### Subject: S.O.P. INTERCHANGE AND ADMINISTRATION OF FUNDS Distribution A, B, C, D, E

**EFFECTIVE:** March 15, 1999  
**STATE AID ENGINEER**

**PURPOSE:** To develop a policy under which Federal Aid Funds may be interchanged with State Aid Funds in order to permit a more efficient obligation of Federal Aid and State Aid Funds.

1. **INTERCHANGE OF FUNDS:**

   1.1. Section 65-9-30, Mississippi Code of 1972, as amended, was amended in 1974 to permit the exchange of FAS Funds for an equal amount of State Aid Funds to improve the procedure for obligating FAS Funds.

   1.2. Under the Intermodal Surface Transportation Efficiency Act of 1991, Federal Aid Secondary Funds were replaced by Surface Transportation program (STP) Funds. STP Funds continue to be available under the Transportation Equity Act for the 21st Century (1998).

   1.3. Even though the "exchange" is permissible, the governing statutes for each type of funds still apply, such as:

      1.3.1. State Aid Funds must be expended on the State Aid System except as noted in S.O.P. No. SA I-2-12 and each County shall receive not less than its pro rata share of the combined funds.

      1.3.2. Surface Transportation Program Funds must be expended on Federal routes on the State Aid System, except that STP Funds may be expended on routes off the system for the construction of bridges. The Transportation Equity Act for the 21st Century further provides that of amounts reserved for rural areas, up to 15 percent may be spent on minor collectors.

2. **ADMINISTRATION OF FUNDS:**

   2.1. **State Aid Funds:**

   On projects that do not involve any Federal Funds, the State Aid Engineer has both the responsibility and the authority to administer all aspects of the project.
2.2. Federal Funds:

Section 65-9-29 and Section 65-9-30 of the State Aid Act provide that the expenditure of all Federal Funds shall be through and under the Office of Highways (MDOT), subject to and in accordance with applicable laws and regulations of the Federal government.

2.2.1. Thus, on all projects involving Federal Funds, the matching State Aid Funds (including any Local Funds involved) will be paid into the State Highway Fund, earmarked for the specific project.

2.2.2. Disbursements from this established project fund are made by the Office of Highways (MDOT) on the basis of estimates prepared by the County Engineer and approved by the State Aid Engineer.

2.3. Other Phases Requiring Department of Transportation Approval are:

2.3.1. Federal Route revisions
2.3.2. Project Programming (STIP)
2.3.3. Construction program funding
2.3.4. Environmental studies, statements and reports
2.3.5. Construction plans on which the advertisement for bids is based
2.3.6. Contract
2.3.7. Project Agreement
2.3.8. Progress and final payments
2.3.9. Final acceptance
2.3.10. Final Voucher
2.3.11. Closing of completed projects