

California Department of Transportation

**Public Transportation Modernization, Improvement,
and Service Enhancement Account (PTMISEA) Guidelines**

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, Government Code, Chapter 12.49, Section 8879.20, approved as Proposition 1B on the November 7, 2006 ballot, includes \$4 billion for the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). The amount of \$3.6 billion is for sponsors of public transportation projects to protect the environment and public health, conserve energy, reduce congestion, and increase mobility and access.

Each year funds are appropriated to the State Controller's Office for allocation to eligible agencies. In fiscal year (FY) 2007-08, Senate Bill (SB) 88 named the California Department of Transportation (Caltrans) as the administering agency, and \$600 million was appropriated in the Budget Act of 2007. Assembly Bill (AB) 268 extended the procedures in SB 88 for one year, and \$350 million was appropriated in the Budget Act of 2008. The 2009-10 Budget Act appropriated \$350 million for PTMISEA.

Starting in FY 2009-10, per AB 1072 (Eng) [Chapter 271], Statutes of 2009, which was signed into law on October 11, 2009, the State Controller's Office will compute each sponsor's share of the remaining \$2.65 billion of bond funds (\$3.6 billion minus \$600 million for FY 2007-08 and \$350 million for FY 2008-09). The State Controller's Office sent letters of notification to the sponsors or sponsor agencies eligible to receive PTMISEA funds listing each sponsor's share of funds for the life of the bond and its share of the FY 2009-10 appropriations.

AB 1072 also specifies or identifies the process for PTMISEA fund distribution for FY 2009-10 and subsequent fiscal years.

Note: California bonds have not been sold regularly. Approved projects do not receive bond fund allocations until bonds are sold or capacity is created in the Pooled Money Investment Account.

1. Purpose

Caltrans develops guidelines for:

- a. Program Expenditure Plan.
- b. Defining the useful life of a project, an essential part of the project allocation request.
- c. Project delivery milestones (start and completion dates for environmental clearance, design, right-of-way, construction, vehicle/equipment procurement, and project closeout).
- d. Total Project Cost and Funding Plan.

- e. Reporting. (i.e. Semiannual, Final Report, and Expanded Transportation Development Act (TDA) audit etc.)
- f. Audit of project expenditures and outcomes.

These guidelines help project sponsors and Caltrans verify that projects meet the criteria in the Bond Act and statutes. Caltrans may revise these guidelines for future fiscal years.

2. Project Sponsors

“Project sponsor” means:

- a. A transit operator, including a rail transit, commuter rail, bus, or waterborne transit operator eligible for an allocation of funds under State Transit Assistance per Public Utilities Code (PUC), Section 99314; or
- b. A local agency, including a transportation planning agency, county transportation commission, or the San Diego Metropolitan Transit Development Board, eligible for an allocation of funds under the State Transit Assistance per PUC, Section 99313.

“Recipient/Lead Agency” means:

The project sponsor that is responsible when multiple project sponsors contribute their PTMISEA funds to a joint project. The Recipient/Lead Agency receives funds from the State Controller’s Office and is accountable for reporting and the annual audit.

3. Allocation

The State Controller’s Office lists eligible sponsors and the amount of funds each is to receive, per PUC Sections 99313 and 99314. The State Controller’s Office notifies project sponsors of their eligibility and funding level via an annual letter. The amount depends on the annual appropriation.

FY 2007-08 PTMISEA Allocation

FY 2007-08 funds are available for allocation until June 30, 2010 (no later than the second cycle of FY 2009-10) and for encumbrance and liquidation until June 30, 2013, per the Budget Act of 2007.

FY 2008-09 PTMISEA Allocation

FY 2008-09 funds are available for allocation until June 30, 2010 (no later than the second cycle of FY 2009-10) and for encumbrance and liquidation until June 30, 2014, per the Budget Act of 2008. The recent delay of bond sales has impacted the availability of PTMISEA funding for Cycle 2 of FY 2008-09. The Legislature may consider extending the liquidation date of the remaining balances for both FY 2007-08 and FY 2008-09.

