



Approve Federal Corrective Action Response

Action

**Prepared by:** Erik Johnson

**Attachments:** Yes

**Approved by:** James Corless

**Referring Committee:** Transportation

**1. Issue:**

SACOG must modify how it administers federal transportation funds in order to comply with a corrective action. This item outlines a target-setting process and a project selection process for use in future federal funding rounds.

**2. Recommendation:**

The Transportation Committee recommends that the board approve SACOG's response to Caltrans outlining how SACOG would comply with federal requirements. Specifically, approve the framework for a target-setting process and project selection process to be used in federal funding rounds after June 30, 2023.

**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 as the federal Metropolitan Planning Organization (MPO) 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, the Metropolitan Transportation Commission (MTC) and Southern California Association of Governments (SCAG).

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

1. Federal transportation funding cannot be suballocated by mode or by population 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 projects must be selected and approved by the MPO.

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 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.

In November 2022, staff provided an update to the Transportation Committee and the Board of Directors on SACOG's proposed solution. At the January 19, 2023, board meeting, staff provided an initial look at the attached proposal.

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

Since the January 19, 2023, board meeting, we received positive feedback from Caltrans and the U.S. Department of Transportation on SACOG's proposal. There are no changes from what was presented to the board, but this staff report provides further explanation to the steps in two processes: target setting and project selection. This staff report describes the processes outlined in the two attachments, Target Setting Process for Federal Funds (Attachment A), and Federal Project Selection Process (Attachment B).

To fulfill SACOG's obligation to address the corrective action, the next step is to have the board approve the process so that we can formally communicate that this is the framework SACOG will utilize in future funding rounds. The requested action is to adopt the two processes as a framework. After SACOG submits this framework to Caltrans, Caltrans will formally submit it as part of its statewide response to the U.S. Department of Transportation.

Once the framework is accepted by the U.S. Department of Transportation, SACOG will develop detailed guidelines for future funding rounds with input from the Funding Round Working Group. SACOG will work closely with Caltrans to ensure that the future funding round guidelines are consistent with statewide program guidance, which is still being developed. Starting with the anticipated 2024-2025 funding round, the board would adopt these guidelines and provide direction specific to that future funding round.

#### ***Target Setting Process***

The following is the framework for the regional target setting process. The steps below correspond with the diagram included as Attachment A.

1. *Federal Funds Available to California by Federal Formula:* All states receive a set amount of STBG and CMAQ funds based on formulas established in federal transportation law. The Bipartisan Infrastructure Law, enacted in 2021, set funding levels for five years.
2. *Federal Funds Available to MPOs by State Formula:* Caltrans then sub-allocates a portion to regions and retains a portion for statewide programs or other distributions. Each year, the Caltrans Division of Financial Programming publishes estimated and final amounts for these funds for each federal fiscal

year (October 1-September 30).

3. *SACOG Funding Round Federal Funding Estimate:* Going forward, SACOG would utilize the Caltrans Division of Financial Programming information and its own analysis to estimate the available funding in advance of any given funding round.
4. *SACOG Board Sets Regional Performance Target Criteria and Weighting, Define Priority Programs:* After the available funds are estimated, staff would review available data on performance measurement and make recommendations to the board on where SACOG may want to strategically invest to make progress towards these policy goals. Additionally, staff would recommend priority programs that may be separate from the competitive funding round (see more below).
5. *Performance-Based Funding Targets:* With board direction, staff would calculate targets for all six counties and, if applicable, for the priority programs.
6. *Individual Targets for Six Counties:* SACOG would publish a target for each county. The target would be a range of the amount of federal transportation funding available for that funding round, and would not be tied to a set amount of STBG or CMAQ.
7. *Priority Programs:* SACOG has funded several programs over the last several decades to help achieve regional goals. Key examples are Transportation Demand Management, Sacramento Emergency Clean Air & Transportation Grant Program, and Spare the Air. In recent years, new programs such as Engage, Empower Implement have been funded through a set-aside, or a separate competitive funding program such as Green Region has had different criteria from the primary funding round programs. Going forward, the intent is that either a set-aside of funds or unique competitive funding programs could be established by the board that would not have county-level targets.

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

The following is the framework for the regional project selection process. The steps below correspond with the diagram included as Attachment B.

1. *Regional Call for Projects with Approve Regional Performance Criteria:* SACOG would issue a single regional call for projects with unified criteria for all applications for RSTP and CMAQ funds.
2. *Project Sponsors Coordinate:* For every county, project sponsors will coordinate with EDCTC, PCTPA or SACOG regarding the potential project scopes and benefits, and ensure projects are consistent with six-county regional goals and the Metropolitan Transportation Plan. Because EDCTC and PCTPA are not project sponsors, but rather planning agencies, SACOG is utilizing their local expertise in their counties and their ability to be a neutral entity to assist at this and other steps in the process.
3. *Project Performance Assessment Tool Used on All Projects:* SACOG will utilize the Project Performance Assessment Tool to generate data about project benefits that can be compared to other projects. At the outset of the process, SACOG may also identify other technical tools and data to be used to evaluate projects.
4. *Prioritized Lists Submitted to SACOG:* Projects sponsors from all six counties would submit applications to SACOG. In El Dorado County, EDCTC would submit a prioritized list to SACOG on behalf of all applicants in the county. In Placer County, PCTPA would submit a prioritized list to SACOG on behalf of all applicants in the county.
5. *SACOG Reviews Eligibility, consistency with MTP goals:* SACOG will review all projects for eligibility and consistency with MTP goals before sending them to the review panel.
6. *Projects Reviewed by six six-county committee consisting of technical experts from SACOG, EDCTC, PCTPA, local transportation departments, and other transportation professionals.*
7. *Projects prioritized across all six counties by review committee:* Using the criteria established by the SACOG Board of Directors at the beginning of the funding round cycle, the technical experts would

score and prioritize projects.

8. *SACOG staff review recommendations and ensure all projects are scored using regional performance criteria. SACOG staff sets final regional list of priorities recommended to the MPO Board.*
9. *SACOG Transportation Committee reviews and recommends:* As the policy committee over funding, the Transportation Committee would review the staff recommendation and make a recommendation to the full board.
10. *SACOG Board Selects Projects:* Through its final action on the funding round recommendations, the board may modify the recommendations, and therefore retain the ultimate authority to select all projects that are consistent with board policy and applicable state and federal requirements.
11. *SACOG Staff recommends programming projects with RSTP and CMAQ:* After projects are selected through the funding round, projects must be assigned either RSTP or CMAQ funds based on their eligibility, the anticipated year of construction, and other factors. SACOG works with project sponsors after they are selected in each funding round to recommend the best fit of projects based on board priorities and project timing.
12. *SACOG Board Adopts MTIP:* As the final action in this process, the board will formally adopt or amend the Metropolitan Transportation Improvement Program, which is the federal document where SACOG formally assigns federal funding to specific projects or programs.

## **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.