



U.S. Department  
of Transportation  
**Federal Highway  
Administration**

Office of the Administrator

1200 New Jersey Avenue, SE.  
Washington, DC 20590

**SEP - 5 2008**

In Reply Refer To:  
HPL-1

Mr. Amadeo Saenz, Jr.  
Executive Director  
Texas Department of Transportation  
125 East 11th Street  
Austin, TX 78701-2483

Dear Mr. Saenz:

I am writing to update you on the financial status of the Highway Trust Fund (HTF). Over the past 2 months, the balance in the HTF has dropped precipitously. Fuel tax receipts, the primary funding source for the highway program, have been considerably lower than expected due to a significant decline in vehicle miles traveled. This has caused the cash balance in the HTF to decline much more rapidly than anticipated, and a shortfall is imminent.

A cash shortfall will affect the ability of the Federal Highway Administration (FHWA) to pay State grantees within 24 hours. However, the shortfall will not shut down the Federal-aid highway program nor alter a State's ability to continue to obligate Federal funds. In fact, the U.S. Department of Transportation (DOT) is required by law to continue obligating funds during a cash shortage.

To reduce the impacts of the shortfall as much as possible, FHWA is today instituting a series of cash management controls, curbing administrative expenses, and establishing a process to equitably address State payment requests. Aside from the funds needed to keep the Federal-aid highway program running and meet certain obligations of other Federal agencies funded through the Highway Account, available cash will be used to make payments to the States. However, effective Monday, September 8, it will be necessary for FHWA to make payments to the States on a weekly, rather than daily basis, with the first weekly payment to occur Thursday, September 11. In the event that the total amount of reimbursement requests exceed available cash, each State submitting payment requests will receive an equitable share of the cash on hand each week.

We want to assure you that FHWA and DOT will do all we can to minimize the impact of the cash shortfall on the States and will work closely with Congress to develop a legislative solution to the shortfall. We are monitoring the cash status of the HTF on a daily basis, and will continue to explore every possible technical procedure and policy tool to manage the shortfall.

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Additional guidance will be forthcoming. In the meantime, FHWA staff and your Division Administrator stand ready to provide assistance, answer questions, and provide guidance on management of the HTF shortfall.

Sincerely,

A handwritten signature in black ink, appearing to read 'TJM', with a stylized flourish at the end.

Thomas J. Madison, Jr.  
Administrator