The County Local Federal Fund Exchange Pilot Program is a voluntary program which allows county road commissions that are eligible to receive federal-aid transportation funds under the Rural Surface Transportation Program (STP) to exchange them with each other for non-federal transportation dollars.

The purpose of the County Local Federal Fund Exchange program is to allow flexibility and enable the most efficient use of federal highway aid and other transportation dollars. The counties will realize savings when the costly and time-consuming administrative and reporting requirements of federal-aid projects are no longer required for projects funded with non-federal transportation dollars. The county that receives the federal funds will be able to realize the full dollar value of the federal aid because there will be no additional expense associated with the use of additional federal aid on federal aid funded projects.

In order to ensure that participating agencies have the ability to obligate the funding within that fiscal year (particularly for the buying agency) all agreements should be in place by March 31st of the fiscal year of obligation. Any agreements requested after March 31, shall only be considered by MDOT, on a case-by-case basis. Consideration factors will include the amount of obligation authority remaining, the status of project plans for delivery, etc. Each written request would require written MDOT acceptance (email is acceptable), prior to the execution of the agreement.

Federal-aid exchange Agreements will remain limited to current fiscal year exchanges. Preliminary arrangements can be made ahead of time or for multiple years pending the availability of Federal funds in the year of the agreement. The amount of the exchange is determined by the STP funds in the projects in the STIP for the selling county. Federal funds must be obligated in the year of allocation to avoid fiscal constraint issues in the STIP. The ability to bank non-federal transportation dollars and use them in subsequent years is allowed, on a limited basis, to fund larger scale projects. A two-year limit will apply to the banking of non-federal transportation dollars.

In order to ensure adherence to the objectives of the Local Federal Fund Exchange Program any agencies that do not follow Program guidelines, the terms of the agreement or misuse the Program funds, will not be allowed to participate in the Local Federal Fund Exchange Program for the next four years without MDOT approval.
Eligible Participants
Any county road commission that is eligible to receive federal funding for transportation may elect to exchange federal aid funds for non-federal transportation funds dollars. A county road commission may enter into an agreement with a city or village that has a project in the S/TIP to include those funds in the county’s exchange with the understanding that the city or village project will be funded with a portion of the non-federal exchanged funds. The specifics of this agreement are the responsibility of the parties involved. Any agreements between the RTF members shall be presented to the Regional RTF Committee for their consent.

Eligible Funds
Federal STP rural funds allocated to a Rural Task Force (RTF) or Metropolitan Planning Organization (MPO) and available for use by a county road commission may be exchanged through the County Local Federal Fund Exchange Program.

Exchange Rate
The exchange rate for the program shall be negotiated between the participating county road commissions.

Identifying an Exchange Partner
County road commissions that wish to exchange federal aid for non-federal transportation fund dollars may identify another county road commission to exchange funds with or utilize the assistance of the County Road Association of Michigan to engage a partnering county.

Exchange Approval Process
The exchange process includes action steps during three distinct phases: while a county is “Seeking an Exchange Partner” the period, when “Exchange Partners Are Identified,” and the “Final Steps” to assure that each county complete the transaction. Some of the action steps listed below may occur concurrently to accelerate the exchange process.

Seeking an Exchange Partner
Selling County
Once a Selling County decides it is in its best interest to exchange their anticipated federal STP rural funds they shall:

- Notify the County Road Association that they are seeking a potential exchange partner;
- Establish an estimated amount and year in which the exchange shall take place;
Notify the Rural Task Force (RTF) and/or Metropolitan Planning Organization (MPO) that an exchange is being considered. The notification will identify the project(s) in the S/TIP that will be completed with non-federal funds, as part of the federal exchange agreement. Any funds remaining after the completion of these project(s) may be applied to federal aid eligible activities as described in the Conditions section of this document. During this pending negotiation phase the Selling County shall not concurrently negotiate with more than one exchange partner. When an exchange partner has been identified, the Selling County shall notify the County Road Association.

**Purchasing County**

The Purchasing County who is seeking to acquire the federal funds shall:

- Notify their MPO or RTF that a federal exchange agreement is being considered;
- Submit a state or urbanized area Transportation Improvement Program (S/TIP) project name consistent with their intended use;
- Identify the S/TIP primary work type and project description consistent with its intended use of the federal funds;
- Comply with all RTF or MPO policies and procedures;
- Identify the anticipated federal amount to be received through the exchange as additional “Local Funding”, which could be administratively changed once the agreement has been executed;
- Inform the RTF or MPO of the anticipate additional federal STP rural funds and identify the RTF or MPO source of the funds;
- Identify the year the federal funds must be obligated.

**Exchange Partners Are Identified**

Once trading partners have committed to pursuing an exchange, each County shall notify their respective RTF or MPO and MDOT Statewide Planning Section that an exchange is being pursued; and each county shall execute an Agreement Covering the Transfer of Federal Aid Funds in Exchange For Non-Federal Transportation Dollars. This Agreement shall be subject to any allocation adjustments or obligational authority limitation that the RTF or MPO receive prior to culminating the exchange. If the agreed to exchange amount varies less than ten percent then both parties shall be required to execute a “Confirmation of Availability of Federal STP Funds for Obligation” form and provide copies to the RTF or MPO and to MDOT Statewide Planning Section. Should the amount of final obligation of STP funds finally available for obligation to Party A increase or decrease by more than 10 percent from the Agreement amount, Party B may seek to renegotiate the terms of payment or terminate this Agreement. Any change in the amount of the Agreement greater than 10 percent must have concurrence of the appropriate regional RTF board. Before the agreement is amended.
Purchasing County

- Prior to the federal funding obligation, the Purchasing County shall submit a S/TIP amendment or administrative change to the RTF or MPO; to identify the funding source, Federal Exchange amount and other planning documents their RTF or MPO requires. The S/TIP amendments shall be forwarded to MDOT for inclusion in the STIP.

- The Purchasing County shall submit an executed copy of the Agreement between the counties to MDOT Statewide Planning Section

Final Steps

Upon completion of the above steps:

- The Purchasing County can obligate its federal-aid eligible project in accordance with all applicable MDOT Local Agency Programs (LAP) and FHWA requirements.

- Within 30 days of MDOT Planning transferring the STP funds to the Purchasing County STP rural allocation balance, the Purchasing County shall transfer the agreed upon amount of non-federal dollars to the Selling County.

- Upon receiving the non-federal funds, the Selling County shall document its receipt of the non-federal dollars as revenue from a “Federal Fund Exchange” and report the expenditures consistent with ACT 51 Reporting requirements, as the identified project(s) are performed.

- The Selling County will fill out the Selling County Information Excel file for the projects that are completed using the non-federal dollars received from the sale. The updated information sheet will be submitted to MDOT planning as activities listed are completed. This data will be included in the RTF Monthly Status Report and used to evaluate the program in a report to be developed this fall.

The Purchasing County will receive the federal exchange funds in accordance with MDOT federal-aid project reimbursement guidelines.

Conditions

All agreements for the exchange of federal aid are subject to the surface transportation guidelines established by MDOT and FHWA.

The Selling County must use all non-federal transportation dollars received under an exchange agreement for its federal aid eligible activities and improvements (excluding routine maintenance) as outlined in Section 10c(l) of Michigan Public Act 51 of 1951 (MCL247.660c, Section 10c(l)), OR, as matching funds on any federal aid project undertaken on their county road system.

Federal funds cannot exceed federal participation rules for the project.