

## California Department of Transportation

DIVISION OF LOCAL ASSISTANCE  
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May 10, 2022

Metropolitan Planning Organizations  
Regional Transportation Planning Agencies  
Local Transportation Commissions

Dear Executive Directors:

This correspondence is to transmit to you the attached revised "Policy and Procedures for Managing Local Assistance Obligation Authority (OA)."

The OA Management Policy has been revised to incorporate (i) flexibility in opening the Local OA pool earlier than May 1<sup>st</sup> when the OA utilization is below 35% as of March 15<sup>th</sup>, (ii) allows for more collaboration with the regions to maximize opportunity for August Redistribution, (iii) changes the due date for the Obligations Plans from April 1<sup>st</sup> to Mar 15<sup>th</sup>, and (iv) adds clarity to various deadlines related to obligations. It is anticipated that these changes will stimulate OA delivery by allowing the Regions to collectively deliver the Local OA earlier and thus presenting opportunities for a share of August Redistribution when available. The revision of the OA management policy was developed by an OA management policy committee comprised of representatives from the Regions Local Assistance, and relevant Caltrans functions. This proposal was then presented to all members at the January 2022 Regional Transportation Planning Agencies' meeting and no objections were expressed. While the Regional partners and agencies asked clarifying questions on the policy language, no further changes were recommended to the attached policy memo.

Sincerely,

Dee Lam  
Division Chief

Enclosure

c: District Division Chiefs for Local Assistance  
District Local Assistance Engineers  
Division of Local Assistance Area Engineers  
Division of Local Assistance Office Chiefs

**DIVISION OF LOCAL ASSISTANCE  
POLICY AND PROCEDURES FOR MANAGING LOCAL  
ASSISTANCE OBLIGATION AUTHORITY  
FFY 21-22**

**BACKGROUND:**

Federal funds are apportioned to the Local agencies based on Federal and State statutes. These apportionments could be carried over for up to three years. In order to use these apportionments, Federal Obligation Authority (OA) is needed. OA is provided on an annual basis and has to be used in the Federal Fiscal Year (FFY) it is provided. There are no Federal or State statutes governing the distribution of OA. However, it is the Department's intent to distribute OA in the same ratio as the apportionments are distributed. AB 1012 also allows the regions to carryover apportionments for up to three years. By allowing the regions to borrow the OA from each other, it is the Department's intent to manage the OA at a statewide level and make the OA available for up to three years, whenever possible.

**POLICY:**

1. The Department will oversee/facilitate the use of Local OA to ensure that it is used to optimize benefit to Local projects and that no OA is lost by the locals and/or State as a whole. Local OA that is not used in a given FFY will not be carried over to the next FFY and hence agencies will be accountable for delivering projects per the obligation plans to ensure 100% OA delivery each FFY.
2. If a Region uses more than its initial share of the OA in a given FFY, an amount equivalent to the overuse will be adjusted from its share in the following year.
3. If any portion of the Local OA is not able to be utilized in a given year, the Department will use the remaining OA on other eligible projects per AB 1012 in order to avoid lapse of Federal funds. The Department cannot commit to any payback of this OA unless, it is considered during the development of the next fund estimate.
4. For the purpose of this discussion, statewide programs managed by the Division of Local Assistance (DLA), such as "Bridge" and "Safety" will be treated as "Metropolitan Planning Organization (MPO)/Regional Transportation Planning Agency (RTPA)".

**PROCEDURES:**

1. Based on the California Streets and Highways Code Section 182, after the beginning of each FFY (October 1<sup>st</sup>) or when Federal apportionments and OA levels are received from FHWA, Caltrans will sub-apportion Surface Transportation Block Grant (STBG) and Congestion Mitigation and Air Quality Improvement (CMAQ) Program apportionments and corresponding "fair share" OA to each MPO, County Transportation Commission (CTC), and Transportation Planning Agency (TPA). The "fair share" OA will be determined based on the obligation limitation established by Federal Highway Administration (FHWA) for that FFY and the Federal apportionments for RSTP and CMAQ for each MPO, CTC, and TPA. This "fair share" OA will be adjusted in accordance with paragraph 22 below. This adjustment will be the result of one Region's over-use and another's under-use of OA from the prior FFY.
2. The MPOs, CTCs, and TPAs will be notified of this "adjusted fair share" of OA. This notification will meet the Streets and Highways Code Sections 182.6(e) and 182.7(d) requirements. MPOs, CTCs, and TPAs could use this OA to obligate any of the local projects programmed in the quadrennial years of the FTIP without a need for any FTIP amendments, as long as they are in conformance with their developed and approved expedited "Project Selection Procedures" in accordance with 23CFR450.332.

