U.S. Department of Transportation

Federal Highway Administration

Notice

Subject:
FEDERAL-AID HIGHWAY PROGRAM OBLIGATION LIMITATION–FISCAL YEAR 2026 REDISTRIBUTION AFTER AUGUST 1, 2026 (AUGUST REDISTRIBUTION)

Classification Code	Date	Office of Primary Interest
N4520.295	**June 29, 2026**	**HCFB-10**

1. **What is the purpose of this Notice?** This Notice provides procedures governing the determination and redistribution of unneeded balances of Fiscal Year (FY) 2026 obligation limitation subject to lapse on September 30, 2026. The redistribution is pursuant to Section 120(c) of the Department of Transportation Appropriations Act, 2026, Title I of Division D, Public Law (Pub. L.) 119-75.

2. **What is the background information?**

   a. The Department of Transportation Appropriations Act, 2026, provides for the redistribution, after August 1, 2026, of any annual obligation limitation distributed to a State for FY 2026 that is subject to lapse on September 30, 2026, if the State cannot obligate the limitation during the fiscal year (effectively September 25, 2026, the last day to obligate Federal-aid highway program funding through the Fiscal Management Information System (FMIS)).

   b. Any obligation limitation that is available until expended (not subject to lapse) or is available for multiple fiscal years—whether distributed to a State for FY 2026 or for a prior fiscal year—is not subject to redistribution and should not be included in the responses required by this Notice. The no-year and multiyear obligation limitation not subject to redistribution includes:

      (1) Obligation limitation made available for transportation research programs carried out under Title III of Division A of the Infrastructure Investment and Jobs Act (IIJA), Pub. L. 117-58 (available for 4 fiscal years); Title VI of the Fixing America's Surface Transportation Act, as amended, Pub. L. 114-94 (available for 4 fiscal years); or Chapter 5 of Title 23, United States Code (U.S.C.) (available for 4 fiscal years).

      (2) Special obligation limitation that is available until expended, associated with the Equity Bonus Program, Minimum Guarantee, the Appalachian Development Highway System Program, High Priority Projects, Projects of National and Regional Significance, the National Corridor Infrastructure Improvement Program, Transportation Improvements, and any other special obligation limitation that is available until expended.

c. Any obligation limitation associated with expired program funds that was de-obligated during FY 2026 is not subject to redistribution and should not be included in the responses required by this Notice. **Please note that these funds and associated obligation limitation are subject to lapse if they are not obligated by September 25, 2026.**

d. Funding provided for the Highway Infrastructure Programs—whether appropriated in the IIJA, or annual appropriations acts—is from the General Fund and not subject to any obligation limitation. Since August Redistribution only pertains to the redistribution of Federal-aid highway program obligation limitation, such amounts are not subject to redistribution and, therefore, should not be included in the responses required by this Notice.

e. If a State will not obligate, prior to September 25, 2026, any obligation limitation that has been allocated to the State and that is not subject to redistribution such as obligation limitation available until expended (not subject to lapse), available for multiple fiscal years, or associated with expired program funds, then such State should contact the appropriate Federal Highway Administration (FHWA) Program Office to determine the necessary course of action regarding that obligation limitation and the funds with which it is associated.

f. When determining unneeded balances of obligation limitation distributed for FY 2026, obligation limitation initially distributed as formula obligation limitation and obligation limitation initially reserved from the distribution to support the obligations of non-formula (allocated) programs will be identified separately and included in separate responses as outlined below.

