

APPROVED

SEP 21 1959
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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25, D. C.

SEP 17 1959

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H. R. 8678 - Federal-aid Highway Act of 1959
Sponsor - Rep. Fallon (D) Maryland

Last Day for Action

September 22, 1959 - Tuesday

Purpose

To enable continued construction of the Interstate Highway System on a pay-as-you-build basis, to further restrict Federal control of billboards, to provide for a study of Alaska and Hawaii highway needs, and to authorize funds for miscellaneous highway projects.

Agency Recommendations

Bureau of the Budget - Approval

Department of Commerce - Approval

Department of Agriculture - Approval

Council of Economic Advisers - Approval

Department of the Treasury - No objection

Special Assistant for Public Works

Planning - No objection (informally)

Department of the Interior - No recommendation

Discussion

A. Main provisions

The bill provides revenues to the Highway Trust Fund that will enable the Secretary of Commerce to apportion part of 1961 and 1962 interstate highway authorizations among the States by increasing the tax on gasoline by one cent until June 30, 1961, and diverting amounts equal to a 5 percent excise tax on automobiles, parts and accessories, etc., to the Fund for the three years following that date. It also reduces the 1961 authorization of the Interstate System from \$2.5 billion to \$2 billion. It approves the 1958 estimate of the cost of completing the Interstate System as a basis for apportioning the 1962 authorization.



These changes in the law do not provide a completely satisfactory solution to the problem of highway financing. First, the tax increase will not provide the immediate revenues needed to meet existing obligations during this fiscal year. For this reason, a repayable advance of \$359 million from the general fund has been sought and provided in the Mutual Security Appropriation bill. Second, the revenues provided are not sufficient to allow apportionment of the full authorizations for 1961 and 1962. As a result, apportionments in each year will be approximately \$200 million less than authorized. Third, the diversion of excise taxes from the general fund will reduce the revenues available for general budget expenditures in the fiscal years 1962, 1963, and 1964. We believe that this diversion is very objectionable, and that every attempt should be made to change the law before it becomes effective to ensure that the Interstate System be constructed with taxes imposed for that purpose and not by diverting taxes dedicated to paying general Government expenses. In this connection, the report of the Secretary of Commerce relating to equitable taxes for financing highway construction is required by law to be made by January 3, 1961. It may provide the basis for recommending taxes to replace the scheduled diversion.

Despite these deficiencies, we believe that the bill represents the best compromise on financing arrangements that can be made at this time.

B. Miscellaneous provisions

The bill also requires the exemption (existing law is permissive) of highways crossing land zoned for industrial or commercial use within incorporated communities from the law providing national standards for billboard control. As a result, States will be unable to receive the authorized Federal incentive contributions for highways in these areas which meet these standards.

The required study by the Secretary of Commerce of Interstate System needs within Alaska and Hawaii may provide desirable information. However, the January 14, 1960 reporting date will make conduct of an adequate study difficult and will prevent use of the findings of the Alaska International Rail and Highway Commission's study, which will not be completed until 1961. The study arises from the fact that these new States have no Interstate System highways although their citizens pay the increased highway taxes.

The bill authorizes the appropriation of \$2 million for relocation of a portion of the Natchez Trace Parkway in Mississippi which will be flooded by a lake being constructed by the Pearl River Valley Water Supply District to provide water for local needs. Payment of the costs of relocating Government roads flooded by locally-sponsored projects providing local benefits is usually a local



responsibility. In this case, local authorities propose to pay only \$600,000 of the total cost. The bill also authorizes the Secretary of Commerce to use his emergency fund to pay the full cost of repairing disaster-caused damage to forest highways under his jurisdiction and to various roads and trails under the jurisdiction of the Secretaries of Agriculture and Interior. This section was occasioned by the recent earthquakes in the vicinity of Yellowstone Park which damaged some National Park and National Forest roads. In the absence of this section, the cost of repairs would be met by reprogramming funds available to the Department concerned. The section provides a method for bypassing the budget and appropriation process. The bill also provides \$3 million of additional contract authority for constructing bridges over Federal dams. Since such bridges can be constructed with ordinary Federal-aid funds, which have been greatly increased since the original authorization for bridges over dams, the Department of Commerce and this Bureau opposed the new contract authority when it was under consideration as a separate bill.

We doubt the wisdom or necessity of these miscellaneous provisions. However, we do not believe they are of sufficient importance to warrant disapproval of the main provisions.

C. Future legislation

In responding to our request for views on the enrolled bill, the Special Assistant for Public Works Planning asked us to bring to your attention his proposed amendment to the highway laws designed to restrict the use of Interstate Highway funds on projects serving primarily local needs. His proposed language is attached.

Wm. S. Hughes

Assistant Director for
Legislative Reference

Enclosures

