U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION
CALIFORNIA DIVISION
980 Ninth Street, Suite 400
Sacramento, CA. 95814-2724

October 4, 2002

IN REPLY REFER TO
HDA-CA
File #: 740
Document #: 40058

Mr. Jeff Morales, Director
California Department of Transportation
1120 N Street
Sacramento, California 95814

Attention: Federal Resources Branch, Room 3500

Dear Mr. Morales:

SUBJECT: **2003 Federal Statewide Transportation Improvement Program**

We have completed our review of the State of California's 2002/03-2004/05 Federal Statewide Transportation Improvement Program (FSTIP) and statewide planning certification that were submitted by the California Department of Transportation (Caltrans) to the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA) by letter dated September 18, 2002. We accept the FSTIP submittal pursuant to the statewide transportation improvement program (STIP) review and approval provisions of section 135(f)(4) of title 23, United States Code (23 U.S.C.). The statewide program approval provisions in section 450.220 of title 23, Code of Federal Regulations (23 CFR), require the State of California to submit the entire proposed FSTIP concurrently to the FTA and the FHWA, at least every two years, for joint approval. Once approved by the FTA and the FHWA, California's proposed 2002/03 - 2004/05 FSTIP will supercede the previous 2000/01 to FY 2002/03 FSTIP that was approved on October 6, 2000, and all subsequent amendments to that program.

Based on our review of the self-certifications for the statewide and regional planning processes that were submitted by Caltrans and the metropolitan planning organizations (MPOs); our review of supporting information and/or documentation provided for the self-certifications; the completed planning process certification reviews conducted by FHWA/FTA of the planning processes in designated transportation management areas (TMAs) within California; and our agencies staff's on-going involvement in the State and metropolitan transportation planning processes and activities within California, the FTA and the FHWA find that development of the 2002/03-2004/05 FSTIP was based on a transportation planning processes that substantially meets the requirements of 23 U.S.C., the Federal Transit Act and the applicable regulations in subparts A, B and C of 23 CFR Part 450.

Based on our finding that the submitted 2002/03-2004/05 FSTIP meets the requirements of 23 U.S.C. 135 and the statewide and metropolitan planning regulations codified in 23 CFR Part 450 to an acceptable degree, we are jointly approving the 2002/03-2004/05 FSTIP subject to the limitations and exclusions on the proposed FSTIP project listings that are

detailed below, and the "corrective actions" cited below in accord with the statewide planning finding provisions in 23 CFR 450.220.

As proposed, California's 2002/03-2004/05 FSTIP incorporates, either directly or by reference, the following projects:

1. Those transportation projects, or identified phases of transportation projects, listed in the 2002/03-2004/05 FSTIP for the geographic regions of California that are outside the planning boundaries of the Metropolitan Planning Organizations (MPOs), including: those projects proposed for Federal Transit Act and/or title 23 U.S.C. funding during the triennial element period of the FSTIP, as well as all regionally significant transportation projects requiring an action by the FHWA or the FTA during the programming period, whether or not the projects are to be funded with title 23 U.S.C. or Federal Transit Act funds.

2. Those transportation projects, or identified phases of transportation projects, listed in the 2002/03-2004/05 Federal Transportation Improvement Programs (FTIPs) that have been adopted by the California MPOs and the Kings and Madera Regional Transportation Planning Agencies (RTPAs), and subsequently approved for inclusion in the 2002/03-2004/05 FSTIP by Caltrans.

   As noted in your letter dated September 18, 2002, those projects from the Metropolitan Transportation Commission (MTC) planning region are excluded from this approval for inclusion in the FSTIP pending the MPO's adoption of a 2002/03-2004/05 FTIP for the region and the subsequent FSTIP programming approval by Caltrans.

