

INSTRUCTIONAL MEMORANDUMS

To Local Public Agencies



To: Counties and Cities

Date: February 10, 2023

From: Local Systems Bureau

I.M. No. 1.150

Subject: Federal-aid Swap Program

Contents: This Instructional Memorandum (I.M.) includes guidelines and procedures for the Local Public Agency (LPA) Federal-aid Swap Program (Swap Program). This I.M. also includes the following attachments:

[Attachment A](#) - Federal-aid Swap Policy

Introduction

On February 13, 2018, the Iowa Department of Transportation (DOT) Commission passed the original Federal-aid Swap Policy. The Swap Program was originally implemented beginning with the October of 2018 Iowa DOT Letting. The Swap Program has been revised with the implementation of the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL).

Background and History

Essentially, Congress allocates Federal-aid Transportation Funding to each state, leaving a lot of the decisions on funding distribution to the state DOTs. In Iowa, traditionally the Iowa DOT has met with Counties, Cities, Regional Planning Affiliations (RPAs), and Metropolitan Planning Organizations (MPOs) each time a Federal Highway Funding Bill is passed. The groups agree on a method and proportional amounts to be used in splitting the Federal-aid amongst the roadway jurisdictions in Iowa. Although the Federal Highway Funding Bill requires only a small percentage of the funding to be given to locals, since the 1990s, the aforementioned parties in Iowa have cooperatively decided to split the federal funding at a split of approximately 68 percent to the Iowa DOT and 32 percent to the LPAs. The DOT has the ability to easily utilize most of the Federal-aid on Primary Road projects, whereas utilizing the Federal-aid is often more challenging for LPAs. As such, the Iowa DOT, Counties, Cities, RPAs, and MPOs began pursuing a Federal-aid Exchange Program that is referred to now as the Swap Program. [Iowa Code 313.4, Section 1.c](#), since 2017, has allowed for the Primary Road Funds to be spent off the Primary Highway System, allowing the Iowa DOT Commission to “allocate moneys from the fund for the establishment, construction, and maintenance of the secondary road system and the municipal street system in exchange for retaining all or a portion of federal aid road funds that would otherwise be allocated to counties and cities”.

Swap Program funds are State Road Use Tax Funds (RUTF) that were originally part of the Primary Road Fund. However, the Iowa Code Section change referenced above allows the Iowa DOT to utilize Primary Road Funds to be spent off the Primary Highway System, as part of the Swap Program.

Some stipulations of the Iowa DOT Commission approved Swap Program are as follows:

- Projects that are eligible for swap, as defined in the [Swap policy](#), will be developed as Swap projects. Unless restricted by the requirements of the specific program involved, a jurisdiction can request a project to be Federal-aid. Federal-aid is exchanged for primary road funds at a dollar for dollar rate.
- Only certain funding sources are eligible to be part of the Swap Program. Those funding sources are listed below in this I.M.

Some Federal laws and regulations apply to all projects, regardless of the funding being used while some Federal laws and regulations only apply to Federal-aid projects funded by the Federal Highway Administration (FHWA). State laws apply to all projects, regardless of the funding source. It is imperative that LPAs carefully read all applicable [Local Systems Instructional Memorandums \(I.M.s\)](#) in order to comply with all laws and regulations that apply to their specific project.

Benefits of the Swap Program

The purpose of the Swap Program is to streamline the Project Development and Construction Contract Administration process for LPA projects. Federal-aid projects require numerous submittals, milestones, and clearances during the project development process, and some processes are prohibited from proceeding until a prior clearance has been granted. For example, final design is not allowed to progress until National Environmental Policy Act (NEPA) clearance has been received. Several of these project development submittals

and milestones that are required for Federal-aid projects are not required as part of the Swap Program process, because some of the milestones required by Federal law are not required by State law. For Federal-aid projects, Concept Statement and Preliminary Plan submittals are generally required before Check Plans are allowed to be submitted, due to the NEPA clearance needing to be received prior to final design. With Swap Program projects, the Check Plan submittal is the first submittal requirement. For submittal dates, refer to [I.M. 3.010](#), Project Development Submittal Dates and Information. The Swap Program project submittal requirements and timelines generally align with other State-aid funded programs. Swap Program projects are estimated to save up to 6 months from the project development process. Various environmental reviews are necessary, but NEPA Clearance is not required for Swap Program projects. Construction inspection processes should remain just as detailed for Swap Program projects as for Federal-aid construction inspection, in order to ensure the project is being properly constructed, but the DOT's oversight of the LPAs processes have been streamlined. The Contract Administration process for Swap Program projects involves fewer paperwork submittals than the Federal-aid process, including but not limited to the following differences:

- Disadvantaged Business Enterprises (DBEs) contractors are not required. Therefore, less paperwork is needed to document whether any DBEs performed work on the contract.
- Buy America is not required, per [Iowa DOT Standard Specification 1107.06.B](#).
- Davis-Bacon wage rates are not required, and wage rate interviews are not necessary. Certified Payroll documents are not required to be completed by the Prime and Sub-contractors, and are therefore no verification is required for the LPA's Project Engineer.
- Iowa DOT Materials Independent Assurance Testing is not required; therefore, less coordination with Iowa DOT District Materials staff is necessary.

Federal-aid Swap Programs

The Swap Program is only utilized for the construction phase of projects. Phases such as Preliminary Engineering, Utility Relocation Costs, Right-of-Way purchasing costs and Construction Engineering costs are not eligible to utilize Swap funds. Various Swap Programs are described in this section.

Surface Transportation Block Grant (STBG) Swap Program

The STBG Swap Program is only eligible to be used for city projects awarded through Regional Planning Affiliations (RPAs). STBG Swap funding is not allowed for county projects or for city projects funded through Metropolitan Planning Organizations (MPOs). STBG Swap Program funds can be used for projects on rural minor collectors and higher classifications in rural areas, and also on any Farm-to-Market (FM) road through cities noted above. STBG Swap Program funds can be used on urban collector streets and higher classifications in urban areas. STBG Swap Program funds can also be used for bridge replacement or rehabilitation projects on any public city street, which includes roads classified as a local road. However, individual RPAs and MPOs may adopt a more restrictive policy on the classification of roadways that are eligible. STBG Swap Program funds are a 100% reimbursement rate; a local match is not required as part of this program; however, the RPA or MPO may enforce a funding limit or a match requirement.

Various other programs, such as the Highway Bridge Programs for Cities and Counties, utilize Swap funding as a match to Federal-aid funding. Refer to [I.M. 1.100](#), Highway Bridge Programs for Cities and Counties, for additional information.

Highway Safety Improvement Program (HSIP) - Local Swap Program

The HSIP - Local Swap Program funds are for counties and cities to reduce fatality and major injury crashes on secondary roads and city streets. This program promotes the installation of low cost, systemic safety improvements. Visit the [HSIP webpage](#) for additional information regarding this program.

Planning and Programming a Swap Program Project

All Swap Program projects must be included in the Transportation Improvement Program (TIP). All projects in the TIP must be submitted to Iowa DOT for inclusion in the Statewide Transportation Improvement Program (STIP) via the Transportation Program Management System (TPMS). Projects shall be programmed in the year in which they will be let. STBG amendments need to go through the RPA or MPO to change funding amounts.

For city projects, the city shall request the RPA or MPO include the project in the TIP and provide the necessary project information. The RPA or MPO will enter the project in TPMS and the TIP; the TIP gets approved and submitted to the DOT for inclusion in the STIP.

For county projects, the county enters all construction projects in the County Five Year Plan (CFYP) in TPMS. Projects should be placed in the CFYP according to the state fiscal year in which they will be let. All projects except County HBP Swap Program projects are then submitted to the RPA or MPO to be included in the TIP. When the county submits the projects to the RPA or MPO, they should submit according to the **Federal** Fiscal Year (FFY) in which the project is let. Because the CFYP is set up according to the state fiscal year, counties should exercise caution and diligence to ensure projects are placed in the STIP in the correct FFY. The RPA or MPO reviews and approves all projects submitted to them and submits those projects to the Iowa DOT, who combines submitted TIPs into the STIP.

Planning Studies

Planning Studies are not eligible as part of the Swap Program.

For additional information, refer to the [Non-Federal-aid Project Development Guide for Local Public Agencies](#), as well as the [Local Systems Instructional Memorandums \(I.M.s\)](#).