion Time Extension
- c. For Right of Way support, the Commission may allow a one-time expenditure time extension for unforeseen and extraordinary circumstance beyond the control of Caltrans and only for the period of delay directly attributed to the extraordinary circumstance.
- d. Except for the allocation of funds, the request to extend the deadline for any of the above must be received by Commission staff prior to the expiration date. For allocation of funds, the time extension must be approved by the Commission by June 30th of the year the funds are programmed, otherwise the funds will lapse.
- e. The extension request should describe the specific circumstance that justifies the extension and identifies the delay directly attributable to that circumstance.

VIII. CHANGE MANAGEMENT

44. Introduction

During the project development process, changes to a programmed project might be necessary to update project phases and to realign a project to meet its objectives and goals. Caltrans is responsible to adjust and manage project programming changes efficiently. Depending on the circumstance, Caltrans has a number of options available that include: managing each SHOPP project within its delegated authority or allocation, updating the programmed cost during each two-year cycle SHOPP document, project amendments off cycle upon completion of PA&ED and PS&E, and supplemental funds requests.

- a. Supplemental Allocations. Once allocated, projects that experience increases in capital or support costs above the amounts in the Commission's allocation and above Commission established thresholds, shall require a supplemental project allocation. Caltrans shall, for each project requiring a supplemental project allocation, submit a detailed request to the Commission for its approval.
- b. Construction. The costs programmed and allocated for Caltrans construction projects are to be based on the engineer's final estimate presented to the Commission for an allocation vote. For allocation requests equal to or greater than 120% of the programmed amount, Caltrans shall submit a detailed request to the Commission for its approval.
- c. Support. The costs programmed and allocated for Caltrans support for the following project phases, including but not limited to, PA&ED, PS&E, right-of-way, and construction, is the amount identified and presented to the Commission for allocation vote. For allocation requests equal to or greater than 120% of the programmed amount, Caltrans shall submit a detailed request to the Commission for its approval.
- d. No adjustments to support or construction capital will be made by

Caltrans beyond the authority delegated by Commission Resolution G-12-16.

- e. Changes to project performance measures must be approved by the Commission.

45. Managing Within the Commission's Delegated Authority

Pursuant to the Commission Resolution G-12-16, attached in Appendix C, the Caltrans Director is delegated authority to increase the Commission approved project phase values within pre-established thresholds.

46. Changes via Commission Amendment

Any programmed, unallocated project phase may be updated off cycle via a Caltrans amendment request. Except for updates necessary at the end of PA&ED or PS&E, only updates for unforeseen and extraordinary circumstances beyond the reasonable control of Caltrans will be considered. A Commission action is needed to amend the project. The Commission encourages Caltrans and Commission staff, to streamline the amendment process and enhance accountability.

IX. REPORTING & ACCOUNTABILITY

47. SB 1 SHOPP Baseline Agreements

The Road Repair and Accountability Act of 2017 (Senate Bill 1, Chapter 5, Statutes of 2017) states that "it is the intent of the Legislature that the Department of Transportation and local governments are held accountable for the efficient investment of public funds to maintain the public highways, streets, and roads, and are accountable to the people through performance goals that are tracked and reported." Pursuant to the Commission adopted SB 1 Accountability and Transparency Guidelines, SHOPP projects that meet certain requirements will be subject to the following: front-end, in-progress, and follow-up accountability requirements. For additional details related to accountability requirements, refer to the SB 1 Accountability and Transparency Guidelines.

- a. SB 1 SHOPP Baseline Agreements are required for projects with a total project cost of \$25 million or greater adopted in the 2018 SHOPP and subsequent program amendments and adoptions.
- b. If a project that initially falls below the threshold listed above later increases to an amount equal to or exceeds the threshold requirements, an SB 1 SHOPP Baseline Agreement will be required.
- c. Each Baseline Agreement shall be signed by the District Director, the Department's Director, and the Commission's Executive Director.
- d. The Commission shall approve all SB 1 SHOPP Baseline Agreements at a regular Commission meeting, within two meetings after a project has achieved the PA&ED milestone.
- e. SB 1 SHOPP Baseline Agreements will not be required for SHOPP Emergency Response projects that are necessary to respond promptly to damages to the state highway system caused by floods, slides,

earthquakes, fires, and other significant events.

48. Report on Targets and Performance Measures

Pursuant to Government Code Section 14526.7(b), Caltrans shall report to the Commission on its progress toward meeting the targets and performance measures consistent with the TAMP and 2027 targets set forth in SB 1. Caltrans will provide the Commission with quarterly status reports on its project delivery by November 15, February 15, May 15, and August 15 of each FY. The report shall include:

- a. A list of completed projects by phase showing planned and actual performance measures including progress made towards achieving the Commission approved targets and 2027 targets set forth in SB 1.
- b. A summary, by phase and fund type, of the funds programmed, allocated, and expended at the time the construction contract was accepted.
- c. For projects with a total project cost of less than \$50 million and a total SHOPP programmed amount (in right-of-way and/or construction) of less than \$15 million, the information may be aggregated.
- d. For projects with a total cost of \$50 million or greater or a total SHOPP programmed amount (in right-of-way and/or construction) of \$15 million or greater, each report shall also include a discussion of the project benefits that were anticipated prior to construction compared to an estimate of the actual benefits achieved.
- e. The Commission staff, in consultation with Caltrans, shall develop a format and content requirement for the reports.

49. Report on Completed SHOPP Projects

Pursuant to Government Code Section 14526.6 Caltrans shall report to the Commission quarterly, for projects which complete construction in the previous quarter, for all major state highway operation and protection program projects. Caltrans shall report to the Commission on the approved capital and support budgets compared to expenditures at construction contract acceptance for all projects in the SHOPP. Caltrans shall develop, in consultation with the Commission, a plain language performance report to increase transparency and accountability of the SHOPP.

50. Efficiencies

Pursuant to Streets and Highways Code section 2032.5(d), Caltrans shall implement efficiency measures with the goal to generate at least one hundred million dollars (\$100,000,000) per year in savings to invest in maintenance and rehabilitation of the state highway system. These savings shall be reported to the Commission.

51. Accountability Reporting

Pursuant to Streets and Highways Code section 2032.5(a), Caltrans and the Commission shall implement the accountability and evaluation reporting:

- a. For each fiscal year in which Caltrans receives an allocation of SHOPP

funds, Caltrans shall submit documentation to the Commission that includes a description and the location of each completed project, the amount of funds expended on the project, the completion date, the project's estimated useful life, and the project's expected performance benefits.

- b. Caltrans shall report quarterly and more often as requested by the Commission on the progress it has made in achieving the 2027 targets/goals set forth in SB 1 and the Commission's adopted targets.
- c. Annually, the Commission shall evaluate the effectiveness of Caltrans in reducing deferred maintenance and improving road conditions on the state highway system, as demonstrated by the progress made in achieving 2027 targets/goals set forth in SB 1 and the Commission's adopted targets.
- d. The Commission may make recommendations for improvement and may withhold future project allocations if it determines program funds are not being appropriately spent.
- e. The Commission shall annually include any findings in its annual report to the Legislature pursuant to Government Code Section 14535.

X. DEFINITIONS

XI. APPENDICES

Appendix A: List of Acronyms

Appendix B: Statutory References

Appendix C: Commission Resolutions and Delegations