Memorandum

Subject: **ACTION:** Procedures for Reimbursement During a Highway Trust Fund Cash Shortfall  
Date: August 26, 2021  
In Reply Refer To: HCF-1

From: Brian R. Bezio /s/ signed by  
Chief Financial Officer

To: Associate Administrators  
Chief Counsel  
Director, Office of Technical Services  
Federal Lands Highway Division Engineers  
Division Administrators

The purpose of this memorandum is to provide procedures for reimbursement during a cash shortfall in the Highway Account of the Highway Trust Fund (HTF). Cash management procedures may be implemented as soon as October 8, 2021, for programs funded out of the Highway Account with States receiving their first reduced proportional shares on October 12, 2021. If implemented, these cash management procedures will continue until further notice.

**BACKGROUND**

The Federal Highway Administration (FHWA) anticipates a cash shortfall in the Highway Account of the HTF in the coming months. As a shortfall nears, FHWA will implement cash management procedures to ensure a positive balance is maintained in the Highway Account.

The procedures were developed to ensure equitable distribution of available cash resources and are provided in advance to allow recipients to plan and prioritize reimbursement requests. The procedures also provide predictability and use current systems to facilitate the reimbursement process during a cash shortfall.

**PROCESS**

The following process will be followed twice a month until the Highway Account of the HTF has adequate cash to return to normal reimbursement procedures or FHWA determines that revised procedures are necessary.
State Grant Payments

Suspension of Reimbursement Request Approvals

Beginning as soon as October 8, 2021 and on the subsequent dates of a scheduled semi-monthly (i.e., twice a month) deposit into the HTF, FHWA Division Offices will suspend the approval of all reimbursement requests processed through the Current Bill module of the Fiscal Management Information System (FMIS).

Allocation of Cash

The business day after a deposit into the HTF, cash will be allocated to the States in proportion to their share of the total unexpended balances. The State-by-State cash distribution percentages will be distributed after the end of fiscal year 2021.

Until the next semi-monthly deposit into the HTF, payments to the States will be limited to the cap determined by this allocation. States will maintain control over their reimbursement requests and will have the ability to prioritize payments.

Approval of Reimbursement Requests

Once States are notified of their payment cap, Division Offices will work with their State counterparts to determine which reimbursement batches to approve. These batches may already be in their Current Bill queue or subsequently submitted. FHWA Divisions will approve payments up to the cash allocation cap. Any reimbursement requests in excess of a State’s cash allocation will remain in Current Bill unapproved.

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.

During a semi-monthly cycle, if a State requests an amount of cash less than its calculated share, the carryover allocation will be reserved for that State and added to its share during the next allocation. This provides flexibility for States should they have significant reimbursement needs in future periods.

Example of State Grant Payment Process

1) **Determine State’s share of overall unexpended balance**
   State has unexpended balance of $2.32 billion out of a total unexpended balance of $58 billion, equating to a State share of 4.0%.

2) **Determine amount available to distribute (semi-monthly)**
   Cash on hand plus the deposit received less other payments equals $1.4 billion available to distribute.

3) **Determine State’s share of cash for the current payment period**
   State share (4.0%) x $1.4 billion = $56.0 million.

4) **Notify each State of its payment cap**
5) **State submits batch reimbursement requests through Current Bill per normal procedure**
   Any unused portion of the cap carries over and is added to the State’s share for the next period. For example, State only submits $40 million in reimbursement requests, so $16 million ($56.0 million - $40 million) would carry over to the next period.

6) **FHWA Division reviews and approves requests up to the State cap**
   Any reimbursement requests in excess of the cap will remain in Current Bill in an unapproved status. The State may elect to have all or some of these “excess” requests paid in the next payment cycle, provided sufficient cash is available. For example, State requests $70 million in payments, so $14.0 million ($70 million - $56 million) of reimbursement requests will not be paid and will remain unapproved in Current Bill.

7) **Enterprise Service Center (ESC) processes the approved requests for payment (daily)**
   Daily payments will not be processed until FHWA has certified that the State caps have not been exceeded.

8) **Reimbursement processing is temporarily stopped on the day of the scheduled HTF deposit (i.e., twice a month), and the subsequent day when the new cash allocation is calculated and States are notified**
   This temporary suspension of processing payments allows time for FHWA to calculate the carryover amounts and the new cash allocation. On the day after the new shares are calculated and the States are notified, Divisions may continue to approve reimbursement requests up to the new cap.

**Transfers to Other Agencies**
Cash transfer requests from other agencies, including allocation (child) accounts and flex funding, will be submitted quarterly to FHWA. FHWA will review all requests, which should be conservative and only for amounts needed for cash disbursements within the quarter requested.

**Transportation Infrastructure Finance and Innovation Act (TIFIA) Disbursements**
Disbursements for TIFIA loan payments will continue in accordance with the disbursement plans specified in the loan agreements.

**Contract, Purchase Order, Cooperative Agreement and Other Grant Payments**
Payments for contracts, purchase orders, cooperative agreements, interagency agreements, and other grants, including payments to Federal Land Management Agencies, will be processed in accordance with the terms of the agreement.

**General Operating Expenses**
Payments for FHWA administrative and general operating expenses, including payroll, will continue as normally processed.