

## WHAT DO WE MEAN?

A series of terminology is used throughout the Local Assistance manuals. Even though some of the terms sound similar they may mean different things. Some of the terminology used in the federal process has an equivalent in the state process. This is an attempt to define some of this terminology and to display the similarities between the federal and state process.

<b>FEDERAL PROCESS</b>	<b>STATE PROCESS</b>
<p><b>Apportionment:</b></p> <ul style="list-style-type: none"> <li>• Level is determined by the most recent Federal Highway Act such as Safe Accountable Flexible Efficient Transportation Equity Act-A Legacy for Users (SAFETEA-LU), which expired in September 2009 and continuing resolutions are being issued in place of the next Act.</li> <li>• Sub-apportioned to Regions and other programs based on federal and state law.</li> <li>• Subject to colors of money: Congestion Mitigation and Air Quality (CMAQ), Regional Surface Transportation Program (RSTP), Highway Bridge Program (HBP), etc.</li> <li>• Sets the upper limit.</li> <li>• Cannot be used without Obligation Authority.</li> <li>• Could be carried over for up to 4 years per federal law. RSTP and CMAQ could be carried over only up to 3 years per AB 1012.</li> <li>• Uses Federal Fiscal Year (FFY), which is October 1 – September 30.</li> </ul>	<p><b>State Budget Authority – Local Assistance:</b></p> <ul style="list-style-type: none"> <li>• Provided in the form of annual appropriations.</li> <li>• Authorized in the State Budget Act and subject to provisional language.</li> <li>• Available for specific periods of time; subject to cash availability.</li> <li>• Subject to lapse based on the reversion dates.</li> <li>• Includes federal and state fund sources.</li> <li>• May be specific to programs (i.e. STIP and non-STIP).</li> <li>• Subvention funds are available for encumbrance and liquidation for 6 years from the year of appropriation.</li> <li>• No expenditures may be incurred without budget authority.</li> <li>• Uses state fiscal year, which is July 1 – June 30.</li> <li>• fallacy</li> </ul>
<p><b>Obligation Authority (OA):</b></p> <ul style="list-style-type: none"> <li>• Annual limit on funds available for obligation.</li> <li>• OA cannot be used without apportionment.</li> <li>• Approved by Congress each year.</li> <li>• Usually around 90% of apportionment; but no “color.”</li> <li>• If OA is not approved for whole year, Congress may authorize portions of OA by issuing continuing resolutions.</li> <li>• Cannot roll-over from one FFY to next (except Demo program) unless 100% of OA is obligated per DLA OA Management Policy.</li> <li>• Initially distributed to Regions in the same ration as apportionment (Regions receive roughly 40% of total OA and apportionment).</li> <li>• If Regions don’t use their OA (roughly 40%), the state may use it (per Section 182.6 of the Streets and Highways Code).</li> </ul>	<p>(No comparable state process)</p>

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<p><b>Authorization:</b></p> <ul style="list-style-type: none"> <li>• Sets the eligibility date for reimbursement of federal funds for a phase of a project.</li> <li>• Authorizations are project and phase specific.</li> <li>• Authorization occurs when Federal Highway Administration approves the E-76.</li> <li>• Funds are not committed yet.</li> <li>• Once Preliminary Engineering is authorized project should go to Right-of-Way or construction within 10 years. Once authorized for Right-of-Way, project should go to Construction within 20 years.</li> <li>• Authorization is usually followed by Obligation, unless there is no OA, in which case Advance Construction will be used.</li> </ul>	<p><b>Allocation:</b></p> <ul style="list-style-type: none"> <li>• Sets the eligibility date for reimbursement for a phase of project.</li> <li>• For STIP projects, allocations are project and phase specific. For lump sum allocations (RSTP, CMAQ, Highway Bridge Program, Safe Routes to School, etc.), lump sum allocation is made at the beginning of the fiscal year for federal and state funds as appropriate.</li> <li>• CTC approves the allocations for STIP projects and approves the lump sum allocation for Subvention. Once allocation takes place, Timely Use of Funds applies to STIP only.</li> </ul>
<p><b>Obligation:</b></p> <ul style="list-style-type: none"> <li>• Funds committed to a phase of a project (such as Preliminary Engineering, Right of Way, Construction).</li> <li>• Uses Obligation Authority and Apportionment.</li> <li>• Dollars are reserved in Federal Highway Trust Fund.</li> <li>• E-76 is the vehicle to obligate funds.</li> <li>• Obligation is performed by the Federal Highway Administration.</li> <li>• Typically the oldest apportionment within that fund type is used first.</li> <li>• Must invoice based on funding levels or funds will be de-obligated.</li> <li>• Local agencies can invoice state only after obligation approved by Federal Highway Administration.</li> </ul>	<p><b>Encumbrance:</b></p> <ul style="list-style-type: none"> <li>• Funds committed to a project or a project phase.</li> <li>• Reserves funds in the SHA or the Federal Trust Fund.</li> <li>• Reduces Budget Authority (BA).</li> <li>• May not encumber if there is no BA.</li> <li>• Encumbrances cannot exceed the BA available in any given year.</li> <li>• Managed on a cash flow basis.</li> <li>• Program Supplement Agreements, Finance Letters, or Cooperative Agreements are used to encumber funds.</li> <li>• Funds are encumbered by Caltrans Accounting staff.</li> <li>• Local agencies may invoice state only after encumbrance.</li> <li>• Subject to provisional language in State Budget Act (allocated federal funds and state funds shall be expended within <b>six years</b> from year of appropriation).</li> <li>• Cooperative Work Agreement may extend up to <b>eight years</b> from the original year of appropriation.</li> </ul>

