FREQUENTLY ASKED QUESTIONS (FAQs) CASH MANAGEMENT PROCEDURES
DURING AN HTF SHORTFALL

1. When will the Federal Highway Administration (FHWA) begin cash management procedures?
The exact implementation date is unknown due to many factors, but it could be as early as October. States will be notified at least one month prior to implementation of the cash management procedures. On the date the procedures are implemented, FHWA will not approve reimbursement requests for several days while we calculate each State’s cash allocation. Once each State receives its allocation, payments can be requested.

2. Which programs will be affected by the cash shortfall?
The cash shortfall affects all programs from the Highway Account of the Highway Trust Fund, including the Federal-aid Highway Program. This would include all State apportioned and allocated funding. It would not include General Fund programs such as Highway Infrastructure Programs, Emergency Relief (supplemental General Fund portion only), and TIGER/BUILD/RAISE.

3. Why did FHWA decide to adopt a process that allocates available cash to the States?
This process will allow States to regularly request and receive payments during a cash shortfall in Highway Account of the HTF. States will know prior to submitting bills for reimbursement up to how much they will be paid during each period. This also allows States to prioritize their bills, and request payment regularly throughout each semi-monthly period.

This process will be repeated twice a month as FHWA receives deposits from Treasury into the Highway Account of the HTF.

4. How will FHWA determine each State’s share of available cash?
The allocation share for a State is the ratio of that State’s unexpended balance as of September 30, 2021, to the total amount of unexpended balances for all States as of the same date. Note that funding is provided to Puerto Rico and the territories under allocated programs and is not subject to this allocation share process. For example, if a State has an unexpended balance of $1 billion and the total unexpended balance of all States is $61 billion, then the State’s share is 1.6% ($1 billion/$61 billion = 1.6%).

5. Why did FHWA decide to use unexpended balances as of September 30, 2021, as the basis for the allocation shares?
Using unexpended balances provides an equitable way to allocate available cash among all States since it represents the relative need for cash to liquidate obligations. Basing the allocation shares on the unexpended balances as of the end of the most recent fiscal year allows for stability in the allocation shares.
6. **Will the allocation shares be adjusted periodically?**
   If necessary, the allocation shares based on unexpended balances as of September 30, 2020 will be used until unexpended balance data as of September 30, 2021, becomes available. The allocation shares then will be adjusted to reflect the September 30, 2021, unexpended balances and will not be further adjusted.

7. **How is the amount of a State’s semi-monthly cash allocation calculated?**
   The total amount of cash available for distribution to the States will be multiplied by each State’s allocation share to determine their allocation for the current period. This amount will be added to any remaining cash a State has from a prior period. The process will be repeated during each semi-monthly period during the shortfall.

   **Example:**
   
   Total cash available to all States = $1.4 billion  
   State’s allocation share = 1.6%  
   State’s current period allocation = $22.4 million  
   State’s carry-over from prior period = $2.0 million  
   **Total amount available to State = $24.4 million**

8. **How frequently will the State cash allocations be updated?**
   Cash allocations will be recalculated semi-monthly, upon receipt of the deposit from Treasury. It is expected that grantees will receive a new allocation within one business day after the deposit is received.

9. **How much funding can grantees request?**
   There is no limit to the amount that grantees can request for payment; however, FHWA will only approve payments up to the State’s cash allocation.

10. **What if a grantee’s payment requests are less than their allocation—what happens to the unused cash?**
    If a grantee does not use all of their allocated cash in the semi-monthly period, it will be added to its allocation for the next period. This allows States greater flexibility and better aligns available cash with each State’s needs.

11. **What if a grantee’s payment requests exceed their allocation—what happens to the unpaid bills?**
    All bills in excess of a State’s allocation will not be approved by the FHWA Division and will remain in the queue until a subsequent period. The State may elect to have these requests paid during subsequent periods.
12. What if a bill is in the queue from a prior period, but a grantee now has higher priority bills—can they replace bills? If so, how?
Yes, the State would inform the FHWA Division Office and the Division would reject the specified requested payments at the State’s direction. The State would then submit the new bills they wish to be paid.

