

Memorandum

TAB 4

To: CHAIR AND COMMISSIONERS

CTC Meeting: April 1, 2009

Reference No.: 2.5c.
Action Item

From: CINDY McKIM
Chief Financial Officer

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Chief
Division of Budgets

Subject: **FINANCIAL ALLOCATION OF AMERICAN RECOVERY AND REINVESTMENT
ACT (ARRA) FUNDS
RESOLUTION FS-08-02**

RECOMMENDATION:

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve the attached resolution authorizing a lump sum allocation of \$771 million of federal stimulus funds for Fiscal Year (FY) 2008-09. The Department will sub-allocate these funds to local agencies for projects outside the State Transportation Improvement Program.

ISSUE:

The Department is requesting delegated authority to sub-allocate \$771 million of federal funds made available with the enactment of the American Recovery and Reinvestment Act of 2009 (ARRA) and pending State legislative action. The sub-allocations will be used for local transportation projects.

This “lump sum” delegation of allocation authority for local projects is consistent with current Commission policy.

BACKGROUND:

The Department’s Division of Local Assistance administers the state and federal local assistance subvention budget under the authority of the Commission. Each year, the Department requests an annual lump sum allocation for these funds consistent with the Budget Act. At the September 2008 meeting, the Commission allocated approximately \$683 million of federal subvention funds, per Resolution FM-08-01. At the October 2008 meeting, the Commission approved the exchange of \$24,300,000 of federal Highway Bridge Program funds for State Highway Account funds per Resolution FM-08-02.

The Department is anticipating receiving approximately \$771 million of federal funds to be used for stimulating the economy by providing funds for local transportation projects. These new funds are anticipated to be monitored and accounted for separately from the Department’s current local

assistance subvention budget. The Department is therefore requesting delegated authority to sub-allocate these new federal funds.

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 (H.R.1,S.1). This bill includes \$27.5 billion stimulus funding nationwide for highway transportation projects. The State of California's share is approximately \$2.5 billion. The Department anticipates that \$771 million will be available for local projects. Due to the "Timely Use of Funds" and "Use It or Lose It" provisions of this legislation, the Department and its local partners will need to move quickly to obligate these new funds. To ensure accountability, these funds will have their own reporting requirements at the federal level, and the Department anticipates equal or more stringent reporting requirements at the State level.

The delegation amount requested will be revisited once final official funding levels have been established and pending any legislative actions enacted by the State Legislature and Governor.

Attachment

CALIFORNIA TRANSPORTATION COMMISSION

**Financial Allocation and Delegation of Authority to
the Department of Transportation
for Sub-allocation of Local Assistance Projects
for the American Recovery and Reinvestment Act of 2009**

Resolution FS-08-02

- 1.1 WHEREAS, on February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (H.R.1,S.1), which includes approximately \$2.5 billion of stimulus funding for the State of California to provide for the retention and creation of jobs and provide for investment in our transportation system infrastructure; and
- 1.2 WHEREAS, due to the “Timely Use of Funds” and “Use It or Lose” provisions of the federal act the Department of Transportation (Department) and its local partners will need to move quickly to obligate these new funds; and
- 1.3 WHEREAS, the California Transportation Commission (Commission), pursuant to Government Code Sections 7 and 14512, may request that the Department perform such work as the Commission deems necessary to carry out its duties and responsibilities; and
- 1.4 WHEREAS, the Commission, pursuant to Government Code Section 14533, is authorized to allocate funds for transportation projects consistent with the provisions of the State Budget Act; and
- 1.5 WHEREAS, the Commission annually allocates funds for local assistance projects in lump sum expenditure categories consistent with the Budget Act; and
- 1.6 WHEREAS, the Department must sub-allocate funds to each individual local assistance project before local agencies can be reimbursed for these projects, and
- 1.7 WHEREAS, adjustments of local assistance grant sub-allocations are necessary to meet changing local agency priorities; and
- 1.8 WHEREAS, the delegation of local assistance sub-allocation and adjustment authority to the Department would greatly reduce the volume of

- routine financial transactions submitted to the Commission for approval and increase the efficiency of the delivery of the local assistance funds to local agencies.
- 2.1 NOW THEREFORE BE IT RESOLVED, that the California Transportation Commission, does hereby allocate \$771,000,000 in federal stimulus funds authorized under the American Recovery and Reinvestment Act of 2009; and
 - 2.2 BE IT FURTHER RESOLVED, that the California Transportation Commission does hereby delegate to the Director of the Department of Transportation the authority to sub-allocate these funds for local assistance projects; and
 - 2.3 BE IT FURTHER RESOLVED, that the Department shall suballocate and adjust the local assistance project funding in accordance with the latest Commission adopted Guidelines for Allocating, Monitoring and Auditing of Funds for Local Assistance Projects; and
 - 2.4 BE IT FURTHER RESOLVED, that in making or adjusting sub-allocations the Department shall not exceed the total Commission allocation of federal funds; and
 - 2.5 BE IT FURTHER RESOLVED, that the Department shall provide the Commission with quarterly reports (both number of projects and dollar amount allocated) on the sub-allocations made under this delegation.