4. Process Changes Due to AB 1072

Effective with FY 2009-10, AB 1072 makes the following changes:

- The State Controller's Office notified project sponsors of their share of remaining funds.
- Before seeking a disbursement of funds in FY 2009-10, project sponsors must submit a PTMISEA Program Expenditure Plan listing all projects they intend to fund with their share of PTMISEA funds for the life of the bond, including the amount requested for each project and the year in which the funds will be used.
- Caltrans will summarize all PTMISEA Program Expenditure Plans for the life of the bond and submit the summary to the Department of Finance, which determines annual appropriations.
- Project sponsors may choose not to submit a project in a particular fiscal year, but to accumulate those funds for use in a later year, if this choice is clearly stated in the PTMISEA Program Expenditure Plan.
- If one project sponsor is not using its allocation in a fiscal year, it may lend that allocated amount to another project sponsor for an eligible project, for maximum fund use each fiscal year. In addition to ensuring that all appropriated and allocated funds are maximized, this process also allows other project sponsors to complete its projects on schedule.

5. Eligible Projects

Eligible projects are **transit capital projects** (including a minimum operable segment of a project) for:

- Rehabilitation, safety, or modernization: includes purchase of equipment (such as bus engines, computer systems, and signage) for rehabilitation, operation, modernization, or safety.
- Capital service enhancement or expansion, such as modernization of bus shelters, transit centers, and operation and maintenance facilities, for design and/or construction phases.
- New capital projects. New construction, expansion, or modernization of buildings, bus shelters, transit centers, and operation and maintenance facilities, for design, right-of-way, or construction phases.
- Bus rapid transit improvements. Construction or expansion of BRT lanes or equipment.

- Rolling stock, to purchase, replace or rehabilitate transit vehicles, such as buses, vans, paratransit vehicles, and rail transit vehicles.
- Note: A project's environmental phase is **not** eligible for PTMISEA funding.

Useful Life

To be eligible, projects must have a useful life not less than that required for capital assets under the General Obligation Bond Law, Government Code Section 16727(a).

Short-Range Transit Plan

Projects **must** be consistent with the project sponsor's most recent short-range transit plan or publicly-adopted plan (including a transportation improvement program) that programs funds for transit capital improvements. A certified board endorsement also meets this requirement.

Project Full Funding Plan

The project sponsor must provide a project full funding plan that shows funds to be available to complete the project or a minimum operable segment. Funding for a minimum operable segment will only be approved if the benefits of the segment are sufficient to meet the objectives of the PTMISEA. **The executive authority of a project sponsor must sign the statement on the funding plan cover sheet to assume liability for all fiscal responsibilities.**

6. Authorized Agent Form

The executive authority of a project sponsor must submit to Caltrans a signed, dated Authorized Agent form, naming the agent with the authority to act for the project sponsor to submit the PTMISEA Program Expenditure Plan, Allocation Requests, and reporting documents. The form is valid for one fiscal year. If there is a change in the authorized agent within a fiscal year, the project sponsor must submit a new form. This form is required even when the authorized agent is the executive authority himself.

7. PTMISEA Program Expenditure Plan (for requesting funds in FY 2009-10 or later)

Before seeking a disbursement of funds in FY 2009-10 or later, sponsors or sponsor agencies must submit to Caltrans a PTMISEA Program Expenditure Plan. The plan should contain a list of all projects the project sponsor intends to fund with its share of PTMISEA for the life of the bond, including the amount for each project and the year in which the funds will be used.

The initial plan is due to Caltrans by February 1, 2010. Amendments will be accepted annually by June 30 of each year.

