State of Good Repair Program
Guidelines

October 6, 2017
FORMAL DRAFT
Guidelines for the State of Good Repair Program

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NOTE: These draft SGR Guidelines are currently under development and is subject to further modification before final determination.
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 State of Good Repair (SGR) Program.

The State of Good Repair Program is funded from a portion of a new Transportation Improvement Fee on vehicles 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 is 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. This latter program does not require pre-approval of projects before funding allocation; however, to provide for SB 1 reporting and transparency, transit agencies are asked to report on planned expenditures for this second program. This information will be reported on the SB 1 Program website: 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 the estimated useful life of the improvement. The Department will provide the SCO a list of all agencies that have submitted the required information and are eligible to receive an apportionment of funds. Each recipient agency is required to annually report on all activities completed with those funds to the Department. Each agency also must include 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.
- 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 policies for funding.

**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.
- 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, and policies for funding.

### 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. Staff intends to update these timelines during the guidelines development process.

<table>
<thead>
<tr>
<th><strong>FY 2017-2018</strong></th>
<th></th>
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<tbody>
<tr>
<td>Discussion Draft Guidelines available for review and discussion with collaborative partners</td>
<td>September 22, 2017</td>
</tr>
<tr>
<td>Public Workshops for Discussion Draft Guidelines</td>
<td>September 29, 2017 and October 2, 2017</td>
</tr>
<tr>
<td>Formal Draft Guidelines available for 30-day review</td>
<td>October 6, 2017</td>
</tr>
<tr>
<td>SCO releases estimated amounts for each potential recipient for FY 2017-18</td>
<td>Late October 2017</td>
</tr>
<tr>
<td>Public Workshops for Formal Draft Guidelines</td>
<td>Week of November 6th</td>
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<tr>
<td>Final Guidelines Adoption and Approval</td>
<td>Mid November 2017</td>
</tr>
<tr>
<td>Transportation Improvement Fee revenues begin</td>
<td>January 1, 2018</td>
</tr>
<tr>
<td>Project Lists due to the Department</td>
<td>January 31, 2018</td>
</tr>
<tr>
<td>List of agencies with approved projects due from Department to the SCO</td>
<td>March 16, 2018</td>
</tr>
<tr>
<td>SCO allocates funds for the quarter</td>
<td>May 2018</td>
</tr>
<tr>
<td>Agencies that did not submit a list by January 19th, or that submitted incomplete information, may apply to receive funds for the following quarter of revenue</td>
<td>April 19, 2018</td>
</tr>
<tr>
<td>SCO allocates funds for the quarter</td>
<td>August 2018</td>
</tr>
<tr>
<td>Annual Expenditure Reports due from each agency for FY 2017-18 funding</td>
<td>December 31, 2018</td>
</tr>
<tr>
<td>Annual Financial Audit Report due from each Eligible Agency (pursuant to PUC 99245)</td>
<td>December 31st of each year</td>
</tr>
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**Proposed FY 2018-19 and Beyond**

**NOTE:** These draft SGR Guidelines are currently under development and is subject to further modification before final determination.
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. 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

Eligible Recipients may include:

- A local agency including a transportation planning agency, county transportation commission, and the San Diego Metropolitan Transit Development Board, eligible for an allocation of SGR funds under the STA per Public Utilities Code (PUC), Section 99313.

Eligible Sub-Recipients may include:

- A transit operator including a rail transit, commuter rail, bus, or waterborne transit operator eligible for an allocation of SGR funds under the STA per PUC Section 99314.
- A local agency may sub-allocate SGR funds it receives to an entity operating local community transit services that is otherwise ineligible to directly receive SGR funds.

Eligible Recipients included in SCO’s annual SGR apportionment letter must prepare and submit a project list to qualify for funding or apportionments.
Eligible recipients assume responsibility and accountability for the use and expenditure of program funds. Applicants must comply with all relevant federal and state laws, regulation, policies and procedures.

