

# Defederalization of Projects

# Defederalization, what is it?

- Also known as *Federal Funds Swap* or *Federal Funds Exchange*
- Defined as movement of Federal funds between two or more projects which results in fewer projects that have federal funds in their project financing
- Project scopes are not impacted
- Allowed by USDOT, MnDOT has administrative process in place
- Variety of practices across nation – not all permitted in MN

# Why is defederalization process done?

- Non-Federal Project Benefits:
  - Save time in project development
  - Simpler process to administer
  - Reduction in some project development costs
- Uncertain impact on project construction costs for non-federal
  - impact likely minimal... but often stated as up to 30%
- Common reason to defederalize is process/project efficiency

# What is different between Federal and Non-Federal Projects?

## Project Development Phase

- Federal Environmental (NEPA) vs State Environmental (MEPA)
  - Similar with a few exceptions
- Environmental Justice
- Tribal Consultation
- Oversight

## Contracting Phase

- Disadvantaged Business Enterprise (DBE)
- Prevailing Wage
- On the Job Training (OJT)
- Buy America
- Oversight

# Tradeoffs

- What is tradeoff to gain project efficiency?
- Stakeholders have occasionally opposed defederalization in Minnesota and other states
- Stakeholder input has resulted in non-federal programs and legislation that mitigate many impacts of defederalization but allow this streamlining efficiency
  - State Prevailing Wage
  - TGB/MCUB/CERT (similar to DBE)
  - Minnesota Environmental Protection Act
  - Tribal Policy
- Differences that remain between Federal and Non-Federal projects are project and agency dependent