

Immediate Steps to Address the Projected Shortfall of the Highway Account of the Highway Trust Fund

We have been spending more money each year than what we collect from federal gas taxes and other Trust Fund revenue sources.

- Fuel tax receipts, the main source of revenue for the highway program, have been significantly lower than expected for several months. Coupled with high spending during the peak of the highway construction season, the reduced receipts caused the balance of the Highway Trust Fund to decline more rapidly. As a result, the balance in the Highway Account declined by nearly \$4 billion during the three month period from June to August.
- The shortfall will prevent timely full payment of bills from Federal Highway Administration to state grantees, but will not in any way shut down the programs or the agencies funded from the Highway Account.

A shortfall has been forecasted by the Administration for several years.

- In February 2006, President Bush warned Congress of the looming shortfall and asked members to take swift action to address it. Congress did nothing.
- In February 2007, the President again warned about the upcoming shortfall and asked Congress to take fiscally responsible measures to close the gap. Congress did nothing.
- For the past 3 years, Department officials repeated this message through countless speeches, Congressional hearings, and media interviews.
- Earlier this year, the President and the Department again warned Congress that the looming shortfall must be addressed. Again, Congress did nothing.
- The Department proposed a fiscally responsible solution that would make it possible to cover the projected shortfall by making repayable advances from the Trust Fund's Mass Transit Account without affecting the transit funding commitment under SAFETEA-LU.

On September 5, 2008, Secretary Peters announced immediate steps designed to stretch out Highway Trust Fund revenues.

- Effective September 8, the Federal Highway Administration will begin making weekly reimbursements, rather than the current twice daily reimbursements.
- These weekly reimbursements will be made on a pro-rated basis. For example, if the funds available in the highway account covers 80 percent of the requests received, 80 percent of each reimbursement will be paid.
- The following week, the balance of unpaid requests from the previous week will be paid providing similar, pro-rated reimbursements for the new requests received that week.
- The Department is taking action to streamline personnel and purchasing policies to further slow the rate of depletion and will consult with other federal agencies funded by the Trust Fund to make the most of every available dollar.

Secretary Peters called on Congress to finally address the challenge with...

- A short term fix: Congress must approve a clean bill that provides \$8 billion in funding to cover the shortfall by the end of next week.
- A midterm fix: Congress needs to pass a fiscally responsible and effective transportation spending bill for next year that is free of waste and unnecessary earmarks.
- A long term fix: Congress needs to work with the Department to reform our nation's current scattered approach to transportation which includes new funding mechanisms to respond to today's transportation challenges.