



U.S. Department of Transportation
Federal Highway Administration
Office of Infrastructure

State Practice: Federal-aid Fund Exchange

July 27, 2023



Disclaimer

- Except for the statutes and regulations cited, the contents of this presentation do not have the force and effect of law and are not meant to bind the States or the public in any way. This presentation is intended only to provide information regarding existing requirements under the law or agency policies.

What is Federal-aid Fund Exchange/Swapping?

- The local public agency agrees with Federal funds being used on State DOT priority projects instead of local public agency priority projects.
- In exchange, the SDOT agrees to fund the local public agency priority projects with State funds.
- Federal program and eligibility requirements still apply to the Federal funds.

Type of fund exchange

- The State could swap any funding that is apportioned to them unless there are specific provisions in law restricting the use of the apportioned funds for the intended purpose
- Example:
 - State uses its apportioned set-aside local STBG funds on a State jurisdiction route within the geographic area for an eligible project. The State then provides the local public agency with State funding for other projects at the discretion of the local public agency, which potentially may not be eligible for the Federal funding.
 - Note that all applicable Federal requirements for the STBG set-aside funds (including project selection, concurrence with MPOs and LPAs, geographic location, etc.) must continue to be followed.

Considerations for Fund Exchange Programs

- Legal and Regulatory framework
 - Compliance with Federal and State laws, regulations, and program guidelines
- Internal Controls
 - Tracking and Documentation
 - Accurate and transparent record-keeping to demonstrate fund usage and compliance
- Stakeholder Engagement
 - Collaboration with relevant agencies and organizations to ensure smooth fund exchange operations.



U.S. Department of Transportation
Federal Highway Administration
Office of Infrastructure

Questions



Images source: FHWA