See *PTMISEA Program Expenditure Plan Template (Appendix A)*

8. PTMISEA Allocation Request and Project Description (to be completed for requests for bond funds or requests to reassign existing bond funds to a new project)

The project sponsor or “recipient/lead agency” must sign the Allocation Request. A project sponsor becomes a “recipient/lead agency” when more than one project sponsor is contributing to a project. The contributing project sponsors must also sign the Allocation Request showing the amounts to be contributed and whether the funds are provided in accordance with SB 1781, Statutes of 2008, **or else provide a signed letter with this information. If there are multiple contributing project sponsors, each must submit a signed letter with the required information. If funds are being reassigned to a new or different project, an authorized signing authority must sign the new project request.**

Project sponsors must submit to Caltrans a description of the proposed transit capital project or projects it intends to fund with its PTMISEA allocation. **The “project lead” is the project sponsor or recipient/lead agency. The project lead must complete Table 1 of the Allocation Request. The contributing project sponsors must complete Table 2 of the Allocation Request.**

The PTMISEA Allocation Request is to be submitted in Microsoft Excel. The PTMISEA Allocation Request is the basis for the Department of Transportation’s verification that the project is consistent with PTMISEA requirements, which includes:

- a. A detailed description of the project, including its benefit.
- b. The project’s useful life.
- c. The schedule for project completion. Allocations will only be made to projects scheduled to start within six months of funds receipt.
- d. The total cost of the project, including the identification of all funding sources necessary to complete the project.

9. Allocation Request Submittal

The signed original Allocation Request (including relevant sections of the publicly-adopted plan) and letter of verification from the regional entity must be mailed to:

Wendy King, PTMISEA Program Manager
California Department of Transportation
Division of Mass Transportation, MS #39
P.O. Box 942874
Sacramento, CA 94274-0001

A scan of the Allocation Request may be e-mailed, but a signed original must follow by mail.

10. Project Review, Approval and Adoption

Caltrans reviews Allocation Requests and approves only those projects that meet the requirements of PTMISEA. A minimal operable segment will not be approved unless it meets the objectives of the PTMISEA. Project sponsors 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. Project sponsors must follow the California Air Resources Board's regulations on transit equipment and emissions.

Upon approval, Caltrans adopts a list of eligible projects and allocations by project sponsor to start within six-months of allocation, and submits that list to the State Controller's Office. Caltrans will send written notification to project sponsors, along with an accounting of the PTMISEA share remaining for future projects.

Note: For FY 2008-09 and previous years, Allocation Requests may be submitted for up to the amount appropriated for that year. For FY 2009-10 and later years, Allocation Requests consistent with the Project Sponsor's Program Expenditure Plan will be accepted.

11. Biannual Project Lists

Caltrans submits to the State Controller's Office a list of approved PTMISEA projects twice a year.

12. Allocations from PTMISEA

After receiving Caltrans' adopted PTMISEA list, the State Controller's Office will issue warrants to project sponsors, up to the level of funding each is eligible to receive. Funds are allocated based on project readiness as shown in the submitted project schedule.

To receive funds by electronic funds transfer, the project sponsor can complete the form at <http://www.sco.ca.gov/ard/state/forms/fam34.pdf> and send it to the State Controller's Office. If the project sponsor does not request electronic fund transfer, the State Controller's Office automatically mails the warrant to the project sponsor's physical address.

Upon receipt, the project sponsor must deposit its PTMISEA funds into a bank account holding only PTMISEA funds, for transparency of fund receipt, and to simplify tracking of PTMISEA interest earned. This will facilitate the required annual TDA audit.

13. Eligible Bond Expenditures/Fiscal Year Budget Acts

Eligible expenditures include costs directly related to construction or acquisition (design, right-of-way, construction, vehicle or equipment procurement, and project closeout).

