

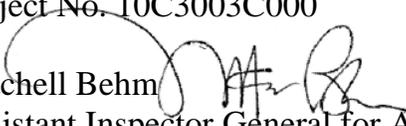


Memorandum

U.S. Department of
Transportation
Office of the Secretary
of Transportation
Office of Inspector General

Subject: INFORMATION: Audit Announcement –
Adequacy of Measures Taken To Address the
Solvency of the Highway Trust Fund
Project No. 10C3003C000

Date: May 5, 2010

From: Mitchell Behm 
Assistant Inspector General for Amtrak,
High Speed Rail, and Economic Analysis

Reply to JA-50
Attn of:

To: Assistant Secretary for Budget and Programs
and Chief Financial Officer

Congress created the Highway Trust Fund (HTF) to channel Federal highway-user tax receipts to support state highway infrastructure, safety, and mass transit projects. The cash balance of the HTF peaked at \$31 billion at the end of fiscal year 2000. The Transportation Equity Act for the 21st Century, enacted in 1998, eventually caused outlays to begin outpacing receipts, which eroded the cash surplus. This trend continued when the Safe Accountable Flexible Efficient Transportation Act: A Legacy for Users was enacted in 2005. In addition, users' vehicle miles travelled declined over the past couple of years due to high fuel prices and a lagging economy, rapidly reducing the HTF's cash balance and creating the current solvency concerns.

To maintain solvency in the near term, Congress transferred \$35 billion from the Treasury's General Fund to the HTF's Highway and Mass Transit Accounts over the past 18 months. However, since the regular funding mechanism does not generate enough cash receipts to meet current outlay levels, future cash shortfalls appear inevitable.

Given these concerns, Senator Judd Gregg, Ranking Member of the Senate Budget Committee, requested that we conduct an audit to evaluate whether (1) the Department of Transportation (DOT) has appropriate procedures for monitoring cash balances in the Highway and Mass Transit Accounts and measuring the magnitude and timing of cash shortfalls; (2) DOT's communications with key stakeholders about cash balances or projected shortfalls are timely, comprehensive, transparent, and understandable and allow adequate time for Congress and the States to take remedial actions; and (3) any of the policies and procedures the Federal Aviation

Administration uses to manage the Airport and Airway Trust Fund could be applied to HTF management.

We plan to begin the audit the week of May 10, 2010, at DOT Headquarters in Washington, DC, and will contact your audit liaisons to arrange entrance conferences. If you have any questions, please contact me at (202) 366-1995 or Jay Borwankar, Project Manager, at (202) 493-0970.

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