

California Department of Transportation

# State of Good Repair Program Guidelines

December 2017



# **Guidelines for the State of Good Repair Program**

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## **Executive Summary**

On April 28, 2017 Governor Brown signed Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), known as the Road Repair and Accountability Act of 2017. Senate Bill 1 will provide over \$50 billion in new transportation funding over the next decade to repair highways, bridges and local roads, to make strategic investments in congested commute and freight corridors, and to improve transit service. These guidelines address the portion of SB 1 that will provide approximately \$105 million annually to transit operators in California for eligible transit maintenance, rehabilitation and capital projects. This investment in public transit will be referred to as the State of Good Repair (SGR) Program.

The SGR Program is funded from a portion of a new Transportation Improvement Fee on vehicle registrations due on or after January 1, 2018. A portion of this fee will be transferred to the State Controller's Office (SCO) for the SGR Program. In collaboration with the SCO, the California Department of Transportation (Department) is tasked with the management and administration of the SGR Program. These funds will be allocated under the State Transit Assistance (STA) Program formula to eligible agencies pursuant to Public Utilities Code (PUC) section 99312.1. Half of the funds are allocated according to population and half according to transit operator revenues.

This program demonstrates California's commitment to clean, sustainable transportation, and the role that public transit plays in that vision. While SB 1 addresses a variety of transportation needs, this program has a specific goal of keeping transit systems in a state of good repair, including the purchase of new transit vehicles, and maintenance and rehabilitation of transit facilities and vehicles. These new investments will lead to cleaner transit vehicle fleets, increased reliability and safety, and reduced greenhouse gas emissions and other pollutants.

SB 1 emphasizes the importance of accountability and transparency in the delivery of California's transportation programs. Therefore, in order to be eligible for SGR funding, eligible agencies must comply with various reporting requirements. These SGR Program Guidelines will describe the general policies and procedures in carrying out the reporting requirements and other statutory objectives of the Road Repair and Accountability Act of 2017.

## **I. Introduction**

### **1. Program Background and Purpose**

Senate Bill (SB) 1 (The Road Repair and Accountability Act of 2017) is a historic transportation measure that will provide over \$50 billion in the next decade to maintain and improve California's transportation system. The State of Good Repair (SGR) Program will provide approximately \$105 million annually to transit operators in California for eligible transit maintenance, rehabilitation and capital projects. The SGR Program will benefit the public by providing public transportation agencies with a consistent and dependable revenue source to invest in the upgrade, repair and improvement of their agency's transportation infrastructure and in turn improve transportation services.

Public Utilities Code (PUC) Section 99312.1 continuously appropriates revenues received for the State Transit Assistance (STA) Program to the State Controller's Office (SCO). The SGR Program is funded from the transportation improvement fee portion of this revenue, estimated to be approximately \$105 million per year. Future budget forecasts may include new revenue estimates.

The SCO will publish estimated funding levels per PUC 99313 and 99314 according to population and farebox revenues. Per PUC Section 99312.2 (c), the only entities eligible to receive direct allocations from the SCO under Sections 99313 and 99314 shall be transportation planning agencies, county transportation commissions and the San Diego Metropolitan Transit Development Board. Funds allocated per PUC 99313 shall be allocated to projects in the region based on the local needs. Funds allocated per PUC 99314 shall be sub-allocated to public transit operators, who have submitted the required project list, based on the amounts published by the SCO.

SB 1 emphasizes the importance of accountability and transparency in the delivery of California's transportation programs. Therefore, in order to be eligible for SGR funding, statute requires potential recipients to provide basic SGR project reporting to the Department. These guidelines outline the process to request and report on the SGR Program funding. The Department may revise these guidelines in future years.

Note, the SGR Program is one of two programs that allocate SB 1 funds to transit agencies through the State Transit Assistance formula. The second program augments the base of the State Transit Assistance program by an estimated \$175 million in 2017-18 and \$274 million in 2018-19 with a portion of the new sales tax on diesel fuel. The latter does not require Caltrans' pre-approval of projects before a funding allocation is made; however, to provide for SB 1 reporting and transparency, transit agencies may be asked to work with Caltrans to report on planned expenditures for other STA revenues. This information would be reported on the SB 1 Program website: [rebuildingca.ca.gov](http://rebuildingca.ca.gov).

