

Federal Fund Exchange Program Report

December 2024



**Washington State
Department of Transportation**

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Secretary of Transportation

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WSDOT – Local Programs Federal Fund Exchange

RE: ESHB 2134 Section 309(6)

Federal Fiscal Year (FFY) 2024 Surface Transportation Block Grant (STBG) allocations were provided in April 2024 which was well into the FFY. The allocations detailed the STBG amounts available for each of the rural counties. WSDOT allocates STBG funds to Metropolitan Planning Organizations (MPO's) and County Lead Agencies for prioritizing and selecting projects that align with their regional priorities involving all entities eligible to participate in a public process. Eligible projects include highway/bridge construction/repair; transit capital projects; bicycle, pedestrian and recreational trails; and construction of ferry boats and terminals.

FFY 2024 is the first year that rural counties were provided the option to exchange their federal STBG allocation for state funds. The primary purpose of the swap is to reduce administrative burden on smaller cities and counties. The exchange rate is 95 cents in state funds per \$1.00 in federal funds.

Legislation

Engrossed Substitute House Bill 2134, Section 309(6) states:

\$7,125,000 of the motor vehicle account—state appropriation is provided solely for a **federal fund exchange pilot program**. The pilot program will allow exchanges of federal surface transportation block grant population funding and state funds at an exchange rate of 95 cents in state funds per \$1.00 in federal funds. The entirety of the appropriation in this subsection must be held in unallotted status until: Surface transportation block grant population funding has been offered to the state, the department determines that a federalized project or projects funded in section 305 or 306, chapter 472, Laws of 2023 is eligible to spend the surface transportation block grant population funding, and state funds appropriated in section 305 or 306, chapter 472, Laws of 2023 for the eligible state project or projects in an amount equal to 100 percent of the offered surface transportation block grant population funding have been placed in unallotted status. A report on the effectiveness of the exchange program, the total estimated cost of program administration, and recommendations for continuing the pilot program is due to the governor and transportation committees of the legislature by December 1, 2024. The legislature intends to evaluate the utility and efficacy of the pilot program in the 2025 legislative session while reappropriating any remaining funds into the 2025-2027 fiscal biennium. Therefore, the department may issue additional calls for projects with any remaining funds provided in this subsection.

Implementation

Throughout 2023, there were several presentations and conversations on the federal fund exchange program at American Public Works Association (APWA), Infrastructure Assistance Coordinating Council (IACC), County Road Administration Board (CRAB), and Washington State Association of County Engineers (WSACE). Based on discussions with

the eligible rural counties, two counties (Pacific, and Wahkiakum) requested to participate in the exchange program.

To initiate the exchange within WSDOT, Local Programs worked with Capital Program Development and Management (CPDM), to transfer the federal funds (\$494,780) and corresponding obligation authority (OA) for programming on state projects. (see page 3)

The state fund allocated to each county totals \$470,041. *At this time, each county is evaluating their program of projects to determine which project can best utilize these state funds.*

Due to the restrictions with the federal funds for FFY 2024, WSDOT was able to obligate most of the funding. Funds for small urban populations have not been obligated at this time but are planned for obligation in FFY 2025.

Participating WSDOT Projects

The following table reflects WSDOTs programming of the exchanged federal funds for FFY 2024.

WSDOT Federal Exchange Projects			
Project #	Title	Description	Amount
0195(073) / 619503P	US 195/Colfax North Fork Palouse River - Replace Bridges	Located in Whitman county, constructs one new structure aligned between the existing two structures over the North Fork Palouse River. Phase 1 of construction will remove BN 195/27, detour traffic onto BN SR-26/2SP, and begin construction of new structure, including a new roundabout connection north of new bridge. Phase 2 of construction will route traffic to the new structure, remove BN 26/2SP, and complete construction of new structure and roundabout.	300,339
0155(027) / 215500R	SR 155 Electric City Southward - Seal and Complete Streets	Located in Grant county on SR 155, SRMP 0.00-25.18. Resurfaces deteriorating chip seal pavement (due to rutting, cracking, and normal wear) with a chip seal overlay. Extends the service life of the existing pavement.	124,540
2024	TBD	STBG Urban Small - 5k-49,999k	69,901
	TOTAL		494,780

Effectiveness

FFY 2024 (October 1, 2023 – September 30, 2024) was the first year of implementation. Local Programs met with the rural counties throughout the spring and summer of 2023 encouraging and explaining the details associated with the federal fund exchange program. Unfortunately, Congress did not pass the FFY 2024 funding until March 2024. Therefore, that only left six months for the rural counties to commit to the exchange program. Most rural counties already had programmed their federal funds and had preservation projects scheduled and/or underway by that time.

The late timing of the federal allocations also created a challenge for WSDOT with the funding figures being received so late in the federal fiscal year, and the amount of funding to be received unknown, it was difficult to identify eligible WSDOT projects prior to federal fiscal year

close. Most federal funds exchanged to WSDOT were for obligation in areas with restricted populations, which are more limited.

Participating Rural Counties

The following table reflects the participating rural counties and the state funds available to them for FFY 2024.

2024 STBG Federal Fund Exchange Pilot Program						
County	23 Carry Forward *	FHWA Funds Transferred to CPDM				County State Fund Allocation
		Urban Small (US Areas >= 5,000 and 50,000	Rural (R) Area < 5,000	Any Area Flexible	FFY 2024 STBG TOTAL	FFY 2024 Fund Exchange @ 95%
Pacific	0	69,901	193,343	92,124	355,368	337,600
Wahkiakum	0		106,996	32,416	139,412	132,441
Total	0	69,901	300,339	124,540	494,780	470,041

Cost of Program Administration

Due to the delays by Congress, and minimal participation by the rural counties. The program administration costs to launch have been minimal. Currently, neither of the two counties have programmed the state funds in the Statewide Transportation Improvement Program (STIP). Therefore, the administration has been limited to determining state fund allocations, transferring funds to CPDM, continuing to discuss the program with rural counties, and reporting on the status of the program. The cost for the administration of this program has also been limited to the analysis necessary to identify eligible projects and to monitor the funding.

Recommendations

The Exchange Program is in its initial launch and has timing challenges as highlighted above. It is anticipated the program will continue to provide benefits and efficiencies to the overall delivery of transportation programs. It is recommended to continue the program through the current federal transportation act, to see if there is more interest among the rural counties. This will also allow the ability to monitor the program over the next two years of implementation.

If you have any questions or need additional information, please contact Jay Drye, Director, Local Programs, at Jay.Drye@wsdot.wa.gov or (360) 705-7871.