

Surface Transportation Program – Local Lapsing of Funds

Summary of Policy

Surface Transportation Program (STP) provides flexible funding that may be used by States and localities for any Federal-aid highway, bridge, public road, other transit capital, or intracity and intercity bus terminals and facilities.

The agency allocates federal STP funds to local jurisdictions annually based on a population formula. This formula allocation to local jurisdictions is referred to as STP-Local (STP-L).

Eligible uses for STP-L funds are construction, reconstruction, rehabilitation, resurfacing, restoration and operational improvements for highways (including interstate highways and bridges), capital costs for transit projects eligible for assistance under the Federal Transit Act and publicly-owned intracity or intercity bus terminals and facilities, carpool projects, fringe and corridor parking facilities, bicycle and pedestrian walkways, highway and transit safety improvement & programs.

In July 1996, the Board adopted a lapsing policy for the STP-L. The policy requires agencies to obtain obligation of STP-L funds from Caltrans or the Federal Transit Administration within three years from October 1 of the fiscal year in which STP-L funds are apportioned.

The STP-L lapsing policy is intended to encourage the timely obligation of STP-L funds. Agencies will be given every opportunity to meet the lapsing deadlines. Agencies that are not able to comply with the lapsing policy will be able to appeal to the Technical Advisory Committee and Board prior to any lapsing.

In November 1998, the Board adopted an appeals process that allows the opportunity for a six-month lapsing extension if any city, for reasons beyond

its control, could not fully obligate the lapsing balance by the September 30, 2000 deadline. The policy was also amended to:

- a. specify that lapsed STP-L funds will be redistributed to the cities and the County of Los Angeles using the STP-L allocation formula, rather than through the Call for Projects.
- b. add an appeals process for annually reviewing STP-L funds to be lapsed and include recommended justifications for exceptions to the Lapsing Policy.
- c. establish criteria for trading STP-L funds between Los Angeles County jurisdictions

This process permits exceptions for those cities that have made reasonable efforts to obligate their STP-L fund balances in a timely manner, within the three-year obligation period. This process also allows those cities to fully obligate their lapsing balances within the six-month extension. STP-L funds were considered for lapsing if cities did not act timely and appropriately to insure obligation or trades.

Historical Perspective

The STP is a program established by the 1991 Federal Intermodal Surface Transportation Efficiency Act (ISTEA) and continued with the passage of the Transportation Equity Act for the 21st Century (TEA-21) and the TEA-21 Restoration Act in 1998. Eighty percent of the STP apportionment is distributed among the urbanized and non-urbanized areas of the State through Metropolitan Planning Organizations (MPOs) and Regional Transportation Planning Agencies (RTPAs).

ISTEA prescribes the distribution of STP funds as follows:

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- 10% of available funds shall only be available for highway-railway crossing programs and hazard elimination programs.
- 10% of available funds shall only be available for transportation enhancement activities.
- 50% of available funds must be obligated in urbanized areas of the state with an urbanized area population of over 200,000, and other areas of the state, in proportion to their relative share of the state's population. Of the amounts required to be obligated in areas under 200,000 population, the state must obligate in areas under 5,000 population not less than 110 percent of the amount of funds apportioned to the state for the federal-aid secondary system for fiscal year 1991.
- 30% of the available funds may be obligated in any area of the state.

In October 1993, the Board adopted a lapsing policy for funds programmed through the Transportation Improvement Program (TIP) Call for Projects. The Board adopted this lapsing policy to ensure the timely use of funds and prompt completion of projects.

In July 1996, the Board approved applying the TIP Call for Projects lapsing policy to STP-L funds. At that time, the unobligated Los Angeles County balance of STP-L funds was \$85.3 million.

On July 1, 1996 the agency assumed management of the STP-L program from Caltrans. In managing the STP-L program, the agency will:

- Apportion funds each year to 89 cities and the County of Los Angeles
- Track fund balances for each agency

- Prepare agency and project specific financial reports on the STP-L programs; and
- Identify STP-L funds that are subject to lapse each year.

Due to the lack of State funding, the agency's lapsing policy for locally funded projects needs to be more strict and enforced. To accomplish this goal, staff recommends that the current Memorandum of Understanding (MOU) lapsing provision ("Timely Use of Funds") be changed from forty-two (42) months back to the original thirty-six (36) months to expend funds for all locally funded agreements signed after July 2, 2004. In 1999, the agency changed its policy to 42 months to provide sponsors more time to develop and deliver their projects. It was thought that this additional time would reduce the number of projects that were not meeting the lapsing deadlines. Since that time, we have noted that the additional time has made no impact in expediting delivery. Additionally, reverting back to a 36 month lapsing policy would be more consistent with both federal and state lapsing policies.

Last Board Action

July 22, 2004 – STP-L Lapsing of Funds

The Board approved on consent calendar revising the agency's policy for the lapsing of local funds for Surface Transportation Program effective July 1, 2004 for all locally funded Call for Projects agreements.

Attachment

Surface Transportation Program - Local Lapsing of Funds

See Related

Call for Projects Lapsing of Funds

