THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

July 1, 2014

Ms. Melinda L. McGrath
Executive Director
Mississippi Department of Transportation
P.O. Box 1850
Jackson, MS 39215

Dear Director McGrath:

I have previously written to let you know of the increasingly urgent state of the Highway Trust Fund. I now write to set forth the cash management procedures to be undertaken by the Federal Highway Administration in the event of a shortfall. Absent Congressional action, we will begin implementing these measures on August 1, 2014.

As I stated in my June 19 letter, the Department will continue to take every possible measure to fully reimburse your State for as long as we can. However, as we approach insolvency, the Department will be forced to limit payments to manage the reduced levels of cash available in the Trust Fund. This means, among other things, that the Federal Highway Administration will no longer make "same-day" payments to reimburse States.

We have attempted to provide states with the most equitable, straightforward approach possible for managing this crisis. To that end, we will distribute incoming funds in proportion to each State's Federal formula apportionment in this fiscal year. In addition, I am requiring the U.S. Department of Transportation to restrict travel and administrative spending until these issues are resolved.

These cash management procedures will begin on August 1, 2014, for programs funded out of the Highway Account, with States receiving notification of their first proportional share on August 11, 2014. This process will be repeated twice a month as additional tax receipts are deposited into the Trust Fund. At the beginning of each semi-monthly cycle, you will receive a new cash allocation. We will continue to administer this process until the Congress can reach a solution that provides adequate resources to the Fund. We may change some aspects of this process should an emergency situation arise or should a change be necessary to further protect the overall safety and efficiency of the national transportation system.

To assist you in this effort, I have asked the Federal Highway Administration to provide specific guidance on how it will implement this cash management plan. These details may be found on the U.S. Department of Transportation's website located at: http://www.dot.gov/highway-trust-fund-ticker. We hope this information will help you and your staff manage the process.

While this letter is specifically directed to State department of transportation officials, I am mindful that some of you either manage or allocate Federal funds to transit agencies within your State. In the event that the shortfall continues into the fall, the Mass Transit Account will also reach a critical point. Should that occur, the Department will be providing specific guidance on the Federal Transit Administration's approach in managing the resources available to transit agencies.

I believe the FHWA cash management plan is a sound one. It treats all States equitably and provides you with as much certainty as we can in a very uncertain situation.

There is still time for Congress to act on a long-term solution. Our transportation infrastructure is too essential to suffer continued neglect, and I hope that Congress will avert this crisis before it is too late. I urge you to stand with me in calling on Congress to ensure the solvency of the Highway Trust Fund while committing itself to a sound, bipartisan, and long-term solution that will ensure the stability of the surface transportation system of our Nation for the next several years.

If I can provide additional information on this matter please feel free to contact me.

Sincerely,

Anthony R. Foxx