## **2. Program Objectives and Statutory Requirements**

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

Prior to receiving an apportionment of SGR funds in a given fiscal year, a potential recipient agency must submit a list of projects proposed to be funded to the Department. Each project proposal must include a description and location of the project, a proposed schedule for the project's completion, and an estimated useful life of the improvement. The Department will provide the SCO a list of all agencies that have submitted all required information and are eligible to receive an apportionment of funds. Each recipient agency is required to submit an Annual Expenditure Report on all activities completed with those funds to the Department.

Each agency must also report the SGR revenues and expenditures in their annual Transportation Development Act Audit.

## **3. Program Roles & Responsibilities**

In collaboration with the SCO, the Department is tasked with the management and administration of the SGR Program.

### Department of Transportation

- The Department is responsible for administering the SGR Program.
- The Department shall report to the SCO the recipient transit agencies that have submitted the required information and are eligible to receive an apportionment of funds for the applicable fiscal year.
- The Department shall develop and maintain program guidelines as necessary.

### State Controller's Office

- The SCO shall establish a uniform system of accounts and records and reporting mechanism, as required.
- The SCO is responsible for calculating and publishing the SGR allocation amounts per PUC 99313 and PUC 99314.
- The SCO, upon receipt of the list of approved agencies from the Department, shall allocate funds on a quarterly basis.

### Transportation Planning Agencies/County Transportation Commissions/San Diego Metropolitan Transit Development Board

- Provide the Department an annual list of all projects proposed to be funded with SGR apportionment made available to the region per PUC 99313. This list should include all proposed sub-allocations.
- Receive and allocate SGR funds to projects in their region based on their local needs (PUC 99313).

- Receive and sub-allocate SGR funds to the transit operators under their jurisdiction based on the amounts published by the SCO (PUC 99314).
- Ensure funds are expended on SGR eligible activities.
- Comply with all relevant federal and State laws, regulations, and funding policies.

Eligible Transit Operators

- Provide the Department and their respective transportation planning agency, county transportation commission, or San Diego Metropolitan Transit Development Board their proposed annual list of projects to be funded with SGR apportionment made available to the operator per PUC 99314 and/or on a regional basis per PUC 99313.
- Ensure funds are expended on SGR eligible activities.
- Submit to the Department all pertinent information on projects and expenditures each fiscal year.
- Comply with all relevant federal and State laws, regulations, guidelines, and funding policies.

**4. Program Schedule**

The following schedule lists the major milestones for the development of the Fiscal Year 2017-2018 and proposed Fiscal Year 2018-2019 SGR Reporting Guidelines.

<b>FY 2017-2018</b>	
Discussion Draft Guidelines available for review and discussion with collaborative partners	September 22, 2017
Public Workshops for Discussion Draft Guidelines	September 29, 2017 and October 2, 2017
Formal Draft Guidelines available for 30-day review	October 6, 2017
SCO released estimated amounts for each potential recipient for FY 2017-18	November 3, 2017
Public Workshops for Formal Draft Guidelines	Week of November 27th
Final Guidelines Adoption and Approval	December 2017
Transportation Improvement Fee revenues begin	January 1, 2018
Project Lists due to the Department	January 31, 2018
Agencies that did not submit a list by January 31 <sup>st</sup> , or that submitted incomplete information, may submit a list to receive funds for the following quarter of revenue	April 19, 2018
SCO allocates funds for the quarter	May 2018
SCO allocates funds for the quarter	August 2018
Annual Expenditure Reports due from each agency for FY 2017-18 funding	December 31, 2018
Annual Financial Audit Report due from each Eligible Agency (pursuant to PUC 99245)	December 31 <sup>st</sup> of each year