3. **How is the obligation limitation distributed for FY 2026?**

a. The total annual obligation limitation provided under the Department of Transportation Appropriations Act, 2026, is $62,657,105,821.

b. The majority of the obligation limitation is distributed as formula obligation limitation to the States. This obligation limitation is available for FY 2026 only and is subject to lapse on September 30, 2026, if not obligated.

c. Obligation limitation is reserved from the distribution and used to support the allocation of non-formula (allocated) programs, the Federal Lands Highway Program, transportation research, and administrative funds. Most of this obligation limitation is available for FY 2026 only and is subject to lapse on September 30, 2026, if not obligated. However, the obligation limitation for transportation research is a multiyear obligation limitation and, thus, will not lapse on September 30, 2026.

d. The remaining obligation limitation is reserved to meet the requirements of penalty provisions. This includes Section 154 of Title 23, U.S.C. (Open Container Requirements), and Section 164 of Title 23, U.S.C. (Minimum Penalties for Repeat Offenders for Driving While Intoxicated or Driving Under

the Influence), which are, in the proportions elected by the State, released for use on eligible Highway Safety Improvement Program activities under Section 148 of Title 23, U.S.C., or transferred to the State's highway safety program under Section 402 of Title 23, U.S.C. Obligation limitation is also reserved to meet the requirements of the penalty provisions under Section 148(g)(1) of Title 23, U.S.C. (High Risk Rural Roads Special Rule), Section 148(g)(3) of Title 23, U.S.C. (Vulnerable Road User Safety Special Rule), Section 119(f)(1)(A) of Title 23, U.S.C. (Interstate System Minimum Condition Penalty), and Section 119(f)(2)(A) of Title 23, U.S.C. (National Highway System Minimum Condition Bridges Penalty). All penalty obligation limitation is available for FY 2026 only and is subject to lapse on September 30, 2026, if not obligated.

4. **What response is required regarding unobligated FY 2026 formula obligation limitation?**

a. Each State Department of Transportation (State DOT) should devise a plan, in consultation with the FHWA Division Office, and send that plan to the State FHWA Division Administrator **by July 21, 2026**. When formulating the plan, the State should check in FMIS to confirm the unobligated balances. In addition, the State should consider additional obligation limitation that could be made available by closing projects or deobligating excess funding associated with inactive obligations. The plan from the State should include the following information:

(1) The amount of formula obligation limitation that has not been obligated;

(2) The amount of penalty obligation limitation for the HSIP-eligible activities that has not been obligated, if applicable;

(3) The amount of High Risk Rural Roads obligation limitation that has not been obligated, if applicable;

(4) The amount of Vulnerable Road User Safety obligation limitation that has not been obligated, if applicable;

(5) The amount of Interstate System Minimum Condition penalty obligation limitation that has not been obligated, if applicable;

(6) The amount of National Highway System Minimum Condition Bridges penalty obligation limitation that has not been obligated, if applicable;

(7) The amount of Safety Performance Management formula obligation limitation–pursuant to 23 U.S.C. 148(i)(1)–that has not been obligated, if applicable;

(8) The projects and Federal funds that will be obligated by the State no later than September 25, 2026;

(9) The formula obligation limitation in excess of amounts that can be obligated this fiscal year and that is released by the State for redistribution; and

(10) Any additional formula obligation limitation that the State could obligate by September 25, 2026, if additional limitation were provided.

b. The Division Administrator must review the plan submitted by the State and reach an agreement with the State on those projects that can be approved and authorized by the division office on or before September 25, 2026. The State and the division office should ensure that the amounts to be returned for August Redistribution are not obligated prior to being released for redistribution.

c. **By July 29, 2026**, the Division Administrator must submit a report to FHWA's Office of Budget based on the review of the plan submitted by the State and the agreement reached with the State. The report should be submitted **via email to the "FHWA, BudgetDivision" official mailbox (BudDiv@dot.gov). See Attachment 1 for the required report template.** The Division Administrator should also copy the report to Kassondra.Kruckeberg@dot.gov, PaYoua.Xiong@dot.gov, and David.Kasnevich@dot.gov. When submitting the report, please include in the email subject line the following: "Response to Call for August Redistribution (N4520.295)_[insert name of State]."