3. DLA will monitor apportionments and OA usage/transfers and provide monthly online reports for District Local Assistance Engineers (DLAEs) and MPOs/RTPAs.
4. DLA provides the MPOs, CTCs, and TPAs flexibility in borrowing or loaning apportionments and OA from other MPOs/TPAs, provided that the affected MPOs, CTCs, and TPAs notify DLA of the agreement. These agreements can be in the form of a letter signed by the Executive Directors of the Regions involved or their designee. The agreements should include details such as fund types and payback schedules and the draft agreements should be reviewed by DLA. Agreements will result in transfers of apportionments and/or OA. Regions will be fully responsible for meeting delivery deadlines and requirements. Regions electing to enter into agreements will be responsible for amending their respective FTIPs if and when needed.
5. By January 31<sup>st</sup> of each year, DLA will request MPOs, CTCs, and TPAs to submit their Obligation plan for the remainder of the FFY. The Obligation plan must contain a list of projects that are expected to be obligated before the end of the FFY and shall be submitted to District DLA on or before March 15<sup>th</sup> such that it is received by HQ DLA on or before April 1<sup>st</sup>.
6. If an MPO, CTC, and/or TPA does not submit the obligation plan by the dates indicated above, then their Regional share of OA will be included in the statewide Local OA pool and it will be available for other Regions to use as of April 2<sup>nd</sup>.
7. The obligation plans shall include an accurate listing of projects to aid with the OA management process.
8. Obligation plans shall reflect any agreements to loan or borrow OA/apportionments and shall include notes to explain the underutilization of the Regional share of OA (for instance, if a Region is saving apportionments to use on a larger project in a future year). If the Region indicates underutilization of its OA, then the share of the OA will be added to the Local OA pool.
9. An OA delivery meeting will be held with the Regions in June to discuss the strategy for August Redistribution (AR) and Regions can submit a priority list of projects to be considered for AR at the meeting or as per the deadline indicated by Caltrans DLA. This priority list may include projects that are not in the obligation plan.
10. When an MPO, CTC, or TPA exhausts its adjusted fair share of OA, the DLAE will ask Local agencies from that Region if they want to obligate the project under Local Advance Construction (AC) or if their MPO, CTC, or TPA have arranged to borrow OA from another MPO, CTC, or TPA. (see Chapter 3, "Project Authorization," of the Local Assistance Procedures Manual [LAPM]).
11. On March 15<sup>th</sup>, if the overall OA usage is less than 35% (including STBG/Safety Exchanges), then a decision to allow agencies to use the Local OA pool will be made by Local assistance implementation up to 70% of OA.
12. On March 15<sup>th</sup>, if the OA use is greater than 35% (including STBG/Safety Exchanges), unless a Region has a remaining Regional share of OA, HQ DLA will place all Local agency Requests for Authorization (RFA) of OA and FTA transfer requests (in that MPO's/RTPA's Region) on hold until May 1<sup>st</sup>.
13. On May 1<sup>st</sup> of each year, DLA will transfer all unobligated Local OA, including statewide Local OA (bridge and safety programs), but not including OA that is needed for pending FTA Transfers, into a statewide Local OA pool. DLA will obligate projects on a first-come, first-served basis until all projects in queue are obligated. Any remaining Local OA will be used to obligate projects or submit Federal Transit Authority (FTA) Transfer requests on a first-come, first-served basis (as received by HQ DLA) until all Local OA is used or until the deadline for submitting RFAs in FADS is reached as determined by the Caltrans Office of Federal Resources (OFR). Caltrans will only accept FTA transfer requests until the Caltrans FTA transfer deadline to allow sufficient time required for FHWA processing.
14. Given the significant time lag between FTA Transfer request submittal to FHWA, and FHWA

approval which removes the funds from the OA balance, Caltrans will ensure that sufficient unused OA is reserved for FTA Transfer requests submitted to FHWA but not yet approved.

15. In early July each year, DLA will provide OFR with a list of Local AC projects (if any and irrespective of apportionment balances as this allows time to get apportionment/OA loan agreements in place), a list of projects that are still on hold (if any), and a list of additional projects to be obligated (from the obligation plans).
16. OFR will request additional OA from FHWA in early July, based on a statewide list of projects in need of OA including the updated list from paragraph 15.
17. In August of each year, FHWA redistributes OA from states that are not able to use all of their OA to states that (1) have used their OA or (2) can show that they will use all their OA by September 30<sup>th</sup> and demonstrate a need and ability to use additional OA. This process is called "August Redistribution."
18. If FHWA provides any additional OA from the August redistribution, it will be split between State and Local based on the pro-rata share after consultation with FRO.
19. DLA will add this additional OA to the "statewide Local OA pool" and use it in accordance with paragraph 13 above.
20. If at three weeks prior to the internal obligations deadline determined by OFR (same date as the deadline for Districts to submit RFAs to HQ DLA - district obligations deadline) it is determined that all the remaining Local OA will not be utilized, then DLA may allow agencies to use apportionments without executed loan agreements, provided statewide Local apportionment is available and provided HQ DLA receives the RFAs by the District obligations deadline. The apportionment changes resulting from such RFAs will be reconciled on October 1<sup>st</sup> and all Regions will be notified.
21. On the HQ DLA obligations deadline, if there is any Local OA remaining, OFR will use the OA to fund alternate projects in accordance with the provisions in California Streets and Highways Code Sections 182.6(f) and 182.7(e). This is necessary since OA is only available for one FFY and if not used will be lost to California. This Local OA and possibly apportionments will be used from the regions that have not utilized their "adjusted fair share" of OA.
22. At the end of each FFY, DLA will determine which regions overused (advanced delivery) and which regions underused (delayed delivery) their adjusted fair share of Local OA for the FFY. Regions that overused OA will be notified of the overused amount and their fair share of OA will be reduced accordingly in the following FFY. This OA will be distributed to the regions that underused their OA, proportionate to their under-usage. The maximum level of under-use of OA permitted for each Region is the amount of OA that corresponds to that Region's "fair share" of OA received over the last three years. This will provide the flexibility necessary to allow apportionments to be available for three years. If the underused level of OA becomes larger than the maximum permitted level of apportionment under AB 1012, the redistributed OA will be capped at the allowable AB1012 apportionment balance.

This revised policy will be implemented effective FFY 2022 and incorporated into the next manual update.