<b>Proposed FY 2018-19 and Beyond</b>	
SCO releases estimated amounts for each potential recipient for the upcoming Fiscal Year	No later than each January 31 <sup>st</sup>
SCO releases revised estimate for current Fiscal Year	August 1 <sup>st</sup>
Project Lists due to the Department	September 1 <sup>st</sup>
List of Agencies with approved projects due from the Department to SCO	October 1 <sup>st</sup>
Quarterly Payments made (within each Fiscal Year)	1 <sup>st</sup> Quarter - November 2 <sup>nd</sup> Quarter - February 3 <sup>rd</sup> Quarter- May 4 <sup>th</sup> Quarter- August
Annual Expenditure Reports due to the Department	December 31 <sup>st</sup>
Annual Financial Audit Report due from each Eligible Agency (pursuant to PUC 99245)	December 31 <sup>st</sup>

**II. Funding**

As specified in SB 1, the State of California imposes a transportation improvement fee, which is a supplemental charge on the registration of vehicles, as defined in subdivision (b) of Section 11050 of the Revenue & Taxation Code, effective on January 1, 2018.

A portion of the revenues generated from this fee, called the “Transportation Improvement Fee”, will be deposited into the Public Transportation Account which funds the STA Program, establishing the SGR Program, with approximately \$105 million available annually. Funds from this program will be transferred to the SCO for allocation. The SCO will distribute program funds to each eligible recipient that meets program requirements on a quarterly basis.

**III. Eligibility**

**1. Eligible Recipients**

Pursuant to PUC 99313.2(c) the only entities eligible to receive a direct allocation of SGR funding from the SCO are:

- A transportation planning agency, county transportation commission, and the San Diego Metropolitan Transit Development Board.

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

- Transit operators listed on the SCO’s SGR Allocation Estimate letter. For purposes of these guidelines, these transit operators are also Eligible Recipients.

Any entity defined as eligible to receive STA Program funds pursuant to PUC 99313 is eligible to participate in the regional process as determined by the transportation planning agency, county transportation commission, and the San Diego Metropolitan Transit Development Board, and

may therefore also be an Eligible Recipient and could receive PUC 99313 SGR funding, as determined by the appropriate regional entity.

All Eligible Recipients for funding pursuant to PUC 99314 and included in SCO's annual SGR Allocation Estimate letter must prepare and submit a project list to the Department to qualify for funding. Entities that may be Eligible Recipients for PUC 99313 funding should prepare and submit a project list to their respective transportation planning agency, county transportation commission, or the San Diego Metropolitan Transit Development Board. If the regional entity has the ability to collect and compile all project lists from the operators in their region, the regional entity may submit one project list including all 99313 and 99314 projects for the region.

Eligible Recipients assume responsibility and accountability for the use and expenditure of SGR program funds. Applicants must comply with all relevant federal and state laws, regulation, policies and procedures.

## **2. Eligible Projects**

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

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

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

- Replacement or rehabilitation of:
  - Rolling stock
  - Passenger stations and terminals
  - Security equipment and systems
  - Maintenance facilities and equipment
  - Ferry vessels
  - Rail
- Preventative Maintenance
- New maintenance facilities or maintenance equipment if needed to maintain the existing transit service

The Department may approve other appropriate replacement and rehabilitation projects not listed here. Projects that solely expand capacity or service are not eligible projects. However,



expansion of capacity within replacement projects to meet current or projected short-term service needs (for example replacing a maintenance facility with a larger facility, or replacing a bus with a larger bus) are eligible.

The SGR Program is a transit capital program. Transit operations (with the exception of preventative maintenance), transit agency administration, and program management are **not allowable**. Also, the following project construction development phases are **not allowable** as a **stand-alone** project:

- Pre-planning
- Planning
- Environmental

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

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

#### **IV. Project List Submittal**

Pursuant to PUC 99312.1(d)(1), prior to receiving an apportionment of the SGR monies from the SCO in a given fiscal year, a potential recipient must submit a list of projects proposed to be funded with SGR funds.

##### **1. Project List Submittal Information**

To be eligible for FY 2017-18 funding, all agencies listed on the SCO Allocation Estimate letter must submit a project list, or be included in the region's project list, with all supporting documentation to the Department by January 31, 2018. If an agency is unable to receive Board approval by January 31, 2018, a draft board resolution may be submitted followed by a signed board resolution by March 1, 2018. Future year project lists will be due each September 1<sup>st</sup>. Project lists, supporting documentation or any questions may be remitted **electronically** to: **SB1SGRcomments@dot.ca.gov**.

