

HURF Exchange Overview

Annually, ADOT provides federal surface transportation program (STP) funding on a discretionary basis to Arizona's Councils of Governments (COG) and Metropolitan Planning Organizations (MPO), which then program the funds for specific local projects in their region. To use STP funding, federal law requires project sponsors to be "certified" by the Federal Highway Administration (FHWA) to administer federal aid projects. Since most cities/towns/counties receive very limited federal funding, it is not worth their time and effort to become certified. Therefore, these project sponsors must contract with a certified entity (usually ADOT) to develop and construct their projects.

The use of federal funding also requires compliance with certain federal environmental, procurement and other regulations. These requirements lengthen project delivery time and typically result in higher costs than if the project were built with non-federal funds.

ADOT routinely administers federally-funded projects and can generally deploy the discretionary STP funding quickly. In light of this, the COGs/MPOs and ADOT supported legislation in the early 1990s authorizing the exchange State Highway Funds (SHF) for COG/MPO STP funding. Known as "HURF Exchange," this program enables cities/towns/counties to build projects themselves, avoiding most expensive and time-consuming federal regulatory requirements. Because the HURF Exchange results in reduced costs and administrative burden for the cities/towns/counties and transfers that burden to ADOT, the statute allows ADOT to pay 90 cents in SHF for each \$1 of federal funding exchanged.

The program was successful and approximately 150 projects received HURF Exchange funding throughout the state. In 2008 however, Highway User Revenue Fund (HURF) revenues fell precipitously and ADOT was forced to suspend the program because it did not have sufficient SHF for operating purposes and to make the required match on federal aid – let alone to provide funding to local entities for HURF Exchange projects. All projects with executed contracts were honored, but no new HURF Exchange projects were initiated between 2009 and 2017.

ADOT supports the HURF Exchange Program as it can reduce the costs and time required to address infrastructure needs for the benefit of the traveling public. As of October 1, 2017, the program has been reinstated, again allowing eligible jurisdictions to take advantage of the flexibility of state funding in exchange for red tape-laden federal dollars.