Based on our review of the FSTIP information for the non-MPO regions that was submitted by Caltrans, and the FTIP information provided by the California MPOs, we are approving the 2002/03-2004/05 FSTIP subject to the following limitations and exclusions:

1. In accordance with letters dated October 2, 2002 submitted by SACOG and Caltrans two errors were reflected in SACOG's 2002/03-2004/5 FTIP and are being corrected as follows:

   Project CAL17420, Route 65 Lincoln Bypass construction funding should be reflected as >2005, matching the program year of 2007 adopted in the STIP; and

   Project PLA19490 Sierra College Boulevard the funding source for Construction in 2004 is Local funds.

   We accept these corrections and note that the construction funding for Project CAL17420 is outside the triennial element of the FSTIP and is accepted for information purposes only. Also, pending our further review SACOG's financial plan documentation, including the additional financial information submitted with the above mentioned letters, that supports the MPO's determination of financial constraint of the region's 2002/03-2004/05 FTIP, our FSTIP programming approvals for the SACOG MPO is limited to project listing in the 2002/03 fiscal year only.

2. Based on our review of the proposed project listings for 2002/03-2004/05 FSTIP, we are withholding FSTIP programming approval for those project listings identified in the enclosure to this letter pending resolution of the particular project issue described in the enclosure.

3. The project listings submitted for the 2002/03-2004/05 FSTIP include a significant number of projects that lack both cost and proposed funding information for the triennial element period of the FSTIP as required by 23 CFR 450.216(a)(8) and 23 CFR 450.324(g). In accord with the provisions of 23 CFR 450.216(a)(7) and 23 CFR 450.324(f)(3), we are approving, for inclusion in the 2002/03-2004/05 FSTIP, those project listings that indicate funds have been obligated or committed to the project, or identified phases of the project, in a prior year (e.g., program year 2001/02 or earlier), even if no funding information is provided for the project in the triennial element of the 2002/03-2004/05 FSTIP. Submitted FSTIP project listings that lack both: funding information in the FSTIP triennial element, as well as any indication of a prior funding commitment or obligation, are accepted by the FTA and the FHWA for information purposes only. We remind Caltrans and the California MPOs that only those projects which are approved by FHWA and FTA for inclusion in the FSTIP, and for which the project listing provides the cost and funding information required by 23 CFR 450.216(a)(8) and 23 CFR 450.324(g), are eligible for a commitment or obligation of funds administered by the FTA or the FHWA.

4. We remind the Caltrans and the MPO's programming staff that "park-n-ride lot" projects and "bridge widening" projects (e.g. that add additional travel lanes) are not exempt from the requirement to determine conformity pursuant to the Transportation Conformity Rule Amendments (40 CFR Part 93) and must, therefore, be considered in the MPO's regional emissions analysis and conformity determinations for their FTIPs. In addition, because these types of projects are not consistent with the classifications under 40 CFR Part 93, they cannot be included with those projects that are grouped in the FTIP/FSTIP pursuant to sections 450.218(b) or 450.324(i) of 23 CFR.

5. Our approval of the project listings in the 2002/03-2004/05 FSTIP is done with the understanding that FTA funding approval on individual projects included in the FSTIP are subject to the grantees meeting all necessary FTA administrative requirements.

The FHWA and the FTA have reviewed the STIP and related planning processes in order to evaluate the extent the proposed projects are based on a planning process that meets or substantially meets the requirements of title 23, U.S.C., the Federal Transit Act, and the statewide and metropolitan planning regulations codified in title 23 of the Code of Federal Regulations. Based on our review, we are approving the 2002/03-2004/05 FSTIP subject to the following corrective actions:

1. Each year, MPOs in California are required to publish a listing of projects for which Federal funds were obligated in the previous Federal fiscal year. Pursuant to section 1203(h) of TEA-21 (PL 105-178), "An annual listing of projects for which Federal funds have been obligated in the preceding year shall be published or otherwise made available by the metropolitan planning organization for public review. The listing shall be consistent with the categories identified in the transportation improvement program." By January 1, 2003, and by the same date on each subsequent year, each of the MPOs in California will provide the FHWA and the

FTA with either a copy of the published listing or a notification of the availability of the published listing.

