



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

BEVERLY EAVES PERDUE
GOVERNOR

1501 MAIL SERVICE CENTER, RALEIGH, N.C. 27699-1501

EUGENE A. CONTI, JR.
SECRETARY

September 14, 2009

Mr. Victor M. Mendez
Federal Highway Administrator
1200 New Jersey Avenue, SE
Washington, DC 20590-9898

Dear Mr. Mendez:

When SAFETEA-LU was enacted, Congress authorized the rescission of \$8,708,000,000 of unobligated Federal-aid highway funds apportioned to states September 30, 2009. Federal Highway Administration (FHWA) recently notified North Carolina that it is rescinding \$249,216,507 in unobligated balances from North Carolina with \$238,920,391 withdrawn according to Title XI, Subtitle D, Section 1132(a) of the Energy Independence and Security Act of 2007 and the remaining \$10,296,116 withdrawn from programs not covered by the Energy Act.

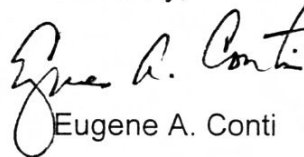
With the rescission subject to the Energy Independence and Security Act, North Carolina has limited flexibility in determining the program dollars subject to the rescission. Our state's current unobligated balances do not match the preliminary rescission numbers as calculated by FHWA. Based on FHWA guidance, FHWA will not require the de-obligation of funds from active projects but will instead perform multiple reiterations of the rescission calculations to withdraw funds from available balances. Due to this reiterative process, the exact impact to any one program area in North Carolina is likely to be unknown prior to September 28, 2009, once FHWA has performed all calculations. Based on our current unobligated balances, it appears that Interstate Maintenance, Highway Safety Programs, the Congestion Mitigation and Air Quality Program, and various Surface Transportation Programs - including Metropolitan Direct Attributable funds will be the most effected.

North Carolina is grateful for the FHWA assurances that the rescission will not require the de-obligation of funds from any ongoing projects to satisfy rescission requirements. Based on this assurance, it appears that the pending rescission will not have a negative impact on any current projects, but we are concerned that it will restrict our flexibility in choosing future projects for development.

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The North Carolina Department of Transportation opposes the use of rescissions as a budgetary tool, and would appreciate your help to address this and future budget issues in some other manner. Thank you for your continued support for our transportation network as highway dollars support our economy.

Sincerely,



Eugene A. Conti

EAC:cwl

cc: North Carolina Congressional Delegates