



U.S. Department
of Transportation

**Federal Transit
Administration**

Administrator

1200 New Jersey Avenue, SE
Washington, DC 20590

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your letter of November 4 requesting further clarification of the Fiscal Year 2012 Mid-Session Review estimates of the cash balances in the Mass Transit Account (MTA) of the Highway Trust Fund for fiscal years 2012 through 2017. You also requested that the Federal Transit Administration (FTA) summarize actions it would take in the event of a cash shortfall of the MTA.

The FTA, the Office of the Secretary of Transportation (OST), and the Office of Management and Budget (OMB) work closely to develop cash balance projections of the MTA. These cash balance projections are based on revenues projections provided by the Department of Treasury and outlay projections formulated collaboratively between FTA, OST, and OMB. Outlays are payments to liquidate obligations. Obligations are the full amount of funding legally committed for certain projects and activities.

Cash balance projections of the MTA are developed in conjunction with the President's Budget released in February and updates of estimates for outlays, receipts, and other changes are part of OMB's Mid-Session Review (MSR) completed in August. This allows for changes that might have taken place since release of the President's Budget.

Assuming baseline levels of FTA contract authority and obligation limitations, our latest MSR estimates are that the MTA will have a \$2.4 billion cash balance (positive) at the end of fiscal year 2012, but a \$1.9 billion cash shortfall (negative) at the end of fiscal year 2013. Larger cash shortfalls are also projected for fiscal years 2014 through 2017 assuming baseline funding levels. Enclosed is a table that provides the details of the MSR estimates for both the Highway Account and the MTA for fiscal years 2011 through 2017.

The FTA recognizes that minimum levels of funding are needed in the MTA at any time of the year to avoid having insufficient funds to cover potential outlays. For the MTA this "prudent balance" level is \$1 billion, so the MTA will need \$2.9 billion (\$1 billion prudent balance plus \$1.9 billion cash shortfall) for fiscal year 2013 to maintain this level.

While it remains above this "prudent balance" level, it has sufficient cash to cover one month's projected outlays. If the account balance were to drop below this level, the Department would begin its notification process to grantees because the account would be at risk of having insufficient funds to cover potential outlays.

With respect to what actions the FTA will take in the event of a cash shortfall of the MTA, you can be assured that FTA will do everything administratively possible to limit the impact on our transit partners to the extent practicable by following good cash management procedures. FTA currently provides reimbursement within 36-48 hours, well within Federal guidelines for prompt payment. In order to manage cash balances below the "prudent balance" level, FTA may have to delay payments. To the extent possible, FTA would strive to comply with Federal payment guidelines. If full payment cannot be made because of insufficient funds, FTA will ensure that all transit agencies are treated evenhandedly.

You should know that FTA will continue to monitor program outlays closely through financial reports and will continue to provide weekly cash tracking tables for the MTA to the Department for transmittal to Congress.

Thank you for your interest in ensuring that Congress provide sufficient funds to the MTA as it develops a bill to reauthorize the Federal transit programs. Please let me know if you need further information.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Peter Rogoff", written in a cursive style.

Peter Rogoff

Enclosure

Highway Trust Fund Cash Balances
FY 2010-2017
Baseline Funding Levels
FY 2012 Midsession Review

\$ in billions

(totals may reflect rounding error)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-------------|------------|-------------|--------------|--------------|--------------|--------------|
| Highway Account | | | | | | | |
| <u>Resources</u> | | | | | | | |
| Contract Authority - FHWA | 41.9 | 42.4 | 43.1 | 43.8 | 44.5 | 45.3 | 46.1 |
| Contract Authority - Safety* | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 | 1.4 |
| Obligation Limitation - FHWA | 41.1 | 41.7 | 42.3 | 43.1 | 43.8 | 44.5 | 45.3 |
| Obligation Limitation - Safety* | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 | 1.4 |
| <u>Cash Flow</u> | | | | | | | |
| Cash Balance (Beginning of Year) | 20.7 | 13.3 | 4.9 | -3.9 | -12.7 | -21.9 | -31.8 |
| Receipts | 31.1 | 33.7 | 34.1 | 35.1 | 35.8 | 36.5 | 37.0 |
| Outlays | 38.5 | 42.1 | 42.8 | 43.9 | 45.0 | 46.4 | 48.3 |
| Cash Balance (End of Year) | 13.3 | 4.9 | -3.9 | -12.7 | -21.9 | -31.8 | -43.1 |
| Mass Transit Account | | | | | | | |
| <u>Resources</u> | | | | | | | |
| Contract Authority - FTA | 8.3 | 8.5 | 8.6 | 8.7 | 8.9 | 9.0 | 9.2 |
| Obligation Limitation - FTA | 8.3 | 8.5 | 8.6 | 8.7 | 8.9 | 9.0 | 9.2 |
| Cash Balance (Beginning of Year) | 8.5 | 6.6 | 2.4 | -1.9 | -6.3 | -10.4 | -14.1 |
| Receipts | 4.8 | 4.9 | 5.0 | 5.0 | 5.1 | 5.1 | 5.1 |
| Flex Funding Transfer | 0.9 | 0.5 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| Outlays | 7.7 | 9.7 | 9.5 | 9.5 | 9.2 | 8.8 | 8.9 |
| Cash Balance (End of Year) | 6.6 | 2.4 | -1.9 | -6.3 | -10.4 | -14.1 | -17.9 |
| Highway Trust Fund | | | | | | | |
| End of Year Cash Balance (Total) | 19.9 | 7.3 | -5.8 | -19.0 | -32.2 | -45.9 | -61.0 |

*includes FMCSA and NHTSA



U.S. Department
of Transportation

**Federal Transit
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1200 New Jersey Avenue, SE
Washington, DC 20590

The Honorable Richard C. Shelby
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Senator Shelby:

Thank you for your letter of November 4 requesting further clarification of the Fiscal Year 2012 Mid-Session Review estimates of the cash balances in the Mass Transit Account (MTA) of the Highway Trust Fund for fiscal years 2012 through 2017. You also requested that the Federal Transit Administration (FTA) summarize actions it would take in the event of a cash shortfall of the MTA.

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Peter Rogoff

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| End of Year Cash Balance (Total) | 19.9 | 7.3 | -5.8 | -19.0 | -32.2 | -45.9 | -61.0 |

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