

Memorandum

To: Chairman and Commissioners

Date: August 10, 2001

From: Robert I. Remen, Executive Director

File No: K54
BOOK ITEM 4.5b
INFORMATION

Ref: **Proposed Interim Relaxation of Use-It-Or-Lose-It Provisions for the Transportation Enhancement Activities (TEA) Program**

Issue: Should the Commission back away from its “use-it-or-lose-it” deadlines and provisions for TEA funds?

Recommendation: Commission staff recommends that the current “use-it-or-lose-it” deadlines and provisions be maintained with allowance to consider time extensions of up to 6 months for cause on a case-by-case basis for projects that demonstrate the ability to succeed in the extension time frame.

Background: The Commission imposed “use-it-or-lose-it” provisions on regional TEA funds in order to **boost delivery**. With the first deadline coming December 5, 2001 fears have been voiced that large regions will “churn” their TEA programs to plug in projects based on delivery rather than “real priority” and that rural regions may not have substitute projects available if one falls behind schedule and does not use funds in a timely manner.

Use-it-or-lose-it deadlines are having an impact on delivery as evidenced by the Caltrans TEA Program Delivery Report presented under Item 4.5a. Last month the TEA Program Reform Proposal Memorandum (July Agenda Item 4.8) revealed that midway through FFY 2001 (March 2001) only about 12% of the TEA-21 federal enhancement funds available to California were obligated. Now the Caltrans delivery report shows that about 30% of the TEA-21 federal enhancement funds have been obligated through June 2001. Such a jump in fund obligation in such a short time (three months) is an indication that the strong medicine of “use-it-or-lose-it” is providing the intended effect on delivery. Now is not the time to back away from the “use-it-or-lose-it” medication as the December 5, 2001 deadline looms near.

Project deliverability is an important component of the project selection/programming process. The “perfect TEA project” that can’t be delivered in a timely manner should not be allowed to stand in the way of another TEA project that is ready to go and can use the funds. Also if a project can’t be delivered the search for the “perfect TEA project” should not be allowed to stand in the way of funding another qualified TEA project that is ready to go. For rural regions Caltrans stands ready to trade funds so the rural region does not suffer an overall funding loss.

Projects that are very close to achieving delivery but up against the “use-it-or-lose-it” deadline should be allowed to seek an up to 6 months time extension if the project sponsor can demonstrate the ability to succeed in the extension time frame.