

Federal Aid Buyout Program Guidelines for FY 2027

Dec. 2, 2025

Public Act (PA) 49 of 2022 was approved by the governor on March 29, 2022, and has an effective date of Oct. 1, 2022. PA 49 amends 1951 PA 51 section 10o (MCL 247.660o), as amended by 2000 PA 188. It directs the Michigan Department of Transportation (MDOT) to develop a Federal Aid Buyout Program.

PA 49 Overview

[PA 49](#) is available online. The requirements outlined in the legislation include:

- Buyout projects must be in the federally approved Statewide Transportation Improvement Program (STIP), either in a metropolitan planning organization (MPO) transportation improvement program (TIP) or in the rural transportation improvement program based on the project location (*subsection 9*).
- MDOT is directed to create an announcement, instructions, forms and deadlines, and make them available online (*subsection 9*).
- Buyouts must be awarded in the order received (*subsection 9*).
- The exchange rate is 90 cents per dollar of federal aid programmed to the job phase as listed in the STIP (*subsection 10*).
- MDOT must receive sufficient obligation authority to complete the buyout (*subsection 11*).
- The local agency must complete the project that was funded in the buyout.
- Surplus funds can be used on any federal aid-eligible project or returned to MDOT (*subsection 12*).
- Completed work must be reported to the transportation asset management council investment reporting tool or any successor system (*subsection 12*).
- If the local agency cannot complete the project within three years, they must notify MDOT, the MPO or rural task force (RTF) and identify an alternative project that is federal aid-eligible that can be constructed within the original three-year period or return the funds to MDOT (*subsection 13*).
- Must follow policy that governs the number of force accounts and the total amount of money spent on force account project cost authorizations in a fiscal year (FY) (*subsection 14*).
- Contracts between local road agencies and contractors must contain a federal wage and benefits schedule consistent with Section IV of Form Federal Highway Administration 1273, revised May 1, 2012, or any successor form (*subsection 15*).
- The state trunkline funding made available for the FY of the buyout program will be not less than the following amounts (*subsection 8*):
 - FY 2025 and in every subsequent FY - \$45 million.
 - This could be subject to change if there is a decrease in available state funding.

Federal Aid Buyout Program Overview

The Federal Aid Buyout Program is a voluntary program that allows local agencies eligible to receive federal aid transportation funds under the Surface Transportation Block Grant (STBG) program to exchange those federal funds with MDOT for state transportation dollars. The purpose of the Federal Aid Buyout Program is to allow flexibility and enable the most efficient use of federal highway aid and other transportation dollars.

State money will be exchanged at a rate of 90 cents per dollar of qualifying federal funding as programmed for the project being exchanged in the federally approved STIP at the point in time when the exchange is awarded. Please see details on qualified federal funding in the Project Eligibility Section. The amounts of the buyout will be capped at 90 percent of the STIP-approved federal amount. If the available amount of federal aid is decreased from the estimated amount for a given FY, then the amount of the exchange may be decreased to maintain fiscal constraint.

Local agencies will follow the current MPO or RTF project selection process that is appropriate for the location of the project and the STBG template being utilized. Once the exchange is complete, the local agency will utilize their own letting process rather than going through the MDOT Local Agency Programs (LAP) process. If a local agency wishes to utilize the force account process with exchanged funds, the local agency shall follow the current MDOT policy regarding the number of force account projects and the total amount of money spent on each force account project in a given FY.

Contracts between local road agencies and contractors for projects funded from state money exchanged for federal aid obligation authority must contain a federal wage and benefits schedule consistent with, and incorporating the requirements of, Section IV of Form FHWA 1273, revised May 1, 2012, or any successor form, and provide that covered workers are third-party beneficiaries of these contract requirements. It is the responsibility of the local agency to maintain relevant records and demonstrate that this requirement is followed.

Once the exchange is complete, the project will be removed from the STIP unless the MPO designates the project as regionally significant. If a project is designated as regionally significant, then the programming of the project will be modified to reflect the funding as 100 percent local funds and it will remain on the MPO TIP. Once it has been reported as completed by the local agency, it will be marked as completed in JobNet, which will be reflected on the TIP.

All exchanged funds must be expended within three years from the time that the local agency receives the state funds. The federally approved project that is exchanged must be completed as it was described in the STIP or with additions to the description in the STIP. If the project for which federal aid obligation authority was exchanged cannot be completed within three years from the time that the local agency receives the state funds, the local road agency must notify MDOT and the MPO or RTF and identify an alternate project eligible for federal aid that can be constructed within the three-year period from the time

that the local agency receives the state funds or return the money to MDOT. This should only be done in cases where a project cannot be completed because of circumstances beyond the control of the local agency.

Once the exchanged project or alternate project is completed, any exchanged funds not utilized may be used for the local agencies 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)}, copied below, **or** as matching funds on any federal aid project undertaken by the local agency.