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<p><b>Deobligation:</b></p> <ul style="list-style-type: none"> <li>• Occurs when funds are no longer needed for a project (especially at project close outs).</li> <li>• E-76 is the vehicle for deobligation.</li> <li>• Federal inactive projects.</li> <li>• Releases Obligation Authority and apportionment.</li> <li>• Released Obligation Authority could be reused within that Federal Fiscal Year.</li> </ul>	<p><b>Dis-encumber:</b></p> <ul style="list-style-type: none"> <li>• Done when funds are no longer needed for a project (especially at project close outs).</li> <li>• Releases Budget Authority.</li> <li>• Released Budget Authority may be reused <u>only</u> if within the first <u>six</u> years from the original appropriation year. Otherwise, it lapses.</li> </ul>
<p><b>Reimbursement process:</b></p> <ul style="list-style-type: none"> <li>• Local agencies invoice the state after incurring the expense.</li> <li>• State pays the local agencies.</li> <li>• State invoices the Federal Highway Administration and replenishes the state’s funds.</li> <li>• State has no time limit to invoice Federal Highway Administration.</li> </ul>	<p><b>Reimbursement process:</b></p> <ul style="list-style-type: none"> <li>• Local agencies invoice the state after incurring the expense.</li> <li>• State pays the local agencies.</li> <li>• Section 16304 of the Government Code sets the time limit for reimbursement (see under encumbrance).</li> <li>• Also subject to CTC STIP guidelines.</li> <li>• For STIP projects, Assembly Bill (AB) 872 and AB 3090 are also reimbursement processes.</li> </ul>
<p><b>Advance Construction :</b></p> <ul style="list-style-type: none"> <li>• Mechanism used to proceed with project when no Obligation Authority is available.</li> <li>• Could be used for any phase of the project – not just for construction.</li> <li>• Two types of Advance Construction: state and local.</li> <li>• Invoices will be paid with state or local funds until federal Obligation Authority becomes available.</li> </ul>	

Federal process applies only to federally-funded local assistance projects.

State process applies to all local assistance projects.

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**Federal Act** – Provides federal transportation funding through a combination of formula, discretionary, and earmarked funds.

**Apportionment** – The distribution of federal funds as prescribed by a statutory formula provided by law. This is divided between state and local government.

**Obligation Authority** – Represents the amount of federal funds California can obligate on an annual basis for expenditure on projects/activities. This authority is further divided between state and local government.

**E-76** – Electronic “Obligation of Funds Document”. Shows the federal authorization and obligation date

**Budget Act** – Enacted legislation providing legal authority to encumber and expend funds.

**Budget Authority** – The legal authorization to spend funds.

**Appropriation** – An authorization from a specific fund to a specific agency or program to make expenditures/incur obligations for a specified purpose and period of time.

**Subvention** – A grant that is passed-through from one agency (i.e. California) to another agency (i.e. local agency).

**Encumbrances** – Represents specific funds reserved from an appropriation for a specific project from a specific fiscal year.

**Cooperative Work Agreement (CWA)** – Vehicle to extend the Budget Authority or liquidation period of previously encumbered funds up to eight years.