

APPENDIX A – 22

Regional Policies: Project Funding

Caltrans Toll Credit Use Policy





Use of Toll Credits in Lieu of Non-Federal Share Match for Local Assistance Federal-Aid Highway Projects

I. BACKGROUND

This Office Bulletin (OB) supersedes the Toll Credits Policy in Section 3.10 of the Local Assistance Procedures Manual (LAPM).

Section 1508 of the Moving Ahead for Progress in the 21st Century Act (MAP-21) as established under Section 120(i) of the Title 23 of the United States Code (USC) authorizes states to use certain toll revenue expenditures as a credit toward the non-federal matching share of programs authorized by Title 23 (except for the Emergency Relief (ER) Program) and for transit programs authorized by Chapter 53 of Title 49 of the USC.

Federal-aid highway projects typically require the project sponsors to provide a certain percentage of non-federal funds as match to the federal funds. For example, Surface Transportation Program (STP) funded projects require a minimum of 11.47% of non-federal match funds. Through the use of toll credits, the non-federal share match requirement can be met by applying an equal amount of toll credits and therefore *allow a project to be funded at 100% federal* for federally participating costs.

On June 04, 2013, the Division of Budgets issued an updated statewide “Toll Credit Use Policy”. This update included two additional changes which are indicated below in the last two bullets:

- Toll credits will continue to be made available statewide to the Regional Transportation Planning Agencies (RTPAs) for federal match to all eligible federal-aid highway funding programs.
- Toll credits can be used on all federal-aid highway funding programs EXCEPT for the ER Program.
- Local agencies may now use other federal funding to replace the required local match for both On-System Local Highway Bridge Program (HBP) projects and Highway Safety Improvement Program (HSIP) projects. With this option toll credits can be applied to each federal funding component in the project to increase the federal reimbursement rate to 100%. The limit of toll credit use for On-System Local Highway Bridge Program (HBP) projects and Highway Safety Improvement Program (HSIP) projects is because all available funds have been fully programmed and there are more needs than funding capacity.
- Two websites have been added to the policy to assist local agencies that wish to use toll credits for the federal Planning and Federal Transit Administration (FTA) funds.

This OB prescribes Division of Local Assistance’s implementing procedures for the use of toll credits on federally funded Local Assistance projects.

II. POLICY

One of the conditions for FHWA’s approval of the toll credits is that its use does not reduce the state’s non-federal transportation capital expenditures. To conform to this policy, California must demonstrate continued efforts to maintain its non-federal transportation expenditures. Therefore, project sponsors that have savings of transportation dollars due to toll credit match of federal funds shall spend that savings on other transportation related projects.



In addition, it needs to be noted that the use of toll credits does not generate any additional federal funding. Its use is merely to meet the non-federal match requirement of the federal participating cost. The amount of toll credit available each year is limited by the amount of annual Federal Obligation Authority (OA).

Toll credits can be used in any phase of federal-aid projects (Preliminary Engineering, Right of Way, or Construction) as long as that phase of work has not been previously authorized. Caltrans policy does not allow the retroactive use of toll credits on a phase of work that has already received federal authorization. However, subsequent phases can be authorized to use toll credits.

In order to use toll credit, a project **MUST** meet the following requirements:

- The intended use of toll credits is explicitly expressed in the Request for Authorization (RFA) to proceed by marking the appropriate toll credit use area;
- Indicate the use of toll credits in the Remarks of the signed project Finance Letter;
- Be fully funded at the maximum allowable federal reimbursement rate, excluding federally non-participating costs;
- Programmed in the current Federal Statewide Transportation Improvement Program (FSTIP) as using toll credits;
- The project is funded with funds from one of the programs listed in Caltrans' Statewide Toll Credit Use Policy.
- Project must meet the eligibility criteria for that particular funding being used on the project.

III. PROCEDURE

The following examples demonstrate how the use of toll credits is different than the normal federal/non-federal match funding.

Scenario A – Traditional Project Funding with Match

For a project with a total cost of \$120,000 of which \$100,000 is reimbursable from FHWA (\$20,000 of federally non-participating costs) using a federal reimbursement rate of 88.53%, the funding plan would normally be as indicated in Table 1.

