

California Department of Transportation

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

Approved as Proposition 1B on the November 2006 ballot, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act includes \$4 billion for the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA).¹ Of this amount, \$3.6 billion is designated for allocation over a ten year period for public transportation projects that protect the environment and public health, conserve energy, reduce congestion, and increase mobility and access. The \$3.6 billion is to be distributed by formula based on population or revenue to transit operators for capital projects.

Each year funds are appropriated to the State Controller's Office (SCO) for allocation to eligible agencies, with the California Department of Transportation (Caltrans) identified as the administering agency.² The SCO identifies and develops the list of eligible project sponsors and the amount each is eligible to receive, based on calculations outlined in SB 88, Statutes of 2007.

To date, \$2.8 billion has been appropriated in the following amounts each year:

- \$600 million in Fiscal Year (FY) 2007-08,
- \$350 million in FY 2008-09,
- \$350 million in FY 2009-10, and
- \$1.5 billion in FY 2010-11.

The SCO notifies project sponsors of their eligibility and funding level via an official letter each year. In FY 2009-10, the SCO computed each sponsor's share of the remaining \$2.3 billion of bond funds per Assembly Bill (AB) 1072.³ The SCO has 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. The FY 2010-11 funding distribution will be released by the SCO early 2011.

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

Note: Due to the current fiscal crisis faced by the State, California bond sales have been irregular. 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:

¹ Government Code, Chapter 12.49, Section 8879.20

² Senate Bill (SB) 88, Chapter 181, Section 8879.50.4, amended by Assembly Bill (AB) 268, and amended by AB 1072.

³ AB 1072 (Eng), Chapter 271, Statutes of 2009

- 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, Legislative, 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 stated in the Bond Act and statutes. In addition, 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. Appropriation

The State Controller’s Office (SCO) lists eligible sponsors and the amount of funds each is to receive, per PUC Sections 99313 and 99314. The SCO 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 were 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 were 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.

FY 2009-10 PTMISEA Allocation

FY 2009-10 funds are available for allocation until June 30, 2011 and for encumbrance and liquidation until June 30, 2015, per the Budget Act of 2010.

FY 2010-11 PTMISEA Allocation

FY 2010-11 funds are available for allocation until June 30, 2012 and for encumbrance and liquidation until June 30, 2016, per the Budget Act of 2010.

The recent delay of bond sales has impacted the availability of PTMISEA funding for Cycle 2 of FY 2008-09 and both FY 2009-10 cycles. The 2011 Budget Act re-appropriated the remaining balance in both the FY 2007-08 and FY 2008-09 appropriations. Now each year's appropriation is available for allocation until June 30, 2011 and for encumbrance and liquidation until June 30, 2015.

All funds must meet the encumbrance and liquidation deadlines of the year in which they were appropriated, regardless if they have been moved to a new project.

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 share in a fiscal year, it may lend their eligible 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

PTMISEA funding is available for **transit capital projects** in the following categories (a minimum operable segment of a project is included):

- 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: Environmental work 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 Resolution authorizing the project also meets this requirement.

Project Full Funding Plan

The project sponsor must provide a project full funding plan for the project that shows **all** fund sources needed (not just the PTMISEA portion of the project's funding) 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.**

If future year PTMISEA funding is anticipated for the project, include those funds on the Total Project Cost and Funding Plan sheet as well.

6. Authorized Agent Form

The executive authority of a project sponsor must submit to Caltrans a signed, dated Authorized Agent form that is Board Approved; 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 at the beginning of Fiscal Year 2010-2011 until the end of the PTMISEA Program. If there is a change in the authorized agent, 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 was 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. Certification

Before seeking a disbursement of funds in FY 2010-11 or later, sponsors or sponsor agencies must submit to Caltrans and comply with the PTMISEA Certifications and Assurances document.

See PTMISEA Certifications and Assurances

9. 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 sponsor(s) must also sign the Allocation Request (all subsequent documents submitted will need a signature from all contributing sponsors as well) 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.
- b. The project’s useful life.
- c. The project’s percent benefit in one of the four categories listed.
- d. The project’s schedule for all relevant phases. Allocations will only be made to projects scheduled to start within six months of funds receipt.
- e. The total cost of the project, including the identification of **all** funding sources necessary to complete the project.