5. **What response is required regarding unobligated FY 2026 obligation limitation available for obligation of non-formula (allocated) funds?**

a. Each State DOT should devise a plan, in consultation with the FHWA Division Office, and send that plan to the State FHWA Division Administrator by **July 21, 2026**. When formulating the plan, the State should check in FMIS to confirm the unobligated balances. In addition, the State should consider additional obligation limitation that could be made available by closing projects or deobligating excess funding associated with inactive obligations. The plan from the State should include the following information:

(1) By program and by project (if applicable), the amounts of non-formula (allocated) funds and associated obligation limitation that have not been obligated;

(2) By program and by project (if applicable), the amounts of non-formula (allocated) funds and associated obligation limitation that could be obligated by September 25, 2026; and

(3) By program and by project (if applicable), the amounts of non-formula (allocated) obligation limitation in excess of amounts that can be obligated this fiscal year and that are to be released by the State for redistribution.

b. The Division Administrator must review the plan submitted by the State. The Division Administrator and the State shall reach an agreement on which non-

formula (allocated) funds and associated obligation limitation will be obligated no later than September 25, 2026. The Division Administrator, in consultation with the State, shall determine the amounts of FY 2026 obligation limitation available for the obligation of non-formula (allocated) funds that cannot be obligated by September 25, 2026, and will be released by the State for redistribution. The State and the division office must ensure that the amounts to be returned for August Redistribution are not obligated prior to being released for redistribution.

c. **By July 29, 2026**, the Division Administrator must submit a report **via email to the "FHWA, BudgetDivision" official mailbox (BudDiv@dot.gov)** based on the review of the plan submitted by the State and the agreement reached with the State. **See Attachment 2A for the required report template.** The Division Administrator should also copy the report to Kassondra.Kruckeberg@dot.gov, PaYoua.Xiong@dot.gov, and David.Kasnevich@dot.gov. When submitting the report, please include in the email subject line the following: "Response to Call for August Redistribution (N4520.295)_[insert name of State]."

d. The non-formula (allocated) funds that the States and the Division Administrators agree to release will result in the release of both obligation limitation and contract authority.

e. The Office of Budget will not redistribute obligation limitation that has been allocated to a State unless the FHWA Headquarters (HQ) program office officially releases the non-formula (allocated) funds and the obligation limitation associated with such program. The FHWA HQ program offices will issue deallocation/withdrawal memos requesting that the funds and associated obligation limitation be deallocated/withdrawn in FMIS based on the compiled responses that the Office of Budget sends to the program offices (if the deallocation/withdrawal has not been previously requested). The FHWA HQ program offices must make all August Redistribution deallocation/withdrawal requests and release associated obligation limitation **by August 12, 2026**.

f. If applicable, the plan submitted by a State to the State FHWA Division Administrator on July 21, 2026, and the Attachment 2A response submitted by the Division Administrator to the Office of Budget on July 29, 2026, should also include obligation limitation distributed to support obligation of Section 154 or 164 penalty funds released for use on eligible HSIP activities that will not be obligated by September 25, 2026. Do not include any obligation limitation associated with penalty funds transferred to the National Highway Traffic Safety Administration (NHTSA) for the Section 402 Program.

Further, if applicable, the plan submitted by a State to the State FHWA Division Administrator on July 21, 2026, and the Attachment 2A response submitted by the Division Administrator to the Office of Budget on July 29, 2026, should include obligation limitation distributed to support obligation of Section 148(g)(1), Section 148(g)(3), Section 119(f)(1)(A), or Section 119(f)(2)(A) penalty funds that will not be obligated by September 25, 2026, as well as any obligation

limitation in support of Section 148(i)(1) that will not be utilized by September 25, 2026. States are reminded that such obligation limitation is required to be obligated in the current fiscal year; however, if extenuating circumstances exist that prohibit a State from timely obligating such funds, the associated obligation limitation should be returned for redistribution.

g. Based on the Attachment 2A responses, the Budget Execution Team will remove the funds and associated obligation limitation, as applicable, that cannot be obligated by September 25, 2026, from FMIS in order to release the obligation limitation for redistribution.

