

HOUSE BILL 2402

By Vaughan

AN ACT to amend Tennessee Code Annotated, Title 54,  
relative to funds for road projects.

WHEREAS, local public agencies own and maintain a significant portion of Tennessee's road network; and

WHEREAS, local public agencies may not have the resources or expertise needed to apply for federal funds and administer the process efficiently; and

WHEREAS, the department seeks to initiate an innovative funding program called the Transportation Fund Exchange to help local public agencies streamline the process of implementing projects on local roadways; and

WHEREAS, the Transportation Fund Exchange will provide local public agencies the option to save time and money by avoiding restrictive and cumbersome requirements of the federal aid process; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 54, Chapter 2, Part 1, is amended by adding the following as a new section:

(a) The department shall award money from the state highway fund to local public agencies in exchange for federal aid obligation authority allocated to local agency projects as provided in this section, if allowed by federal law and regulations.

(b) Local public agencies may apply for state money in exchange for one hundred percent (100%) of the federal aid obligation authority allocated by the department to a local public agency project, in the manner and on the schedule determined by the department. The department shall develop and publish guidance to

assist local public agencies in applying for the transportation fund exchange program. The department shall promulgate rules, including emergency rules, to effectuate this section. The rules must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in Tennessee Code Annotated, Title 4, Chapter 5. If applications are received that request more state money than is available to be exchanged in a fiscal year, then awards must be made in the order received.

(c) State money must be exchanged with local public agencies for federal aid obligation authority in an amount equal to or less than ninety cents (\$0.90) per dollar of all federal aid obligation authority allocated in the approved transportation improvement plan to each project for which authority is exchanged.

(d) The department shall pay state money exchanged for federal aid obligation authority to local public agencies when sufficient federal aid obligation authority is received from the federal highway administration to cover the exchanges, not including any year-end redistributions.

(e) The first priority for the use of state money exchanged for federal aid obligation authority must be the local public agency project for which the federal aid obligation authority was originally proposed. If the state money exchanged for federal aid obligation authority exceeds the cost of the original project, then any surplus must be applied to federal aid eligible projects by the local public agency or returned to the department.

(f) State money exchanged for federal aid obligation authority must be expended not later than three (3) years after the exchange. If the project for which federal aid obligation authority was exchanged cannot be completed within three (3) years, then the local public agency must notify the department and identify an alternate project eligible

for federal aid that can be constructed within the original three-year period, or return the money to the department.

SECTION 2. This act is not an appropriation of funds, and funds must not be obligated or expended pursuant to this act unless the funds are specifically appropriated by the general appropriations act.

SECTION 3. This act takes effect July 1, 2024, the public welfare requiring it.