13. How frequently can grantees request reimbursement?
Grantees can request payment daily. The only exceptions to this are the day the semi-monthly receipt is received, and the next day when the new allocations are calculated. Otherwise, grantees can request payment every day during the period.

14. Are there any other restrictions on payments?
Yes. The requested payment date must be at least three business days after the date the FHWA Division approves the reimbursement batch. This will provide FHWA with sufficient time to ensure that payments to an individual State do not exceed its cash allocation cap and that FHWA retains sufficient cash on hand.

15. Can grantees prioritize payments? If so, how?
Yes, grantees can prioritize payments. States will work with their FHWA Division to determine which reimbursement requests are paid.

16. Will all recipients/grantees be affected?
Yes. A cash shortfall will impact all recipients and payments. Payments for other Federal agencies, Federal Land Management Agencies, and contracts will be affected. These recipients may not immediately receive all requested or needed cash during a shortfall.

17. Will the cash shortfall impact FHWA staffing?
In order to maintain oversight of the Federal-aid Highway Program, and execute the cash management plan during a shortfall, FHWA will fully pay payroll and benefits. Non-mission critical agency operations will be limited during a shortfall.

18. Will the cash shortfall impact August redistribution?
No. The redistribution of obligation limitation through the August redistribution process will not be impacted.
FREQUENTLY ASKED QUESTIONS (FAQs)

FEDERAL INTEREST LIABILITY ON DELAYED FHWA PAYMENTS

1. **What is a Treasury-State agreement?**
   A Treasury-State agreement documents the accepted funding techniques and methods for calculating interest between Treasury and a State and identifies the Federal assistance programs. [31 CFR 205.6 9a)]

2. **When does Federal interest liability accrue?**
   The Federal Program Agency incurs interest liability if a State pays out its own funds for Federal assistance program purposes with valid obligation authority under Federal law, Federal regulation, or Federal-State agreement. A Federal interest liability will accrue from the day a State pays out its own funds for Federal assistance program purposes to the day Federal funds are credited to a State bank account. [31 CFR 205.14 (a) (1)]

3. **How is the rate of interest determined?**
   The interest rate for all interest liabilities for each Federal assistance program is the annualized rate equal to the average equivalent yields of 13-week Treasury Bills auctioned during a State’s fiscal year. This rate is provided to each State. [31 CFR 205.19 (a) (b)]

4. **What is the methodology for calculating Federal interest liability?**
   The Treasury-State agreement contains each state’s funding technique and the specific methodology used to calculate Federal interest liability.

   The method must include, but is not limited to, a clear indication of: (1) The data used; (2) The sources of the data; (3) The calculation process; and (4) Any assumptions, standards, or conventions used in converting the data into the interest liability amounts. [31 CFR 205.9 (g)]

5. **How will interest be paid to the States?**
   Interest will be paid to the States based on the terms of the Treasury-State agreement.

6. **When will interest be paid to the States?**
   A State must calculate and report interest liabilities on the basis of its fiscal year. A State must ensure that its interest calculations are auditable and retain a record of the calculations. [31 CFR 205.19]

   A State must submit an Annual Report to Treasury to account for State and Federal interest liabilities of the State’s most recently completed fiscal year. A State must submit a description and supporting documentation for liability claims greater than $5,000. This information must include the following: (1) The amount of funds requested; (2) The date the funds were requested; (3) The date the funds were paid out for Federal assistance program purposes; (4) The date the funds were received by the State; and (5) The date of award. [31 CFR 205.26]
All of the State’s claims have to be submitted to Treasury by December 31\textsuperscript{st}. Treasury will review the claims and present the information to FHWA. FHWA has an opportunity to review the claims and counter if they are deemed invalid. All valid claims will be paid by March 31\textsuperscript{st}. 