

**TO: Email Address**  
**FROM: Nicole Moore, P.E.**  
**SUBJECT: Federal-aid Swap Conversion to Federal-aid**  
**DATE: May 24, 2022**

Cities, Counties, and Consultants,

As you may be aware, the increase in new federal funds has impacted the Iowa DOT's ability to provide Swap funds for Local Public Agency (LPA) projects. Over the past few years, Iowa has let Federal-aid Swap projects totaling over \$150 million, annually. Future projections for Federal-aid Swap availability are \$50 million annually, meaning the difference will need to be converted to Federal-aid. With this reduced Federal-aid Swap capacity, program changes are necessary. We've worked with the IJJA Stakeholders to determine the best use of Federal-aid Swap moving forward. We're still working through some logistics, but we're hoping the below transition guidance will minimize the pain and frustration. Below you will find information for:

- Implementation for Counties
- Implementation for Cities
- Funding Conversion Summary
- Federal-aid Conversion Information (NEPA & Programming)
- Federal Grant Application Reminders

**Implementation for Counties:** It was earlier requested that Counties convert any possible Swap projects to Federal-aid and stated that all Surface Transportation Block Grant (STBG) Program and County Highway Bridge Program (HBP) projects **let in January of 2023 and later** must be Federal-aid. This guidance remains the same. We very much appreciate any projects in the December letting being converted to Federal-aid as well.

**Implementation for Cities:** **Starting with the February 21, 2023 Iowa DOT bid letting**, the Surface Transportation Block Grant (STBG) Program, Iowa's Clean Air Attainment Program (ICAAP), and the City Bridge Program will utilize Federal-aid, except for STBG funding awarded through a Regional Planning Affiliation (RPA). Please be cognizant to plan ahead and anticipate potential delays in project development; if for example a project is utilizing Swap funding for the January letting and experiences a delay during project development, the project must become Federal-aid to be in the February letting.

**Funding Conversion Summary:** Existing Federal-aid Swap funding agreements all include a standard "Exhibit 1". Within that Exhibit, under General Requirements, 1.e it states "... the DEPARTMENT shall have the right to terminate this agreement without penalty and without any advance notice as a result of any of the following... if any funds or revenues needed by the DEPARTMENT to make any payment hereunder are insufficient or unavailable." Iowa DOT does not intend to "terminate" funds for Federal-aid Swap, but converting them back to Federal-aid due to cash-flow limitations is unfortunately necessary. The Local Systems Bureau will be working with the impacted local agencies to rescind existing Federal-aid Swap funding agreements and replace them with new Federal-aid funding agreements for the same value, in accordance with the below programs.

Programs to be converted to Federal-aid:

- Entire City and County Highway Bridge Program (HBP)
- Surface Transportation Block Grant (STBG) Program for:
  - All County projects
  - All City projects awarded through TMAs and MPOs
- Iowa's Clean Air Attainment Program (ICAAP)

Programs to remain Federal-aid Swap:

- Surface Transportation Block Grant (STBG) Program for:
  - All City projects awarded through RPAs

**Federal-aid Conversion Information (NEPA & Programming):**

**NEPA:** Typically, when developing a Federal-aid project, NEPA clearance is required prior to starting final design. (Final design is considered to begin at check plan stage.) However, the Federal Highway Administration (FHWA) realizes that Swap projects did not begin project development as Federal-aid projects and that Swap projects did not require a NEPA clearance. They also recognize that some projects scheduled for letting both before and after February 2023 may have already begun the final design phase.

Because many of these projects will result in a Programmatic Categorical Exclusion (PCE), and because many of the projects only have the 2 alternatives of either the preferred alternative or a no-build alternative, FHWA has determined that, for these routine projects, and in only this situation of converting Swap projects to Federal-aid, obtaining NEPA clearance after check-plan submittal will not violate the NEPA requirement. However, if rare/unique changes occur that would require changes to the project based on any discoveries found during the NEPA process, appropriate actions will need to be taken, which could possibly result in re-design. If you have concerns that obtaining a NEPA clearance could significantly delay the project due to very unique or special circumstances, please reach out to our Local Systems [Urban Engineer](#) or [Secondary Roads Engineer](#) to discuss options. For general project development questions, please reach out to our Project Development Team, [Christy VanBuskirk](#) and [Joe Albright](#).