If a potential recipient misses the January 31, 2018 submittal, or submits incomplete information, it may submit a compliant list by April 19, 2018, to be eligible for inclusion in the allocation of funds the following quarter. Note, the SCO will allocate all of the revenue in the first quarter only to those potential recipients that have submitted timely and complete information. Funds will not be held for allocation to agencies who have submitted late project lists. In subsequent years, a project list will be due to the Department on September 1<sup>st</sup> each year.

## **2. Required Documents from Potential Recipients**

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

- **Authorized Agent Form**

The executive authority of the potential recipient must submit a signed and dated Authorized Agent Form identifying the agent who has the authority to act on behalf the Agency.

- **Certifications and Assurances**

Each potential recipient must submit a signed, dated, and Board Approved Certifications and Assurances document.

All regional entities and transit operators who expect to receive SGR funds are required to submit both the Authorized Agent and Certifications and Assurances documents to the Department prior to receiving funding. The Certifications and Assurances should be accompanied by a Board Resolution or equivalent verifying approval. For FY 2017-18, these documents should be submitted no later than March 1, 2018.

Original signed documents should be mailed to:

State of Good Repair Program  
California Department of Transportation  
Division of Rail and Mass Transportation, MS 39  
P.O. Box 942874  
Sacramento, CA 94274-0001

## **3. Content and Format of Project List**

For FY 2017-18, each potential recipient as listed in the SCO Allocation Estimate letter, shall submit a list of projects to the Department including the following:

- A signed cover letter on agency letterhead, with original signature authorizing and approving the list of projects for funding.
- A signed and dated board resolution authorizing the list of projects for SGR funding commitment, or a copy of a publicly adopted document listing the applicable projects such as the Short Range Transit Plan.
- A proposed List of Projects to utilize at a minimum the estimated amount of funding available to the agency for the upcoming fiscal year. The potential recipient may include project information for future fiscal years but are expected to update the project list as needed each fiscal year and submit each year to the Department. This list must include the following information:

1. Project Title
  2. Proposed Project Description (Scope of Work)
  3. Proposed Project Schedule (Start to Completion)
  4. Project Location
  5. Estimated Project Cost by Fiscal Year
  6. Estimated Useful Life of the Improvement
  7. Additional Project information required on the Project List template.
- Reporting on projects or service funded by the SB 1 Allocation pursuant to PUC Section 99312.1(a).

An Eligible Recipient may choose to contribute its funding apportionment (partial or whole) to another qualifying Eligible Recipient to carry out a project consistent with the SGR Program's goals and objectives. The contributing agency must list the project on their own project list indicating the operator the funding will be transferred to. Funds can only be allocated from the SCO to the contributing agency's designated transportation planning agency, county transportation commission, or the San Diego Metropolitan Transit Development Board. The local agency must make their own arrangements for the transfer of funds to the alternate agency. The Department is not responsible for tracking funding agreements (borrowing, loaning, delegating, relinquishing funds, etc.) between the contributing and recipient agencies. A pass-through arrangement to another recipient does not relieve the contributing agency of its responsibilities to carry out the terms and conditions of the Program. The contributing agency is responsible for ensuring the project is completed as described on the project list and in compliance with all items in the Certifications and Assurances document.

If the regional entity has the ability to collect and compile all project lists from the operators in their region, the regional entity may submit one project list on all of their behalf. In this case, the Department will require one cover letter and one approving Board Resolution or equivalent from the regional entity. The regional entities are expected to verify the local operator's approval of their individual project lists.

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

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

Eligible agencies who do not submit an annual project list could risk losing their apportionment for that specific fiscal year to another operator within the region.

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

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

The Department will review and approve each project list that meets the requirements and objectives of the SGR Program. The Department will provide a list of Eligible Recipients with approved project lists to the SCO who are eligible to receive an apportionment of SGR funds for the applicable fiscal year. This list of approved recipients and projects will be posted on the Department's State of Good Repair website: <http://www.dot.ca.gov/drmt/spstasgr.html>.

