

**DEPARTMENT OF TRANSPORTATION**

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ITEM II F



*Serious drought.  
Help save water!*

July 1, 2014

Dear Transportation Partners:

As has been communicated several times in recent months, the Federal Highway Trust Fund (FHTF) will reach insolvency around the end of August 2014, absent any action to correct the imbalance. The United States Department of Transportation (USDOT) has indicated that the FHTF would not be able to fully reimburse states for approved expenditures.

In a letter dated July 1, 2014, Secretary of Transportation Anthony Foxx communicated a plan to limit disbursements from the FHTF, in order to maintain solvency of the fund. In addition to limiting administrative expenses from the fund, Secretary Foxx will implement a straightforward approach effective August 1, 2014.

The amount of reimbursement for each state will be capped based on an analysis of total available funding, and each state's share of Federal Formula Apportionments. The USDOT will perform the analysis of the available funding twice per month, and each state will be informed of its share. States will receive only their share of funding, even if total billing exceeds the amount provided. This nuanced approach by the USDOT ensures that states with aggressive billing practices will not receive a higher share of the available funding.

Current year federal reimbursements to California have averaged \$320 million per month. Caltrans has estimated that revenues to the FHTF are enough to fund about 70% of cash flow commitments, but this estimate has not been verified by the USDOT. State's will learn the details of the cash flow solutions from the cash flow analysis prepared by the USDOT in accordance with the plan outlined by Secretary Foxx.

In a letter to Congress in June, I expressed the concern we all share over the state of the FHTF, and detailed the financial and economic impact to California. Caltrans continues to explore options to manage the cash flow disruptions caused by the FHTF crisis, but I remain hopeful that Congress will take action to provide adequate resources to the fund. We will continue to inform you of any updated information we receive.

Sincerely,

A handwritten signature in blue ink, appearing to read "Malcolm Dougherty".

MALCOLM DOUGHERTY  
Director