2. Based on our ongoing involvement with the metropolitan planning processes within the State, we are concerned that several MPOs are not in full compliance with the federal planning requirements, codified in 23 CFR 450.310, which pertain to MPO agreements, specifically in regard to the agreements required between each MPOs and the transit operators. Therefore, by January 1, 2003, we are requesting that each MPO in California provide the FTA Region IX office in San Francisco with documentation to substantiate their compliance with the MPO/Transit Operator agreement provisions of 23 CFR 450.310. The required documentation of the agreements should be submitted to Mr. Jerome Wiggins at the Federal Transit Administration; 201 Mission Street, Suite 2210, San Francisco, California 94105.

3. The Federal planning regulations codified in 23 CFR 450.324 state that procedures or agreements that suballocate STP or section 9 (FTA Section 5307) funds by predetermined percentages or formulas are inconsistent with other provisions of the planning regulations and shall not be used unless they can clearly be shown to be based on considerations required to be addressed as part of the planning process. FTA has been working with SACOG and the transit operators within the SACOG region to address the allocation of Section 5307 funds. Pending resolution of this issue, programming approvals for Section 5307 funds available for the SACOG MPO region is limited to project listing in the 2002/03 fiscal year only.

4. 23 CFR 450.214(e) requires that the statewide transportation plan "...be continually evaluated and periodically updated...." While we appreciate the State staff's recent efforts to update the 1998 California Transportation Plan, we are increasingly concerned with the amount of time that has elapsed since the last statewide plan update. Accordingly, by December 15, 2003, Caltrans must develop a statewide transportation plan for all areas of the State that substantially meets the statewide plan provision of 23 CFR 450.214.

5. By April 1, 2004, each MPO in California, in cooperation with the State and transit operators, must either develop or updated its financial plan, pursuant to 23 CFR 450.324(e), for use in preparing the 2004/05 FTIPs. The financial plan shall be made available for public review and comment in conjunction with the draft 2004/05 FTIPs in accordance with the public involvement process requirements of 23 CFR 450.316(b). Pursuant to section 450.316(b), each 2004/05 FTIP must include a summary, analysis and report on the disposition of significant written and oral comments that were received on the MPO's financial plan as a result of the public involvement process or interagency consultation process. Pursuant to 23 CFR 450.330(b), in making the necessary air quality conformity findings for nonattainment and maintenance areas, the FTA and the FHWA must specifically consider any comments relating to the financial plans for the plan and FTIP contained in the summary of significant comments required under section 450.316(b).

   As a result of several key legislative and policy actions, financial planning has become a significant component of transportation planning and programming practice. The proper conduct of the financial planning process will help to avoid barriers to effective planning and programming. In short, financial planning is a

critical element of the FSTIP, each MPO's FTIP, and the statewide and regional long-range transportation plans. Based on our review of the financial planning documentation that was submitted by Caltrans and the MPOs with the proposed FSTIP, we are concerned with the statewide adequacy of both the financial assessments and financial plan documentation for three critical elements of financial planning:

- Assessments of financial condition
- Assessments of financial capability
- Preparation of the required financial plan

The assessment of financial condition includes the consideration of factors that may affect the state or region's ability operate, maintain, and make improvements to the existing transportation system, including: the economic vitality of the region, debt management history of the funding entities and the historical financial burden of transportation expenditures. The analysis of economic activity should examine the historical trends and forecasts of economic indicators tied to the pledged sources of revenue and expenditures. Other components of the financial condition analysis may include a review of transportation debt management practices, analysis of financial burden of transportation expenditures as compared to non-transportation expenditures, and the implications of local transportation policy issues.