### **2. Allocation**

After receiving the list of Eligible Recipients with approved projects from the Department, the SCO will apply the formula pursuant to PUC sections 99313 and 99314 including only those Eligible Recipients. The SCO will issue and release payments to the eligible recipient's County Treasurer's Office on a quarterly basis. Each regional agency is expected to sub-allocate the funding pursuant to PUC 99314 to the applicable transit operator according to the amounts provided by the Controller.

Upon the receipt of funds, Eligible Recipients should deposit their SGR funds into a bank account dedicated only to SGR funds for transparency of fund receipt. If a separate account is not possible, the agency must show documents or a subaccount dedicated to SGR funds. Agencies will be asked to report the amount of accrued interest on allocated SGR funds. Interest can only be used on approved SGR projects.

### **3. Project Delivery**

Each agency's project list shall not limit its flexibility to fund listed projects in accordance with local needs and priorities. If a recipient agency determines it wants to spend an allocation on a different project that was not included on an approved project list, it shall submit a modified project list and supporting documentation to the Department for approval. The Department shall respond within 30 days to the recipient agency, and once approved by the Department, the recipient agency may expend funds on the substitute project.

Any funds left unexpended at the end of the fiscal year should be applied to a project on the subsequent year's project list. Unexpended funds must be listed on the project list submitted each year until fully expended. Once a project is listed and funds are apportioned for the projects, funds should be fully liquidated within four years. In certain situations, an extension may be granted for delays beyond the four years. The agency must provide a signed letter from their designated authority to the SGR Program Manager, addressing the special circumstances requiring an extension.

## **VI. Project Status and Expenditure Reporting**

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

### **1. Annual Expenditure Report**

Eligible agencies must report on all SGR expenditures by December 31 each year. SB 1 emphasizes accountability and transparency. Agencies must articulate how SGR funds are being spent to benefit the public. The report must include the total amount of SGR funding received during the fiscal year and the amount of funding expended or carried over. If a balance of SGR funds are carried over to a future year, they must be listed on each year's report until fully expended. The report must include yearly progress on each funded project and the benefits achieved for each project once it is completed. This includes:

- Project Title
- Detailed Project Description (Scope of Work)
- Updated Project Schedule of Completion
- Project Location
- Actual Expenditures per Project
- Useful Life of the Project Improvement
- Description of Projected Benefit Outcome
- Unexpended Balances

In addition to the above, recipients may be asked to work with the Department to provide supplemental reporting on all State Transit Assistance funding received per fiscal year to allow for transparency and accountability of all SB 1 expenditures. Agencies will be asked to report on the general uses of all STA expenditures. All reports must reflect accurate and complete information. Any incomplete or inaccurate reports will not be accepted by the Department.

### **2. Financial Audit Report**

Annual audit of public transportation operators required under the Transportation Development Act (TDA), per PUC 99245, must include verification of receipt and appropriate expenditure of funds. Any entity receiving SGR funds in a fiscal year for which a TDA Audit is conducted must submit a copy of the audit to the Department within six months after the close of the fiscal year (by December 31). SGR recipients may request a 90-day extension from the December 31<sup>st</sup> deadline to March 31<sup>st</sup>. They must notify the Department in writing via email or a formal letter.

### **3. SB 1 Accountability Reporting**

Information from submitted reports will be provided to the public via the Department's SB1 accountability website. It is important the Department receives timely reports from each eligible recipient in order to demonstrate the benefits of the SGR Program to the public.

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

### **VII. Spot Audits**

All recipients and sub recipients are subject to audits. The Department, the Department of General Services, the Bureau of State Audits, the Legislature, and their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of the Program's recipients and sub recipients. All recipients and sub recipients must maintain program records for possible audit for a minimum of three (3) years after final payment, unless a longer period of record retention is stipulated. Recipients and sub recipients shall allow the auditor(s) access to such records during normal business hours and allow interviews of any employees who might reasonably have information related to such records. Further, recipients and sub recipients must agree to include a similar right of the State to audit records and interview staff in any subcontract related to projects under the SGR Program.