TALKING POINTS
HTF Cash Shortfall Scenario

Below are talking points prepared by AASHTO for use during conversations with legislators and government officials on potential delays on Federal reimbursements to states for transportation project costs already incurred:

- The federal Highway Trust Fund has been running a continuous and structural cash flow deficit since 2008, where outlays to fund federal programs exceeds receipts from gas taxes and truck fees by about $13 billion per year, growing to a $26 billion annual deficit by the end of the decade.
- According to FHWA, the Highway Trust Fund is currently estimated to run out of cash around early November if no “cash management procedures” are implemented.
- The Federal-aid Highway Program is a "reimbursement" program and not a "cash up-front" program. This means that even though the authorized federal funds are "distributed" to the states via formula apportionments, no cash is actually disbursed until the state submits a request for reimbursement.
- The typical process for reimbursement includes these steps:
    - States are notified each year that they have federal funds available for use through the obligation limitation set by Congressional appropriators;
    - Projects are approved by FHWA and work on these projects begins, with the state DOT incurring and paying the approved project costs with state funds;
    - State DOTs submit a request for payment (i.e., reimbursement) for the approved incurred costs, and;
    - USDOT makes same-day electronic payments to the states for approved costs incurred on the projects.
- In September 2008, the federal Highway Trust Fund (HTF) experienced its first cash shortfall, which occurred when the balance in the Highway Account of the HTF fell below a predetermined threshold. At that time, the Federal Highway Administration (FHWA) had to cease its longtime practice of reimbursing state governments electronically on the same day in which the state submits a request for reimbursement.
- Because of this shortfall, FHWA decided to reimburse only on a weekly basis subject to availability of cash in the Highway Account. When these types of shortfalls in the HTF occur, USDOT has to delay reimbursing 100 percent of the project costs incurred—and requested—by states, forcing states to use their own limited state funds during the period of delayed reimbursement.
- The 2008 cash shortfall was addressed through an emergency General Fund transfer; this situation happened again in 2014.
- These cash shortfall situations create a massive disruption to transportation programs and projects all over the country, with further impact on jobs and broader industry—and ultimately delays in mobility and quality of life benefits of transportation investment.
- Passage of the Infrastructure Investment and Jobs Act, including its $118 billion General Fund transfer into the Highway Trust Fund, would immediately remove this worst-case scenario from happening for the five-year duration of the bill.