Table 1 - Traditional Funding					
Prog Code	Total Cost	Participating Cost	Federal Funds	Non-Federal Funds	Toll Credit
M240	\$120,000	\$100,000	\$88,530	\$31,470	\$0

The federal fund amount required in this scenario is \$88,530 (88.53%) of the participating cost and the non-federal funding amount is equal to the non-participating amount \$20,000 plus the required \$11,470 (11.47%) non-federal match for a total amount of \$31,470.



Scenario B – Toll Credit Funding

When toll credit is being applied to the project, it is used as a credit toward the non-federal share of \$11,470 (11.47%). Since toll credits are not federal funds, federal share must be increased to accommodate the reduction of non-federal funds resulting from the toll credit being used as indicated in Table 2.

Table 2 - Use Toll Credit					
Prog Code	Total Cost	Participating Cost	Federal Funds	Non-Federal Funds	Toll Credit
M240	\$120,000	\$100,000	\$100,000	\$20,000	\$11,470

The federal fund amount required is changed from \$88,530 (88.53%) to \$100,000, the total Participating Cost, and the non-federal funding amount is equal to the non-participating amount. This option is not applicable for On-System Local HBP projects and Highway Safety Improvement Program (HSIP) projects (see Scenario C below).

Scenario C – Toll Credit with Dual Federal Funding

This scenario is for an HSIP project using STP funds as a match. When other types of federal funding are being applied as a match to the project, each fund must be treated as a separate funding component with 100% federal funding and a corresponding toll credit. A toll credit value equal to the required non-federal match will be applied to each of the federal funding lines as indicated in Table 3.

Table 3 - Use Toll Credit With Federal Funding						
Funding Line	Prog Code	Total Cost	Participating Cost	Federal Funds 1	Federal Funds 2	Toll Credit
1	MS30 (HSIP)	\$90,000	\$90,000	\$90,000	\$0	\$9,000
2	M240 (STP-Match)	\$10,000	\$10,000	\$0	\$10,000	\$1,147
	Total	\$100,000	\$100,000	\$90,000	\$10,000	\$10,147

For this example, the required non-federal match for HSIP funding line #1 is \$9,000 (10%). For funding line #2 the required match for STP funding is \$1,147 (11.47%). Therefore, the total amount of toll credit applied to this project is \$10,147. This option is applicable for On-System Local HBP projects and Highway Safety Improvement Program (HSIP) projects.

Local Agencies:

- Work with the respective Metropolitan Planning Organization (MPO) or RTPA to ensure the use of toll credit is appropriate and that such use is properly programmed in the MPO's Federal Transportation Improvement Program (FTIP), and subsequently in the Federal Statewide Transportation Improvement Program (FSTIP);



- Submit Request for Authorization (RFA) and Finance Letter indicating the use of toll credits for the project; Federal funds must equal 100% of the total participating costs. Include a comment in the “Remarks” section of the Finance letter for the use of toll credits; and
- After receiving Authorization to Proceed, an executed Program Supplemental Agreement (PSA), and a State approved Finance Letter. Invoices for eligible costs may be billed at 100% of the participating costs.

Caltrans District Local Assistance Engineers and HQ Area Engineers:

- Perform normal review to ensure accuracy and completeness of the RFA;
- Enter RFA information into the Federal Aid Data System (FADS);
- Verify that both the RFA and Local Agency signed Finance Letter indicate the use of toll credits,
 - The use of toll credits must be stated in the “Remarks” Section of the LP2000 Finance Letter.
 - Mark “(TC)” to be the last four characters of the “Type of Work” Field on the Fund Sum Screen of FADS. This will allow easier identification of toll credit projects in FADS reporting.
 - Enter the amount of toll credits, equivalent to the non-federal match of the total Participating Cost, into the “Toll Credit” Field on Fund Detail Screen of FADS, and
 - Include a special remark in the “State Comment” field to indicate the use of toll credits (e.g., “This project will use toll credits in-lieu of non-federal match, resulting in federal reimbursement rate of 100%”).

Local Program Accounting:

Review and make payments on project invoices at 100% Federal reimbursement rate or as indicated on the State approved Finance Letter for projects using toll credits.

FTA Transfer Requests:

FTA transfers are eligible to use toll credits.

IV. APPLICABILITY/IMPACTS

This will impact all Local Agency federal-aid transportation projects proposed to use toll credits.

