



## Federal Corrective Action Update

### Information

**Prepared by:** Erik Johnson

**Attachments:** Yes

**Approved by:** James Corless

**Referring Committee:** Transportation

### 1. Issue:

Update on Caltrans requirements to modify how SACOG administers Surface Transportation Block Grant (STBG) and Congestion Mitigation and Air Quality (CMAQ) funds.

### 2. Recommendation:

None; this is for information only.

### 3. Background/Analysis:

In the spring of 2021, the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) issued a corrective action to Caltrans as part of the certification of the 2021 Federal Statewide Transportation Improvement Program (FSTIP) regarding suballocation and administration of Surface Transportation Block Grant (STBG) and Congestion Mitigation and Air Quality (CMAQ) funds. While this corrective action was issued to Caltrans, it has a direct impact to SACOG, because SACOG is designated by the State of California as the federal Metropolitan Planning Organization for the six-county region, and SACOG has responsibility for allocating and administering funds. As a statewide issue, this has not only been an issue for SACOG but also notably our peer agencies in the Bay Area and Los Angeles, Metropolitan Transportation Commission and Southern California Association of Governments.

While SACOG is designated as the federal Metropolitan Planning Organization (MPO), the State of California has also designated three state Regional Transportation Planning Agencies (RTPA) for the six-county region: SACOG for Sacramento, Sutter, Yolo and Yuba counties, and El Dorado County Transportation Commission (EDCTC) and the Placer County Transportation Planning Agency (PCTPA) for their respective counties.

Since 1993, SACOG has had memoranda of understanding with the El Dorado County Transportation Commission (EDCTC) and the Placer County Transportation Planning Agency (PCTPA) to coordinate transportation planning and programming under state and federal laws within those two counties. These long-standing memoranda establish practices for how we administer STBG and CMAQ funds within our region and the unique roles of EDCTC and PCTPA to administer competitive funding programs in their counties similar to the four-county funding program administered by SACOG.

In December 2021, staff briefed the Transportation Committee on this issue. At the time, Caltrans had asked MPOs to document their current processes and prepare plans for how to comply with the corrective action. In

February 2022, SACOG provided a draft proposal to Caltrans on how SACOG would come into compliance. After requests from our RTPA partners and our statewide association, Caltrans requested—and FHWA granted—an extension of the time to comply with this corrective action until June 30, 2023. Staff has not been back with an update because there has been little progress on this issue since that time.

#### **4. Discussion/Analysis:**

While there has been no resolution to this issue, we want to provide background to the board on what issues FHWA, via Caltrans, have raised with SACOG. We also outline our proposed solution, which if accepted by Caltrans and FHWA, would be brought back for approval by the board. If our proposed solution is not accepted by Caltrans and FHWA, this could cause significant changes to the process for prioritizing projects and programming federal funds. In either case, changes would only impact funding actions after June 30, 2023.

There are three issues that SACOG must address as part of this corrective action:

1. Federal transportation funding suballocation by population or mode to cities and counties cannot occur;
2. MPOs must be involved in the eligibility screening conducted prior to project selection for compliance with Federal program guidance and regulations; and
3. Federally funded transportation project selection must be approved by the MPO.

#### ***Suballocation***

The historic practice for how STBG and CMAQ project are selected is that SACOG, EDCTC and PCTPA have identified projects based on the estimated amount of funds for their respective RTPAs based on information published by Caltrans Division of Financial Programming, for planning and programming of these funds within their respective RTPA jurisdictions for each federal fiscal year. This practice has supported the role and purpose of RTPAs within an MPO by providing a known and reliable federal funding source to support project delivery.

However, relying on the Caltrans-published fund estimates does not appear to comply with the FHWA prohibition purported in the Corrective Action of suballocating those funds. SACOG, EDCTC, and PCTPA recognize that suballocation solely based upon population to jurisdictions, cities or counties as identified in the corrective action, is not consistent with federal guidance.

In the four-county region, SACOG has a blended funding round, where two types of federal funds (STBG and CMAQ) and one state source (State Transportation Improvement Program) are what are used for the selected projects. The funding awards are the policy action taken by the board, and then based on eligibility, the three fund types are paired with projects based on their eligibility and timing. We do not believe that SACOG needs to modify how it selects projects, except for providing some additional transparency on which projects are programmed with which type of funding.

Going forward, we propose working with PCTPA and EDCTC to estimate the availability of funds, and through a process involving all three agencies, establish policy-based funding ranges. This would not be a guaranteed amount of funding to any RTPA, but would give project sponsors a range of the amount of funding available and would ultimately be approved by the SACOG Board of Directors.