MCL247.660c, Section 10c(l):

I. "Preservation" means an activity undertaken to preserve the integrity of the existing roadway system. Preservation does not include new construction of highways, roads, streets or bridges, a project that increases the capacity of a highway facility to accommodate that part of traffic having neither an origin nor destination within the local area, widening of a lane width or more, or adding turn lanes of more than one-half mile in length. Preservation includes but is not limited to one or more of the following:

- i. Maintenance.
- ii. Capital preventive treatments.
- iii. Safety projects.
- iv. Reconstruction.
- v. Resurfacing.
- vi. Restoration.
- vii. Rehabilitation.
- viii. Widening of less than the width of one lane.
- ix. Adding auxiliary weaving, climbing or speed change lanes.
- x. Modernizing intersections.
- xi. Adding auxiliary turning lanes of one-half mile or less.
- xii. Installing traffic signs in new locations, installing signal devices in new locations and replacing existing signal devices.

Demonstration of compliance with the Federal Aid Buyout Program is the responsibility of the local agency. The local agency will report completed work to the Transportation Asset Management Council investment reporting tool or any successor system. The local agency will also report to MDOT once the project is completed by submitting the Federal Aid Buyout Program Project Completion form (2390). The information reported will include confirmation that the federal wage and benefits were adhered to, confirmation that the force account policy was adhered to (if applicable), the amount spent on the project, and what federal aid-eligible activity any surplus funds were spent on.

To ensure that the opportunity to participate in the program is spread across more participants rather than a few large projects, the maximum amount of an exchange is \$2.5

million per project. Exchanges will be honored in the order they are received, as described in the Buyout Program Timeline Section, until the minimum program amount is reached. The minimum program amount for FY 2027 is set at \$50 million. The program will be closed each FY once the addition of a project to the list of exchanges meets or exceeds the program minimum as listed in the PA 49 Overview Section.

Project Eligibility

The Federal Aid Buyout Program is limited to the construction phase of a project. In order to be eligible, projects must be in the federally approved STIP. The STIP is comprised of 15 separate documents: 14 individual MPO TIPs and one statewide non-MPO Rural TIP document. The geographic location of the project will determine which document the project will be included in. This requirement ensures that the federal planning process is followed for project selection.

The program is limited to projects programmed with STBG and/or STBG flex funding as the **only** federal funding in the project. Projects with other federal funding sources programmed in addition to STBG funding are not eligible.

Projects with state funding sources, such as Transportation Economic Development Fund Category D (TEDF D), programmed as match or in addition to the STBG federal sources are eligible but **only the amount programmed to the STBG federal funding will be included in the exchange**. The state funding will go back to the allocation of origin and can be reprogrammed per the regulations of that program.

The local agency also has the option of participating in the TEDF D Direct Distribution Program. Note that this is a separate program; guidelines for this program can be found on the [Category D - Secondary All-Season Roads](#) website. Participating in the TEDF Direct Distribution Program will allow a local agency to utilize their local letting process for the TEDF D funds that are programmed as matching funds along with the funds they receive in a Federal Aid Buyout exchange in order to complete the project listed in the STIP.

The following table contains a list of the eligible templates and financial system (FinSys) codes as programmed in JobNet.

Eligible Templates and Financial System codes

Template	Financial System code (FinSys)
STP - TMA	STU
STP Flex - TMA	ST
STP - Small MPO	STUL
STP Flex - Small MPO	ST
STP - Small Urban	STUL
STP Flex - Small Urban	ST
STP - Rural/Flexible	STL
STP - Rural - Urban Counties	STL
STP - Flexible - Urban Counties	ST

The amounts of the exchanges will be capped at 90 percent of the STIP-approved federal amount.

Example:

Federal Estimated Amount	State Estimated Amount	Local Estimated Amount	Total Estimated Amount	Federal Exchange Amount (90% of Fed)
\$80,000	\$0	\$20,000	\$100,000	\$72,000

Once the actual allocations are released at the beginning of FY 2027, there will be an opportunity for local agencies to adjust their projects through the RTF, MPO or Small Urban project selection process to account for any decrease or increase of allocation compared to the FY 2027 estimates, with the following limitations.

- If the Federal Aid Buyout Program has already reached the \$50 million minimum, only decreases to the federal portion of the projects will be considered.
- The participating local agency must send an updated exchange form to the MDOT Federal Aid Buyout Program manager.
- Increases will be honored on a first-come, first-served basis based on the time that an updated exchange form is submitted to the Federal Aid Buyout Program manager until the \$50 million minimum is reached.
- If the submitted update is not approved at the next RTF, MPO or Small Urban committee meeting and reflected as “STIP approved” in JobNet, it will be disregarded.

Projects utilizing advance construction are not eligible for an exchange as there is no guarantee of the obligation authority in future years.

Only the construction (CON) phase is eligible. Early preliminary engineering (EPE), preliminary engineering (PE), and right of way (ROW) phases are not eligible for an exchange. Utilizing federal funds for the PE phase for a project in which a local agency intends to exchange the CON phase is not recommended. If federal funds are used for PE, the local agency would need to meet all the federal procurement requirements for such services, and those services would need to be completed before project construction could begin. Also, the project’s design would have to meet federal requirements. In addition, if federal funds were to be used for right of way or property acquisition, such acquisition(s) would also need to meet current federal property acquisition requirements. Due to the length of time required for approvals of these services, using federal funds for preliminary phases for a construction phase that is exchanged is not recommended.