**Programming:** Federal-aid projects must be properly programmed in the appropriate Regional Planning Affiliation (RPA) or Metropolitan Planning Organization (MPO) Transportation Improvement Program (TIP) prior to final plan turn-in. All of the RPA and MPO TIPs are then combined with the Iowa DOT Federal-aid projects to form the Statewide Transportation Improvement Program (STIP). The LPA is responsible for working with the applicable RPA or MPO to ensure that their project is included in the TIP/STIP and is programmed with an adequate amount of funds for the correct Federal Fiscal Year (FFY). For additional information, please see Section 2 of the [Federal-aid Guide](#).

The RPAs and MPOs are currently working on their draft TIPs. Draft TIPs are due June 15. **Beginning July 1, the TIP will close for public comment and no changes can be made until October 1, 2022.** This makes reaching out to your respective RPAs and MPOs sooner rather than later very important for any project converting from Federal-aid Swap to Federal-aid to ensure it is accurately programmed in the STIP. If you are unsure who your RPA or MPO contact is, please see the interactive map on [this website](#).

As a refresher, Federal-aid projects require the following submittals:

- Project Development Submittal Dates and Information (refer to [I.M. 3.010](#))

- Concept Statement (refer to [I.M. 3.020](#)) - **as a reminder, a Concept Statement is required in order to obtain NEPA Clearance.**
- Preliminary Plans (refer to [I.M. 3.400](#))
- NEPA Clearance (refer to [I.M. 4.020](#))
- Cultural Resource Regulations (refer to [I.M. 4.120](#))
- ROW Acquisition (refer to [I.M. 3.600](#))
- Check Plans (refer to [I.M. 3.700](#))
- Final Plans (refer to [I.M. 3.700](#))

This is not an all-inclusive list, and we strongly recommend reading the [Federal-aid Project Development Guide](#) and [Iowa DOT Instructional Memorandums for Local Public Agencies](#) as a refresher for the additional steps needed in developing Federal-aid projects.

### **Federal Grant Application Reminders:**

As most of you are likely aware, this Infrastructure Bill includes several grant programs beyond the formula programs like STBG, HBP, TAP, and ICAAP. To minimize future challenges and avoid “surprises”, Local Systems wants you to be aware of the below items prior to submitting grant applications.

1. Any funds being utilized as "non-Federal match" included in a grant application become federalized and must also follow federal-aid processes and procedures. This may include, but is not limited to, following the consultant selection process or federalizing all project phases.
  - a. Example: If Preliminary Engineering (PE) or Construction Engineering (CE) services are included within a RAISE application as a “local match”, regardless of the funding source, the full federal-aid RFP process shall be followed. See [I.M. 3.310, Federal-aid Participation in Consultant Costs.](#)
2. All programs transitioning from Federal-aid Swap to Federal-aid will be required to be Federal-aid starting with the February 2023 letting. This means the now Federal-aid programs shall not be proposed in new Federal-aid Swap grant applications since it will no longer be available. The programs for cities that will be Federal-aid moving forward include the STBG funds awarded through TMAs and MPOs, while the STBG funding awarded through RPAs will remain STBG Swap Funding. The City and County bridge projects will be Federal-aid moving forward as well.
3. STBG, STBG-Swap, and City Bridge Funds are to be used for Construction only. This should be taken into consideration as well in any grant application proposed funding.

We are currently developing a website to assist everyone through this transition. Thank you for your patience as we work through this complicated process. We appreciate your flexibility during this transition.

Please contact Local Systems with questions/concerns. Our contact information can be found [here](#).

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