#### ***Project Selection***

PCTPA and EDCTC have long-established funding processes for both STBG and CMAQ which are consistent

with the Federal requirements and the current MOUs with SACOG. SACOG staff has been involved with review of project eligibility, scoring and ranking, and participated in project evaluation, but projects have not been formally submitted to SACOG through a process which FHWA now defines for project selection. Each RTPA has assessed the performance levels (STBG/CMAQ) and air quality benefits of each project (CMAQ) before submittal to their respective boards and to SACOG, then taken final action on project awards and submitted projects for inclusion in the Metropolitan Transportation Improvement Program (MTIP), but SACOG has not taken a formal action in the project selection process aside from adoption of the MTIP.

For eligibility screening, SACOG already provides assistance to PCTPA and EDCTC on eligibility criteria and modeling projects for conformity and uses project analysis tools in the six-county Active Transportation Program. Going forward, we propose that PCTPA and EDCTC would submit projects to SACOG for review of eligibility. SACOG would then report back to EDCTC and PCTPA the results of the eligibility screen for projects within their respective RTPAs. Additionally, SACOG will share SACOG's project performance tools it has created for project analysis with EDCTC and PCTPA and assist them in providing uniform information on project performance.

Regarding project selection, there is not a prescribed process for how MPOs select projects. Each MPO in California handles their process differently. As noted above, SACOG's project selection process for the fourcounty region is a prioritization exercise that involves three different funding sources, and is not selecting any individual projects for any individual source of funding. In our region, we believe that it has worked well for over 30 years to have EDCTC and PCPTA having separate processes for prioritizing projects within each RTPA.

Going forward, we propose that EDCTC and PCPTA will continue to have separate processes for prioritizing projects within each RTPA, but SACOG will have a standing role in scoring, screening, and ranking projects before EDCTC or PCTPA boards approve the projects for submittal to SACOG for approval into the MTIP. We propose the following changes to the project selection process:

1. To enhance SACOG's role in project selection across all six counties, EDCTC and PCTPA will formalize a standing position for SACOG staff on their respective project evaluation committees.
2. EDCTC and PCTPA will coordinate reports to the SACOG Transportation Committee throughout their funding round processes. SACOG staff will also report to the SACOG Transportation Committee on the programming of STBG and CMAQ and the coordination with EDCTC and PCTPA.
3. The SACOG board would finalize project selection by approving the full six-county STBG and CMAQ funding round, including the EDCTC and PCTPA projects, for a given fiscal year or years. The SACOG Board would follow this action by programming STBG and CMAQ funding based on the approved projects list. Funding would be programmed to projects in the prioritized order as submitted by each RTPA until the fund balance for that funding round is reached. If the funding balance is less than the requested amount by each RTPA, PCTPA and EDCTC could request of the SACOG board partial amounts to fit within the programming balance for that funding cycle.

EDCTC and PCTPA would continue to use performance-based evaluation criteria consistent with federal criteria adopted by SACOG for project selection, evaluation, and approval. By involving SACOG throughout each funding round, SACOG can ensure that all Federally funded projects meet stated goals of Metropolitan Transportation Plan/Sustainable Communities Strategy (now Blueprint) and federal performance measures that apply to the MPO region. EDCTC and PCTPA would administer STBGP and CMAQ funding rounds based upon the SACOG approved Federal funding targets.

Consistent with existing MOUs, PCTPA and EDCTC boards would each approve programming of STBG and CMAQ funding to projects supported by the Cities and Counties within their RTPA jurisdictions prior to submittal to SACOG for approval into the MTIP. The SACOG board would finalize project selection by approving the full six County STBGP and CMAQ funding round, including the EDCTC and PCTPA projects, for a given fiscal year or years. The SACOG Board would follow this action by programming STBGP and CMAQ funding based on the approved projects list. Funding would be programmed to projects in the prioritized order as submitted by each RTPA until the fund balance for that funding round is reached. If the funding balance is less than the requested amount by each RTPA, the RTPA could request of the SACOG board partial amounts to fit within the programming balance for that funding cycle.

After the final action by SACOG, staff from EDCTC and PCTPA would work with SACOG staff to program projects based on the availability of federal funds, project timelines and other factors consistent with SACOG's delivery plan and current practices. EDCTC and PCTPA would continue to oversee and monitor project delivery success to include reporting to their respective boards, Caltrans, FHWA, and SACOG.

### ***Next Steps***

Staff is continuing to work with EDCTC and PCTPA to answer questions from Caltrans and FHWA about our proposal. Once we have a sense of whether this proposal will be accepted, we will seek action from our boards. Once a final response is provided to our proposal, we will develop detailed policies and procedures and return to the board for action on implementation.

There is no impact on the current funding round as a result of this process. As more details are made clear, staff intends to bring this to the board working group on the funding round and the Transportation Committee for updates. As noted above, changes to any existing practices would occur after June 30, 2023. Since SACOG, EDCTC and PCTPA are going through their respective funding rounds, it is likely that changes would take effect with a 2024-2025 funding round.

### **5. Fiscal Impact/Grant Information:**

If FHWA and FTA do not accept the corrective action plan for the SACOG region, there is risk to federal transportation funds being delayed or withheld.

### **6. This staff report aligns with the following SACOG Work Plan Objectives:**