

Parsons Brinckerhoff Washington Update - July 1, 2014 - Interim Update

With Congress on recess this week, there is not much new to report on the legislative front about the Highway Trust Fund solvency crisis, however, today US DOT Secretary Anthony Foxx sent letters to state DOTs, transit agencies and US DOT employees on this critical issue. In addition, President Obama held a rally with transportation stakeholders at the Key Bridge in Washington, DC to urge Congress to act quickly to resolve the Trust Fund crisis and to pass comprehensive transportation legislation, saying that more than 700,000 jobs are at risk.

Secretary Foxx's letters state that absent congressional action, US DOT will begin implementing cash management procedures for highway programs on August 1 and that the Mass Transit Account is expected to reach a similar point as soon as October.

In a blog post earlier today Secretary Foxx stated, "Under normal circumstances, each state is assigned a percentage based on an annual federal formula. States then spend money on bridges and highways and they forward their bills to us. We pay the bills as we get them, and subtract the total from the state's allotment. The process is similar for transit agencies. But once the Trust Fund falls below a crucial point, which we expect to happen during the first week of August, we'll have to stop reimbursing states for each bill as they come in, and we'll begin a new process. Under the new plan, we'll use the same percentage each state is assigned annually to determine how much they'll receive of whatever is left in the fund. States will be paid their percentage not as they send in their bills, but every two weeks as money from the gas tax trickles into the Fund. We believe this is the most prudent and most equitable approach to managing such an uncertain situation. But, to be clear, there is no *good* option here. On average, states will see a 28 percent drop in federal transportation dollars. Depending on how they manage the funds, each state will feel the effects differently, but everyone will feel the impact sooner or later."

Here is a [link](#) to the state DOT letter, a [link](#) to the transit agency letter, a [link](#) to the US DOT Highway Trust Fund Ticker website, a [link](#) to a DOT FAQ on cash management options, and a [link](#) to the Foxx's July 1 blog post.

In his letter to US DOT employees, Secretary Foxx says that hiring and pay should not be affected by the potential Highway Trust Fund insolvency, but all employees are asked to limit or defer administrative expenses. In addition, some offices will be required to restrict travel - "As you know, the Highway Trust Fund provides funding for more than road, bridge, and transit work across the country. It also provides funding for many DOT employees who oversee this work, as well as some employees who manage safety-related projects in NHTSA and FMCSA and other DOT components. We do not expect the Highway Trust Fund's impending insolvency to directly impact hiring and pay for DOT employees. However, I am requiring components within the U.S. Department of Transportation to restrict travel and administrative spending until these issues are resolved. I am counting on all of you to do your part to restrict spending throughout the Department. We are "One DOT." Therefore, we expect everyone to assess spending decisions and act with special vigilance during this time. This means that everyone in DOT should limit or defer administrative expenditures to the maximum extent possible."