6. **What response is required regarding unobligated FY 2026 obligation limitation that was reserved for the Federal Lands Highway Program or programs controlled by FHWA Headquarters?**

a. Any unobligated balances of non-formula (allocated) funds and the associated obligation limitation for which there are not firm commitments that the unobligated amounts will be obligated by September 25, 2026, must be withdrawn and made available for redistribution. Federal Lands Highway and the program offices must ensure that the amounts to be returned for August Redistribution are not obligated prior to being released for redistribution.

b. **No later than July 29, 2026**, each Director and Program Manager shall submit a report **via email to the official "FHWA, BudgetDivision" mailbox (BudDiv@dot.gov)** showing the amounts that will not be obligated by September 25, 2026, and for which the obligation limitation is being released for redistribution. **See Attachment 2B for the required report template.** The Director or Program Manager should also copy the report to Kassondra.Kruckeberg@dot.gov, PaYoua.Xiong@dot.gov, and David.Kasnevich@dot.gov. When submitting the report, please include in the email subject line the following: "Response to Call for August Redistribution (N4520.295)_[insert name of Program Office or Federal Lands Highway]."

7. **What response is required regarding unobligated FY 2026 obligation limitation that was reserved for other Federal Agencies?**

a. Other Federal Agencies, such as the Federal Motor Carrier Safety Administration, the Federal Transit Administration, the Federal Railroad Administration, NHTSA, the Internal Revenue Service, the Denali Commission, etc., that received non-formula (allocated) funds and the obligation limitation associated with such funds, must determine the amounts of obligation limitation that will not be obligated by September 25, 2026, and which are, therefore, being released for redistribution. Other Federal Agencies must ensure that the amounts to be returned for August Redistribution are not obligated prior to being released for redistribution.

b. **No later than July 29, 2026**, other Federal Agencies shall submit a report showing what amounts are being returned for August Redistribution **via email to**

the "FHWA, BudgetDivision" official mailbox (BudDiv@dot.gov). See Attachment 2B for the required report template. The Agency should also copy the report to Kassondra.Kruckeberg@dot.gov, PaYoua.Xiong@dot.gov, and David.Kasnevich@dot.gov. When submitting the report, please include in the subject line the following: "Response to Call for August Redistribution (N4520.295)_[insert name of Federal Agency]."

8. **What procedure will be followed once the Office of Budget has received the required reports?** Once the Office of Budget has received the reports, it will compile the responses and forward them to the appropriate FHWA Headquarters program offices and other Federal Agencies. The program offices and other Federal Agencies will then review the compiled responses, with the program offices consulting any relevant States (via the division offices) or other Federal Agencies, as needed. In addition, the program offices will issue any necessary deallocation/withdrawal memos. Once the program offices and other Federal Agencies have finalized the responses, the Office of Budget will complete the steps needed to redistribute the obligation limitation that has been returned for August Redistribution.

9. **How will the released obligation limitation be redistributed?** Consistent with Section 120(c) of the Department of Transportation Appropriations Act, 2026, priority in redistribution will be provided to those States having large unobligated balances of funds apportioned under Sections 144 (as in effect on the day before the date of enactment of the Moving Ahead for Progress in the 21st Century Act) and 104 of Title 23, U.S.C.

10. **When will the excess FY 2026 obligation limitation be redistributed?** The target date to complete the redistribution of released obligation limitation is August 28, 2026.

11. **Is there program monitoring?** Yes. FHWA HQ offices will monitor the program on a national basis to ensure that all available obligation limitation subject to lapse on September 30, 2026, is fully utilized.

12. **What actions are required?** Division Administrators must ensure (1) that copies of this Notice are provided to State DOTs, and (2) that the redistributed obligation limitation is used by September 25, 2026. In addition, States/division offices, FHWA HQ program offices, and other Federal Agencies must provide their responses to this Notice. The timeline for responses is as follows:

    a. **July 21, 2026:** States must provide their plans for formula and non-formula (allocated) obligation limitation to the Division Administrators.

    b. **July 29, 2026:** Division offices, FHWA HQ program offices, and other Federal Agencies must provide reports **via email to the "FHWA, BudgetDivision" official mailbox (BudDiv@dot.gov)**.

    c. **August 12, 2026:** FHWA HQ program offices must make all August Redistribution deallocation, withdrawal requests and release associated obligation limitation.

