

Sent: September 23, 2024

Subject: Farm-to-Market Borrowing Restrictions

IOWA DEPARTMENT OF TRANSPORTATION

To: Counties

From: Local Systems Bureau

Subject: Farm-to-Market Borrowing Restrictions

Date: September 20, 2024

As provided for in [Iowa Code section 310.27](#) and [I.M. 2.120](#), counties may be allowed to proceed with Farm to Market (FM) projects using advance allocations of FM Funding. This is also known as “borrowing ahead”. However, the Iowa Department of Transportation (Iowa DOT) may restrict counties’ ability to borrow ahead as needed to maintain solvency of the FM fund as whole.

Counties are currently under the restrictions from the Local Systems mailing dated March 9, 2015. Examination of the FM fund balance over the past several years shows steady growth, and revenue is projected to remain stable. Therefore, we have proposed a slight relaxation of the borrow-ahead restriction to the Iowa County Engineers Association Executive Board and the FM Fund Rules Guidance Committee. After considering their input, we have decided to implement the following new restrictions and procedures, effective for projects turned-in for the January 2025 letting and continuing until further notice:

1. A county may let an FM funded project if the county's FM obligations do not exceed four years after the project is let.
2. A county borrowed ahead three years or more but less than five years may exceed the four-year borrow-ahead limitation listed above and let an FM Funded project if all of the following conditions are met:
 - the project is funded in part or in whole by non-Farm-to-Market funds; and,
 - the portion of the project’s total construction costs paid for with FM funds, does not exceed 35%; and,
 - the borrow-ahead does not exceed 4.5 years after the project is let.
3. A county that does not meet the preceding conditions may not let any projects, unless 100% of the project costs will be paid for with other funds. In other words, the proposed project does not result in any increase to the county's overall FM obligations.

A county's “borrow ahead” status will need to be calculated prior to the proposed letting using the FM Estimate application in Transportation Programming Management System (TPMS). All check plan submittals involving projects with FM funding must be accompanied by the FM Estimate, the Engineer’s Estimate must be current and complete in TPMS, and all funding sources and amounts must be current and correct in TPMS so that Iowa DOT Local Systems Project Development staff and the Local Systems Secondary Roads Engineer can determine if the project meets these restrictions.

If needed, to meet the requirements in the Iowa Code and this memo, a county may offset proposed additional obligations by transferring other funds into its FM account prior to the proposed letting. The amount transferred shall be based on the engineer's estimate. If a county elects to award a contract in excess of the engineer's estimate, the county shall transfer an additional amount of local funds into its FM account to make up the difference. If the county awards a contract for less than the engineer's estimate, the difference shall remain in the county's FM fund. For instructions on transferring Secondary Road Funds or other funds to the FM fund, refer to [I.M. 2.130](#).