10. Allocation Request Submittal

The signed original Allocation Request (including relevant sections of the publicly-adopted plan or Board Resolution) 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.

11. Project Review, Approval and Adoption

Caltrans reviews Allocation Requests and approves only those projects that meet the requirements of the 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 internal approval, Caltrans prepares a list of eligible projects whose PTMISEA funded phase is ready to start within **six-months** of allocation, and submits that list to the State Controller's Office for final approval. Caltrans will then send written notification of project approval to project sponsors.

Note: For FY 2009-10 and later years, only Allocation Requests consistent with the Project Sponsor's Program Expenditure Plan will be accepted.

12. Biannual Project Lists

Caltrans submits to the State Controller's Office a list of approved PTMISEA projects twice a year. With the State's recent economic problems, Bond sales have not been occurring on a consistent basis. Additionally, when a Bond sale has occurred, the PTMISEA hasn't received funding to the level of other Prop 1B Programs. PTMISEA staff will continue to provide updates on the status of funding availability.

13. Allocations from PTMISEA

After receiving the PTMISEA project list from Caltrans, 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 (six-month rule) 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.

14. 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
FY 2010-11: October 8, 2010

15. 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.

16. Changes to the Scope, Schedule, or Cost of an Existing Project

To change an Allocation Request, including any changes to the originally approved scope schedule, or cost, the project sponsor must first obtain approval from Caltrans by submitting a Corrective Action Plan (CAP) form.

Section 5, Amendment, of the Semi-Annual Report template functions the same as a CAP form to minimize any unneeded duplicate work.

See *PTMISEA Corrective Action Plan (CAP) Instructions* on the PTMISEA website.

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

17. **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.

Reassigning funds to a new project:

- 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 the new project before receiving an authorizing letter from Caltrans.

Reassigning funds to an existing project:

- The project sponsor submits a CAP for the project that will no longer be using PTMISEA funds. The funds should be listed in both the Original and Revised columns and the Justification section should list the project that will receive the reassigned funds. A copy of this CAP will go in both the “cancelled” project file and the existing project file that is receiving the reassigned funds.
- An additional CAP should also be submitted for the existing project receiving the reassigned funds. This CAP should list the original fund amounts and the updated amounts based on the transfer of funds following the steps listed above.

18. **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

19. 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.

20. 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.

Agencies who fail to submit the required semiannual project reports will not receive additional allocations until all delinquent reports have been submitted and approved.

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, 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
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

21. **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>

- Verification of project completion as scoped: The project sponsor must provide evidence of project completion, such as a photo of the completed project.

22. **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 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 who fail to submit an expanded TDA audit, documenting PTMISEA funding, will not receive future PTMISEA allocations until the required documents have been submitted to DMT.

23. California Transportation Commission's Annual Report

Caltrans will furnish project information to the California Transportation Commission to be included in its annual report to the Legislature. The report will provide a summary of PTMISEA projects allocated and the following information as required by California Government Code Section 8879.55(g):

- Description and location of the projects funded from the account
- Amount of funds allocated to each project
- Status of each project
- A description of public benefit expected from each project
- Designation of any projects subject to an audit under the Transportation Development Act (TDA)

24. Annual Legislative Report

General obligation bond law, California Government Code Section 16724.4, requires the administrative agency, Caltrans, to submit a report to the California State Legislature no later than January 1st each year. This report shall include:

- A list of all projects and their geographical location that have been allocated or are required or authorized to receive funds.
- The amount of funds allocated on each project.
- The status of any project required or authorized to be funded.

Caltrans has established the Proposition 1B Bond Accountability website and has posted this information related to each project. Caltrans administered programs can be accessed from the Intercity Rail Improvement link and the PTMISEA link. The website address is: <http://www.bondaccountability.dot.ca.gov/bondacc/>

25. Additional Information

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

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