The assessment of financial capacity includes the estimation of cost and revenue streams and analysis of future cash flow. The assessment addresses the stability and reliability or "robustness" of the revenue base and includes the development of out-year projections of costs and revenues. The analysis should examine historical trends and forecasts of the economic indicators related to the sources of revenue and transportation related expenditures. The assessment should estimate the capital, operating and maintenance cost of providing transportation services, facilities and equipment and determine which fund sources will pledged for transportation projects. The assessment should also identify the roles and responsibilities of state and local government and private concerns in carrying out the transportation program.

The preparation of a financial plan includes the identification, analysis, and evaluation of alternative funding sources and documents the sources and uses of funds, financing strategies, and steps necessary to secure financing for the TIP. The financial plan should document the financial strategies developed to meet capital and operating needs for the transportation system including the identification of specific sources and uses of funds in future years. Typical financing alternatives include: pay-as-you-go, debt financing, private sector financing, or a combination of these alternatives.

Finally, based on our review of the project listings and other transportation improvement program information provided by both Caltrans and the various MPOs in California, we offer the following comments and recommendations concerning the metropolitan and statewide programming processes leading to the development of the statewide FSTIP:

1. Pursuant to the provisions of 23 CFR 450.316(b)(vii), a summary, analysis, and report on the disposition of significant written or oral comments shall be made part of the final plan and TIP. In reviewing the 2002/03-2004/05 FTIPs provided by the California MPO's and proposed for inclusion in the 2002/03-2004/05 FSTIP, we noted that a significant number of the final TIPs lacked the required summary of significant public comments

received, their analysis, or reporting on how they were addressed. Based on the recent follow-up action taken by Caltrans programming staff in this regard, the MPO's have now provided FHWA with sufficient information to address the Federal programming requirements concerning the comments, or the lack of significant comments, that were received during the development of their 2002/03-2004/05 FTIPs. We appreciate the efforts by the Caltrans and MPO staffs to address this requirement and want to again remind the MPOs and Caltrans staff that information concerning significant public comments received, and the response to those comments, is a required component for any FTIP proposed for inclusion in the FSTIP.

2. Determining the eligibility of those projects proposed for funding through the federal CMAQ program continues to be an ongoing challenge for the regional planning agencies, and the FHWA, FTA and Caltrans programming staff. As you know, the primary purpose of the CMAQ program is to fund those transportation projects and programs in nonattainment and maintenance areas that reduce transportation-related emissions. In order to enhance the implementation and delivery of the CMAQ program, assure the eligibility of those projects planned or programmed for implementation with CMAQ funds, and improve California's annual CMAQ program report, we would like to explore, with Caltrans, options for quantifying and documenting anticipated emissions reductions for CMAQ funded projects as part of the FTIP/FSTIP approval processes.

3. We commend Caltrans and the MPOs for their ongoing efforts to fully implement the California Transportation Improvement Program System (CTIPS) statewide. We support the CTIPS implementation effort by all of the agencies involved parties and believe the system provides an effective tool for streamlining and integrating the data for various state and Federal programming processes. We encourage the continued cooperation of Caltrans and the MPOs to expand and improve the statewide use of CTIPS. Based on our experiences using the CTIPS database during the past FSTIP cycle, we offer the following comments and recommendations regarding CTIPS for your consideration:

   - We recommend that the field for the preliminary engineering (P.E.) phase in the CTIPS database, which is unique to FTIP/FSTIP project listings, be segregated into two separate project phases, including: a project study phase that includes engineering and feasibility studies to assess social, economic, and environmental effects of the proposed action or alternatives to that action; and a final design phase.

     We believe this modification will improve consistency between the State Transportation Improvement Program (STIP) and State Highway Operations and Protection Program (SHOPP) project listings in CTIPS and the companion FTIP/FSTIP project listings in CTIPS. This change is also expected to reduce the number of programming issues that arise in the State's air quality non-attainment and maintenance areas where final design activities for projects that are not exempt from the conformity requirements must be determined to conform to the applicable State Implementation Plan (SIP) prior to their inclusion in the FTIP/FSTIP.