Sean McMaster
Administrator

Attachments

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

Attachment 1

FISCAL YEAR (FY) 2026 REDISTRIBUTION AFTER AUGUST 1, 2026
Report to HCFB-10 on FY 2026 Formula Obligation Limitation

State: _____

FMISW10A Report Date:										
Unobligated Balance of Formula Obligation Limitation on FMISW10A	Unobligated Balance of Penalty (Section 154/164 for HSIP-eligible activities) Obligation Limitation (YS31/YS32)	Unobligated Balance of High Risk Rural Roads Obligation Limitation (YS60)	Unobligated Balance of Vulnerable Road User Safety Obligation Limitation (YS70)	Unobligated Balance of NHS Minimum Condition Bridges Penalty Obligation Limitation (Y510)	Unobligated Balance of Interstate System Minimum Condition Penalty Obligation Limitation (Y530)	Unobligated Balance of Formula Obligation Limitation for Safety Performance Management (23 USC 148(i)(1))	Net Unobligated Balance of Formula Obligation Limitation	Amount of Formula Obligation Limitation that Could be Obligated by Sept. 25, 2026	Formula Obligation Limitation Released for Redistribution Among Other States	Additional Formula Obligation Limitation that Could be used by Sept. 25, 2026
$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

* Note: shaded cells contain formulas.

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

Attachment 2A
State/Division Office

FISCAL YEAR (FY) 2026 REDISTRIBUTION AFTER AUGUST 1, 2026
State's Report to HCFB-10 on FY 2026 Obligation Limitation Distributed in
Support of Non-Formula (Allocated) Funds by Program and Project

Name of State: _____

Name of Non-Formula Program	FMIS Program Code	Federal-aid Project Number (if applicable)	Demo ID (if applicable)	Project Description (if applicable)	Fiscal Year of Project Award (if applicable)	Fiscal Year of the Non-Formula Funds	Unobligated Balance of Non-Formula Funds *	Unobligated Balance of Obligation Limitation Distributed to Support the Non-Formula Funds *	Amount of Non-Formula Obligation Limitation that Will be Obligated by Sept. 25, 2026	Non-Formula Obligation Limitation Released for Redistribution Among Other States
										$0.00
										$0.00
										$0.00
										$0.00
										$0.00
										$0.00
										$0.00
										$0.00
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										$0.00
										$0.00
TOTALS	**----**	**----**	**----**	**----**	**----**	**----**	$0.00	$0.00	$0.00	$0.00

* Note: Amounts should be the same.

** Note: Shaded cells contain formulas.

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

Attachment 2B
HQ Program Office/Other Federal Agency

FISCAL YEAR (FY) 2026 REDISTRIBUTION AFTER AUGUST 1, 2026
HQ Program Office or Other Federal Agency's Report to HCFB-10 on FY 2026 Obligation Limitation Distributed in Support of Non-Formula (Allocated) Funds by Delphi Fund Value and BPAC

Name of HQ Program Office or Other Federal Agency: _____

Name of Non-Formula Program (Appropriations Code)	Delphi Accounting String (Fund Value and BPAC)	Fiscal Year of the Non-Formula Funds	Unobligated Balance of Non-Formula Funds *	Unobligated Balance of Obligation Limitation Distributed to Support the Non-Formula Funds *	Amount of Non-Formula Obligation Limitation that Will be Obligated by Sept. 25, 2026	Non-Formula Obligation Limitation Released for Redistribution Among Other States
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
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						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
TOTALS	**----**	**----**	$0.00	$0.00	$0.00	$0.00

* Note: Amounts should be the same.
** Note: Shaded cells contain formulas.