Project costs incurred **before** passage of the following fiscal year Budget Acts are **not** eligible for PTMISEA funds:

FY 2007-08: August 24, 2007
FY 2008-09: September 23, 2008
FY 2009-10: July 28, 2009

14. Interest Earned

Interest on PTMISEA funds must be used in the same manner as the principal. Interest earned must only be used for approved PTMISEA projects, in the following ways:

- If project costs exceed the amount on the approved Allocation Request, any interest earned may be applied to the project, if a project sponsor first submits a Corrective Action Plan (available on the Caltrans, Division of Mass Transportation website, or from Caltrans PTMISEA staff) and Caltrans approves that Corrective Action Plan before any interest earned is applied to the project.
- Interest remaining after project closeout must be applied to another approved PTMISEA project.

15. Reassigned Funds

Project sponsors may find that they have surplus funds at the completion of an approved PTMISEA project, or they may determine that the funded PTMISEA project is no longer the highest priority for fund use. These funds may be reassigned to another project if:

- The project sponsor submits a Corrective Action Plan for the project that supplied the surplus funds, indicating the original estimate and the final expenditure, the surplus funds, and the project that will receive the reassigned funds.
- The project sponsor submits a Project Description and Allocation Request for the new project.
- The new project will expend the funds within the time limits of the applicable Budget Act.
- The new Allocation Request has all the authorized signatures as the original project, so that all contributing project sponsors are aware of the new use of their contributed funds.

The project sponsor may not expend the surplus funds on another project before receiving an authorizing letter from Caltrans.

16. Changes to Scope of Work, Budget, or Schedule

To change an Allocation Request, including any changes to the originally approved scope of work or schedule, the project sponsor must first obtain approval from Caltrans.

If a project sponsor expects a project to exceed its approved budget, the project sponsor must provide a Corrective Action Plan to Caltrans to show how the project sponsor will address the cost increase by:

- Contacting Caltrans, Division of Mass Transportation's PTMISEA office to request a Corrective Action Plan form.
- Completing and returning the Corrective Action Plan.

The project sponsor may either reduce the scope of the project or identify an additional funding source. Unallocated FY 2007-08 and FY 2008-09 PTMISEA funds may be used as additional funding.

The amended PTMISEA Project Completion Date must fall within the original Budget Act time limits.

17. Letter of No Prejudice (LONP) (for a project ready to proceed before allocation)

Project Sponsors may apply to Caltrans for a letter of no prejudice for one or more projects or project components that are already approved for funding.

See PTMISEA Bond Funds LONP Guidelines (Appendix B)

18. Lending Funds to Other Project Sponsors

A project sponsor may, in a particular fiscal year, loan its allocation to another project sponsor with an identified eligible project in order to ensure that all allocations in that fiscal year are put to use.

19. Project Accountability and Semi-Annual Reporting

Each project must meet the front-end, in-progress, and follow-up accountability requirements of Governor's Executive Order S-02-07, at:

http://www.bondaccountability.ca.gov/Executive_Order/

Caltrans will submit to the Department of Finance, the State Controller's Office, and the State Treasurer's Office a summary of project information from Allocation Requests and the adopted list of projects. This report will fulfill Executive Order S-02-07's front-end reporting requirement for project sponsors.

Government Code Section 8879.50(f)(1) requires project sponsors to report semiannually to Caltrans on activities and progress on the project to ensure the activities funded from bond proceeds are timely, within approved scope and cost, and achieving intended purposes. Project sponsors must also notify Caltrans when allocated funds have been encumbered. These semiannual reports to Caltrans fulfill Executive Order S-02-07's in-progress reporting requirements.

A list of agencies that do not comply with semiannual project status reporting requirements will be posted on the Caltrans, Division of Mass Transportation's website 30 days after the missed report's due date.

Information in the semiannual reports will be available online, accessible through the Governor's Bond Accountability website:

<http://www.bondaccountability.dot.ca.gov/bondacc/MainMenuAction.do?>&page=modernization>

Each project listed on the site will be updated by Caltrans with information reported by project sponsors in semiannual reports and Corrective Action Plans.