Recommended: **Original Signed By** _____ 3/27/2014
Robert Nguyen, Area Engineer Date

Approved: **Original Signed By** _____ 3/27/2014
John Hoole, Office Chief Date
Office of Project Implementation - South

Attachment 1: California Department of Transportation Toll Credit Use Policy (June 04, 2013)
Attachment 2: Toll Credit Example

CALIFORNIA DEPARTMENT OF TRANSPORTATION TOLL CREDIT USE POLICY

Background:

Section 1111(c) of the Transportation Equity Act for the 21st Century (TEA21), 23 U.S.C., Section 1044 of ISTEA under Section 120(j), and 23 U.S.C., Section 1508 of MAP-21 under Section 120(i) allows states to use certain toll revenue expenditures as a credit toward the non-federal matching share of programs authorized by Title 23 (except for the emergency relief programs) and for transit programs authorized by Chapter 53 of Title 49.

During Fiscal Year (FY) 1992 through FY 2006, California has collected approximately \$18.2 billion in toll receipts, of which over \$7.1 billion was invested to build and/or improve public highway facilities. Based on federal statutes, the State applied for approximately \$5.7 billion in toll credits from investments during this time period. Now approved, these toll credits do not lapse until used by the state.

Effective Date and Duration:

These guidelines apply permanently to the \$5.7 billion, which was conditionally approved by the FHWA for the State of California¹ along with any future toll credits which are received based on Caltrans maintenance of effort in conjunction with local toll collection and will remain in effect until rescinded or modified.

Guiding Principles for use of Toll Credits:

- Compliance with state and federal statutes,
- Maximize the use of federal funds,
- Toll credits should not result in the redirection of non-federal funds away from transportation.

Constraints/requirements:

- Use of toll credits does not generate additional federal funding and is limited to the non-federal match required for Apportionments and Obligation Authority (OA) available in any given year.
- All projects proposed to use toll-credits should be fully funded at the maximum allowable federal reimbursement rate.
- Use of toll credits will require amendments to current programming documents.
- FTIPs still need to be financially constrained.
- Toll credits may not be applied to projects funded with FHWA Emergency Relief funds or Appalachian Development Highway System (ADHS).
- The State must establish a special account to track toll credits.
- Processes for the tracking of toll credit usage must be established.

¹ On June 1, 2005, the Department received approval from FHWA for \$104.026 million in toll credits from private entity expenditures on State Route 91. This \$104.026 million will be kept separate for use within Orange County.

Distribution Process:

1. Toll credits will be made available statewide to the RTPAs and to the Department of Transportation for federal match to any eligible federal program. Local agencies may match the Highway Bridge Program for on federal-aid system projects, and local safety projects with any other type of federal funding, including the use of STIP shares, for which the project is eligible.
 - a. RTPAs will provide the Department with an estimate of the total need for toll credits for the FTIP period by programming year.
 - b. In order for the State to implement the usage of toll credits statewide, the RTPA must submit to the Department on or before October 1 of each federal fiscal year, a list of programmed FTIP projects that are planned to use the credits for the upcoming federal fiscal year (starting October 1).
2. Periodically, the policy will be re-evaluated and if necessary changes will be made to the methodology and process for the disbursement of toll credits to take effect in the federal fiscal year subsequent to adoption.
3. Further direction regarding toll credit policy for Planning and Federal Transit Administration can be found at:
http://www.dot.ca.gov/hq/tpp/offices/orip/owp/index_files/Final_2011_RPH.pdf
<http://www.dot.ca.gov/hq/MassTrans/Docs-Pdfs/5311/transittollcreditsrev012611.pdf>

Monitoring and Reporting of Toll Credit Usage and Balance

In accordance to the FHWA February 8, 2007, Memorandum on Tolling and Pricing Program, Caltrans will establish and maintain a special account to track the use and balance of toll credits for FHWA funded projects.

As a pre-condition for utilizing toll credits on FTA funded projects, RTPAs and local agencies shall develop and maintain a special account to track the use and balance of toll credits acceptable to FTA and FHWA. The obligations of funds through FTA constitute final use of toll credits as FTA funds are not de-obligated but are amended through the FTA.

APPROVED:



STEVEN KECK

Acting Chief Financial Officer



Date