   - An emerging concern with the use of the CTIPS database is the consistency of the CTIPS project list data with the FTIP program information adopted by the MPO policy boards. We are approving the 2002/03-2004/05 FSTIP with the understanding that Caltrans is committed to assisting in resolving those issues concerning the consistency of project listings provided in CTIPS with the FTIP/FSTIP project listing information that is approved by the MPOs.

- We remind Caltrans and the MPOs that the grouped project listing mechanism, permitted pursuant to sections 450.216 and 450.324 of 23 CFR, is not intended to function as a funding placeholder for projects yet to be adopted by the MPO for inclusion in the FTIP/FSTIP. Although the planning regulations permit projects of limited scale be grouped in the FTIP/FSTIP, the listing should be developed from the individual project information required pursuant to sections 450.216(a)(8) and 450.324(g) of title 23 CFR.

- We encourage Caltrans and the MPOs to continue efforts to expand the integration of CTIPS with other information management systems, including those systems containing project management and financial data. Federal statewide and metropolitan planning program funds are eligible to support efforts by Caltrans and the MPO's to improve the integration of transportation improvement program data systems with other key transportation information management systems.

4. We appreciate the efforts by the Caltrans Division of Planning staff in assisting us with the administration and oversight of the Federal transportation planning programs, and specifically the staff of the Division's Office of Regional & Interagency Planning (ORIP) who actively participated in both the Intermodal Planning Group (IPG) meetings conducted with each California MPO, and the triennial certification reviews in those MPO regions in the State designated as Transportation Management Areas. We also want to commend the work by the staff of the Native American Liaison Branch of the ORIP for their efforts to improve the meaningful participation of California's Indian tribal governments in California's statewide and regional transportation planning processes.

We want to thank Caltrans planning and programming staff for their cooperation and assistance during our review of the 2002/03-2004/05 FSTIP. If you have questions or need additional information concerning our FSTIP approval, the exclusions and limitations, or the corrective actions cited for the statewide planning processes, please contact Sue Kiser of the FHWA at (916) 498-5009, or Ray Sukys of the FTA at (415) 744-2802.

Sincerely,

Leslie T. Rogers
Regional Administrator
Federal Transit Administration

for Gary N. Hamby
Division Administrator
Federal Highway Administration

Enclosure

cc:
EPA, Region IX
ARB
Caltrans:
Federal Resources Branch, Dick Petrie
Office of Local Programs, Terry Abbott
Transportation Programming, Kris Balaji
Transportation Planning, Sharon Scherzinger
Bureau of Indian Affairs, Kanu Patel
2800 Cottage Way, Sacramento, CA 95825
New 2002/03-2004/05 FSTIP Binder, w/cy of Caltrans Ltr

All California MPOs (18)

(E-Mail):
FHWA-CA, Program Delivery Team North
FHWA-CA, Program Delivery Team South
FHWA-LA Metro Office
FHWA, WRC, Lori Lau
FHWA, CFL,HD
FHWA-NV, HD

ENCLOSURE
Submitted Projects Listings not Approved by the
FTA/FHWA for inclusion in the 2002/03-2004/05 FSTIP

Region	Project ID	Project Description	FSTIP listing Issue(s)
SCAG	LA996363	Los Angeles County, I-5/ Magic Mountain Parkway Interchange reconstruction and widening of freeway from 6 to 8 lanes.	Project not modeled as part of regional analysis.
	SBD 200066	Zero Emission Mobile Industrial Equipment Buy Down Program (Ontario).	Project ineligible for CMAQ funding.
	SBD 200067	Incentive Program for early introduction of Heavy Duty Engines in ON and OFF-Road vehicles.	Project ineligible for CMAQ funding.
	SBD 200069	Zero Emission Mobile Industrial Equipment Buy Down Program (Rancho Cucamonga).	Project ineligible for CMAQ funding.
StanCOG	00STA205C	Subsidize operational costs – 3rd ACE bus and 2nd BART bus.	The project sponsor has not demonstrated that all of the FTA administrative and procurement requirements have been met.