

DEPARTMENT OF TRANSPORTATION

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*Serious drought.
Help save water!*

June 1, 2015

Dear Transportation Partners:

The most recent Congressional extension of the current surface transportation authorization, Moving Ahead for Progress in the 21st Century, expires on July 31, 2015, which coincides with the projected insolvency of the Federal Highway Trust Fund. Based on the letter released by Secretary Foxx regarding the last expiration, unless Congress passes a new authorization or another extension, the Federal Highway Administration will not be obligating federal-aid funds, nor will they be making reimbursements for ongoing projects.

The State of California receives over \$3 billion in federal transportation funds, representing ten percent of all federal transportation funding in the United States. These funds create or sustain over 81,000 jobs and are used to leverage other transportation revenue to preserve and improve the transportation system.

Absent passing a new authorization or another extension, we would not have the ability to obligate federal funds or have any assurance of timely project reimbursement, and therefore the California Department of Transportation (Caltrans) would have no choice but to immediately halt the allocation of any new transportation projects. Once construction begins, the State is unable to subsequently place federal funds on a project and the State does not have sufficient cash flow for those projects that will be ready for construction over the next few months. Should the problem persist, Caltrans may be forced to shut down ongoing construction due to an inability to absorb the federal shortfalls with state cash. This would be a detriment to both the condition of the transportation system and the economy as a whole.

Because Caltrans received early loan repayments to the State Highway Account in 2014-15, it is likely that ongoing projects could continue for a few months by advancing state funds. This would give sufficient time for an orderly shutdown of construction, if necessary.

We will keep you informed as new information becomes available. If you have questions or concerns, please contact Norma Ortega, Caltrans Chief Financial Officer, at (916) 654-3986.

Sincerely,

A handwritten signature in blue ink, reading "Malcolm Dougherty".

MALCOLM DOUGHERTY
Director