Reports are due 45 days after the end of the fiscal year (June 30) and 45 days after the end of calendar year (December 31). Due dates for semi-annual reports:

Report due:	Data effective as of:
February 15, 2010	December 31, 2009
August 15, 2010	June 30, 2010
February 15, 2011	December 31, 2010
August 15, 2011	June 30, 2011
February 15, 2012	December 31, 2011
August 15, 2012	June 30, 2012
February 15, 2013	December 31, 2012
August 15, 2013	June 30, 2013
February 15, 2014	December 31, 2013
August 15, 2014	June 30, 2014
Report due:	Data effective as of:
February 15, 2015	December 31, 2014
August 15, 2015	June 30, 2015
February 15, 2016	December 31, 2015
August 15, 2016	June 30, 2016
February 15, 2017	December 31, 2016
August 15, 2017	June 30, 2017
February 15, 2018	December 31, 2017
August 15, 2018	June 30, 2018
February 15, 2019	December 31, 2018

August 15, 2019

June 30, 2019

20. **Final Report**

- Notice of Completion: When a project is complete, the project sponsor must notify Caltrans, Division of Mass Transportation, by e-mail or letter.
- Final Project Report: Six months after project completion, the project sponsor must submit a Final Project Report to Caltrans, Division of Mass Transportation, comparing actual project performance to projected performance. This form is at:

<http://www.dot.ca.gov/hq/MassTrans/Proposition-1B.html>

- Additional Outcome Report: The project sponsor must submit this form 12 months after completion of a project to report long-term benefits of the project.
- Verification of project completion as scoped: The project sponsor must provide evidence of project completion, such as a photo of the completed project.

21. **Project Audit (Transportation Development Act)**

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 bond funds**. Project sponsors receiving PTMISEA funds in a fiscal year for which a TDA audit is conducted must submit a copy of the audit to Caltrans by **six months after the close of the fiscal year (by December 31)**. Caltrans will make the audits available to the Legislature and the State Controller's Office, as necessary, to comply with Executive Order S-02-07's follow-up reporting requirement. Project sponsors may request for a 90-day extension from the December 31 deadline to March 31. They must notify Caltrans in writing via e-mail or a formal letter.

Project sponsors that fail to submit their expanded TDA audit, documenting PTMISEA funding, put future funding at risk.

22. **California Transportation Commission's Annual Report**

Caltrans will provide project information to the California Transportation Commission to include in its annual report to the Legislature. The report will include a summary of PTMISEA projects, with description and location, amount of funds allocated to each project, progress made to date, and public benefits achieved, noting projects that have been audited.

23. Timeline for FY 2009-10

- | | |
|--|------------------|
| ▪ State Controller’s Office calculates allocation distribution | October 2009 |
| ▪ Revised guidelines distribution | December 2009 |
| ▪ Project sponsors submit spending plan for life of bond | February 1, 2010 |
| ▪ Project sponsors submit Cycle 1 requests to Caltrans,
Division of Mass Transportation | March 1, 2010 |
| ▪ Cycle 1 list of eligible projects submitted to Caltrans Budgets/
Dept. of Finance/State Treasurer’s Office for approval | March 2010 |
| ▪ Authorizing letters from Caltrans Director sent to Cycle 1
project sponsors | April 2010 |
| ▪ Caltrans sends adopted Cycle 1 list to the State Controller’s
Office | April 1, 2010 |
| ▪ Project sponsors submit Cycle 2 requests to Caltrans,
Division of Mass Transportation | May 1, 2010 |
| ▪ Cycle 2 list of eligible projects submitted to Caltrans Budgets/
Dept. of Finance/State Treasurer’s Office for approval | June 2010 |
| ▪ Authorizing letters from Caltrans Director sent to Cycle 2
project sponsors | June 2010 |
| ▪ Caltrans sends adopted Cycle 2 list to the State Controller’s
Office | June 2010 |

These dates may be revised based on when Bond sales occur and funding is available.

24. Additional Information

Website for additional information about Caltrans, Division of Mass Transportation,
PTMISEA Branch:

<http://www.dot.ca.gov/hq/MassTrans/Proposition-1B.html>