Federal allocation that has been purchased in the Local Federal Fund Exchange (LFFE) program is not eligible for the Federal Aid Buyout Program.

Exchange Award Timeline

The timeline for award selection for FY 2027 was developed in consideration of the LAP timeline for project submittals. This will allow a local agency that is not successful in obtaining a Federal Aid Buyout exchange time to take their project through the LAP process or to participate in the LFFE. Key milestones considered include a local agency getting National Environmental Policy Act documents to LAP by March 2026 for a December 2026 (FY 2027) Letting, and grade inspection packages should be submitted to LAP for the following FY obligations in June:

Exchange Selection Action	FY 2027 Call
Call information letter and materials distributed	Dec. 2, 2025
Call for exchanges for FY	Jan. 6, 2026
Exchange requests due	Jan. 23, 2026
Draft awarded exchange list posted for review	Feb. 3, 2026
Final awarded exchanges posted	March 3, 2026

Exchange requests will be emailed to MDOT-FederalAidBuyout@Michigan.gov. The call for exchange requests will be sent out at least two weeks before the call opens. The 2026-2027 application form will be included with the call for exchanges. The form must be completed, signed and attached to the exchange request email. Either an electronic signature or a scan of an ink signature is acceptable for the exchange request submittal. A separate form and email must be submitted for each project that a local agency wishes to exchange.

The call will start at a specific time on the first day of the call for exchange applications and close at a specific date and time as specified in the call letter. The received timestamp on the email will identify the order received. A confirmation email will be sent to the submitter to confirm receipt of the exchange request. MDOT will publish a received list on the MDOT website for review to allow an agency to dispute the list. Local agencies will have seven calendar days to submit proof that they sent an email that was not received by MDOT. MDOT will require seven calendar days to review the discrepancy. Once any disputes are settled, a final list will be published.

Process Outline

1. A call for federal aid exchange requests is announced no less than 14 days in advance of the actual call date, with detailed instructions in the call letter.
2. Acceptance of submission of requests for exchanges will open at a specific date and time (ex: June 15, 2022, at 8 a.m. EST) and close at a specific date and time as specified in the call letter or once the minimum amount for the program has been reached.
3. Once the list of exchange requests has been developed and arranged in the order received, MDOT will publish the list of exchanges, including the agency name, the date/time received and the amount of the exchange on MDOT Federal Aid Buyout website for two weeks. This posting will be announced through the LAP, MPO, RTF and Small Urban program GovDelivery listservs. This will allow local agencies to contact MDOT if there is any discrepancy because of technology or other error. Any discrepancies will be reviewed on a case-by-case basis.

4. The final list of awarded exchanges will be posted to the MDOT Federal Aid Buyout website, announced through the LAP, MPO, RTF and Small Urban program GovDelivery listservs, and sent directly to the agencies with awarded exchanges.
5. Once the federal aid allocations are available in SIGMA (usually mid-October of the FY of the exchange), the appropriate allocation amount will be transferred from the allocation and template in which the exchanged project was programmed to a template that was created to hold transfers until they move to a trunkline project.
6. Projects will be abandoned in JobNet unless the MPO deems the project regionally significant. If designated as regionally significant, the project programming will be changed to reflect 100 percent local funds and a note will be added to the comment section on the STIP page in JobNet stating that the project has been awarded an exchange through the Federal Aid Buyout Program.
7. A valid signature (through the OneSpan Signature system or a scan of an ink signature) on the exchange request form is considered a contract. If an exchange form is submitted with an electronic signature, an updated form will be sent to the local agency for their signature through the OneSpan Signature system.
8. Statewide planning staff will notify MDOT Financial Operations Division (FOD) that a payment should be made to the local agency.
9. Once sufficient obligation authority is received by MDOT, the appropriate obligation authority will be transferred from the local non-RTF and local RTF obligation authority to the trunkline obligation authority.
10. Once sufficient state funding is received by MDOT, and the obligation authority has been transferred, FOD will initiate and process the payment in the amount of the exchange to the local agency through the SIGMA system. The anticipated time frame for this would be January/February of the FY of the exchange.
11. The local agency will complete the project as agreed to and utilize any surplus funding within the three-year time frame as described in these program guidelines.
12. The local agency reports the completed project in the TAMC investment reporting tool or any successor system.
13. The local agency emails the Federal Aid Buyout Program Project Completion form (2390) to the MDOT Federal Aid Buyout Program manager via MDOT-FederalAidBuyout@Michigan.gov to inform them that the project is completed. The information reported on the form will include confirmation that the federal wage and benefits were adhered to, confirmation that the force account policy was adhered to (if applicable), the amount spent on the project, and what federal aid-eligible activity any surplus funds were spent on.

Please submit any comments, concerns or questions regarding the Federal Aid Buyout Program to MDOT-FederalAidBuyout@Michigan.gov.

If you require assistance accessing this information or require it in an alternative format, contact the Michigan Department of Transportation's (MDOT) Americans with Disabilities Act (ADA) coordinator at Michigan.gov/MDOT-ADA.