2. Eligible Projects

SGR funds are available for capital projects that maintain the public transit system in a state of good repair. Statutes list 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 rehabilitations 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, transit agency administration, and program management are not allowable. The following project phases are not allowable as a stand-alone project:

- Pre-planning
- Planning
- Environmental
Expenditures on these construction development phases are allowable when included in a large 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 Public Utilities Code 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. The initial SGR Program project list must be submitted to the Department by January 19, 2018 for an agency to be eligible to receive FY 2017-18 SGR funding. If a potential recipient misses the January 19, 2018 submittal, or submits incomplete information, it may submit a compliant list by April 19, 2018 to be eligible for allocation in the following quarter. Note, the SCO will allocate all the revenue in the first quarter only to those potential recipients that have submitted timely and complete information. In subsequent years, a project list will be due to the Department on September 1st each year.

1. Required Documents from Potential Recipients

Each potential recipient 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.

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

NOTE: These draft SGR Guidelines are currently under development and is subject to further modification before final determination.
2. Content and Format of Project List

Each potential recipient 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. Description of Projected Benefit Outcome
  8. Additional Project information required on the Project List template.
- Reporting on projects or service funded by the SB 1 Allocation pursuant to Public Utilities Code Section 99312.1(a).

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 to the Department. This new project list should be submitted along with a board approved resolution or any other publically adopted document as necessary. 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.

A SGR recipient agency may choose to contribute its fund apportionment (partial or whole) to a sub-recipient to carry out a project consistent with the Program’s goals and objectives. The contributing agency must list the project on their own project list indicating the sub recipient. 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 sub-allocation 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 sub-recipient agencies. A pass-through arrangement to a sub-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.
3. Fund Accruals

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 substantial project scheduled to begin at a later date. Potential recipients must submit a project list every year or risk losing their share 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. Funds are expected to be expended within four years of receipt.

If an agency intends to hold funds for a more substantial project in the future, the agency must continue to submit a full project list each fiscal year. Eligible agencies who do not submit an annual project list will forfeit their apportionment for that specific fiscal year. Forfeited funds will be distributed amongst those agencies who have submitted their project lists.

4. Project List Submittal Information

All agencies must submit a project list and all supporting documentation by January 19, 2018 to the Department to be eligible for FY 2017-18 funding. Future year project lists will be due each September 1st. Project lists, supporting documentation or any questions may be remitted electronically to: SB1SGRcomments@dot.ca.gov.

If an agency misses the initial project list submittal deadline, the Department may accept a late project list to be considered for the following quarter of funding, however, funds from the first quarter will be allocated to other agencies.

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 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 county 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 to the Department. 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.

**Funds are expected to be expended within four years of receipt.** 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.

Eligible expenditures include costs directly related to construction or acquisition (design, construction, vehicle or equipment procurement).

VI. Project Status Reporting 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. Given the emphasis SB 1 places on accountability and transparency, agencies are encouraged to clearly articulate how these funds are being utilized to provide a benefit to 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

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In addition to the above, recipients may be asked 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 31st deadline to March 31st. 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 an audit. The Department, the Bureau of State Audits, 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.
Appendix A – State of Good Repair Project List Form (in development)

The SGR Program’s project list may include the elements mandated by statute: description, location, schedule for completion and useful life elements. However, the project list as described may include more detailed project information required by the Program.

Appendix B – State of Good Repair Completed Expenditure Report Form (in development)

The Expenditure Form described below, but more detailed information may be required by the Program.

General Information:

- City / County Name
- Point of Contact Information
- Legislative District(s)
- Fiscal Year

Completed Project:

- Project Title
- Project Description
  - Brief description (up to 5 sentences) written an understandable manner, which includes a quantifiable measurement about the project.
  - Geolocation information should be provided if available
- Project Location
  - Must be specific as possible (i.e. street names, project termini)
- Project Expenditure
  - Enter amount of SGR funds expended on the project and the total project cost
- Project Completion Date
  - Month and year the project is completed
  - Enter status update on multi-year projects
  - Enter expected completion date
- Project’s Estimated Benefits/Performance Outcomes
  - Provide clear legible information
  - Based on industry standards
- Signage
  - Provide signature of designated authority on the form