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Administration Says Highway Trust Fund Shortage Will result in Slowdown of Payments- Administration Drops Opposition to HTF Fix

Secretary of Transportation Mary Peters today acknowledged that the Highway Trust Fund has an insufficient balance to continue to make full and timely payments to reimburse states for on-going Federal-aid highway construction projects and will be forced to reduce payments starting the week of September 8. The Administration projected that by the end of September the balance in the Highway Trust Fund will be zero. Secretary Peters pointed out that an infusion of revenue into the HTF is necessary to prevent further disruptions to the highway program and called on Congress to pass a "clean" bill transferring \$8 billion in revenue into the HTF by next Friday. The House has already passed H.R. HR 6532, legislation sponsored by Ways and Means Committee Chairman Charles Rangel (D-NY), T&I Committee Chairman Jim Oberstar (D-MN) and the bipartisan T&I Committee leadership, to make the \$8 billion transfer. Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Committee Republican Chuck Grassley (IA) have been championing the effort in the Senate to include the HTF fix as part of other legislative initiatives. Their efforts have been stifled by the Administration's opposition. Just last July, the Administration issued a Statement of Administration policy threatening a veto of the Rangel/Oberstar bill. Senate opposition has also come from Sen. Jim DeMint (R-SC), Judd Gregg (R-NH) and Sen. Tom Coburn (R-OK).

Standard operating procedures currently are for FHWA to reimburse states twice daily as they submit vouchers for payment. The procedures announced today will have FHWA making payments to states once per week on Thursdays and at a reduced rate. States will be reimbursed on a pro-rata basis, based on the amount of funds available at the time payments are made. The longer it takes to get new revenue into the HTF the greater the subsequent percentage reductions in payments will be.

AGC has been working closely with our construction industry and transportation allies calling on Congress and the Administration to work together to guard against HTF insolvency since its financial instability became apparent in the President's 2007 budget proposal, submitted to Congress in February 2006. AGC will be urging the Senate to heed the Department's call to enact this legislation by the end of next week and send it to the President's desk.

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