

Approved
April 16, 1958

H. R. 9821

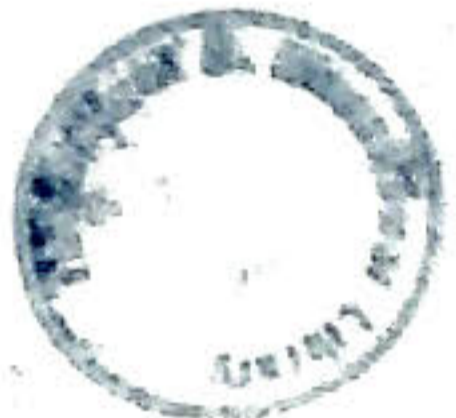
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TITLE OR OTHER IDENTIFICATION

To amend and supplement the Federal-Aid Road Act approved July 11, 1916 (39 Stat. 355), as amended and supplemented, and the Act approved June 29, 1956 (70 Stat. 374), to authorize appropriations for continuing the construction of highways, and for other purposes

RECOMMENDATIONS

- Bureau of the Budget -- disapproval
- Department of Commerce -- disapproval
- Department of Agriculture -- approval
- Department of Defense -- approval
- Department of the Interior -- approval
- Department of the Treasury -- no objection
- Special Assistant for Public Works Planning -- approval
- Council of Economic Advisers -- approval



changed his name



Introduced by: Cong. George H. Fallon (D., Md.)
Coordinated by: Bureau of the Budget

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

Approved
April 16, 1958

Last Day
4/16/58
Eno
APR 16 1958
Center for
Transportation

My dear Mr. President:

On April 4, 1958, the Executive Clerk notified this office that H. R. 9821 "To amend and supplement the Federal-Aid Road Act approved July 11, 1916 (39 Stat. 355), as amended and supplemented, and the Act approved June 29, 1956, 1956 (70 Stat. 374), to authorize appropriations for continuing the construction of highways, and for other purposes," had been received at the White House and requested reports and recommendations thereon.

The bill provides appropriation authorizations and advance contract authority for the Federal-aid primary, secondary, and urban highways, for the Interstate System of National and Defense Highways, and for highways and roads on the public domain. It also contains provisions for the control of outdoor advertising on the Interstate System. The attached analysis describes in detail the provisions of the bill and compares them with the recommendations of the administration.



The bill contains provisions which it is essential to enact into law in this session of Congress. First, it provides the contract authorization necessary to continue the construction of the Federal-aid primary, secondary and urban highways in fiscal years 1960 and 1961. Second, it approves the estimate of the Secretary of Commerce of the cost of completion of the National System of Interstate and Defense Highways. This approval is required by law before the existing 1960 authorization can be made available to the States. Third, it would waive for 1960 the requirement that highway trust fund receipts must equal expenditures in each year and thus allow the apportionment of the full 1960 authorization; and fourth, it provides a start in controlling highway advertising.

We are convinced, however, that the provisions in the bill which purport to use the highway program as a method of stimulating economic recovery are so unwise as to justify disapproval of the bill. Therefore, for the reasons stated in the attached draft veto message, we join the Department of Commerce in recommending that the bill be disapproved.

In addition, there are other undesirable provisions in the bill which we believe we should bring to your attention. First, the bill continues the Congressional policy of increasing the annual authorization for the Federal-aid primary, secondary and urban highways by \$25 million each year. The Department of Commerce recommended to the Congress that the authorization for these programs for fiscal years 1960 and 1961 should be at a \$900 million level in order to maintain a balanced highway program.

Second, the bill authorizes the appropriation of \$78 million from the general fund for Commerce's forest and public lands highways, \$14 million more than recommended by the administration. In addition, it authorizes each State to use up to \$500,000 of its regular Federal-aid funds in both 1960 and 1961 on forest highways. No State matching funds are required in these programs. The bill further directs the Secretary of Commerce to make a study to determine forest highway needs and the amounts required to meet these needs over a ten-year period. Since these highways serve the people of the States in much the same manner as the Federal-aid highways and provide important local economic benefits, these provisions raise the question whether the States should not contribute more toward meeting forest highway needs.

Third, the bill contains contract authorizations for road programs in the national forests and parks and on Indian lands. We recommended to the Congress that such authorizations not be included in the bill as has been the practice in past biennial highway acts. These road programs are only part of the total programs for the development and operation of these public areas and are already authorized in existing law. The practice of granting advance contract authority for roads tends to create an imbalance in the total programs.

While we believe these provisions are undesirable, we do not consider them sufficiently serious to mention in the veto message.

The Department of Agriculture recommends approval of the bill since it authorizes highway, road and trail programs needed for forest development and use.

The Department of Defense recommends that the bill be approved because it authorizes funds for continuing the Federal-aid Highway Program in 1960 and 1961 and provides additional funds for 1959. The Department of the Interior, while agreeing that the provision of contract authority for road programs it administers is undesirable, believes this does not warrant disapproval of the bill. The Treasury Department has no objection to approval of the bill. The Special Assistant for Public Works Planning states that since "excessive amounts in one field underbalance orderly public works development" the increased Federal share authorized in the use of the additional \$400 million for the regular Federal-aid highway programs in 1959 would make it more difficult to increase other Federal-aid programs on their regular bases. However, he does not consider this grounds for a veto but suggests mentioning it in a signing statement. The Council of Economic Advisers believes the differences between the legislation as passed by the Congress and the administration's proposal are not sufficiently serious to warrant a veto, and recommends approval.

Respectfully yours,

The President

The White House

Enclosures

Robert M. McNamara
Acting Director

April 3, 1958

Analysis of the Federal-aid highway act of 1958
as passed by Congress

Eno

Center for
Transportation

Section 1 - Biennial contract authorizations for primary, secondary,
and urban programs (ABC)

Contract authorizations of \$900 million and \$925 million are provided for 1960 and 1961. Administration proposed \$900 million for both years.

Section 2 - Additional contract authorization for ABC programs for 1959

As anti-recession measure, an additional \$400 million is authorized for 1959 to be available immediately. As an incentive, the matching formula is changed from the usual 50-50 to two-thirds Federal and one-third State. The States would be required to get the work under way by December 1, 1958, and construction completed by December 1, 1959, barring unforeseen events.

The Secretary is authorized, upon State request, to increase the Federal share under this section by an amount which cannot exceed (a) two-thirds of the States' share or (b) \$115 million overall. The effect of this would be to make the Federal share about 85% and the State share 15%. These increased amounts would later be deducted out of the 1961 and 1962 authorizations for the ABC programs. While the charge to the Highway Trust Fund would not be increased overall, some \$230 million worth of Federal-aid highways would not be built since the advance of the \$115 million would go toward increasing the Federal share under this section rather than into 50-50 construction grants in 1961 and 1962.

No requirement is laid down that the States use up their regular ABC apportionments (on a 50-50 matching basis) before they use this special fund. The bill only expresses the congressional intent that this sum should be "supplemental" rather than "in lieu of" the regular authorizations.

Administration proposed no additional authorization for 1959 for the ABC programs, and is opposed to changes in the matching formula.

Section 3 - Authorizations for forest highways (Commerce) and forest
development roads and trails (Agriculture)

Additional contract authority of \$5 million is provided for each of these programs in 1959. For both 1960 and 1961, contract authority in the amount of \$33 million is provided for forest highways and \$30 million for forest development roads and trails. (The 1956 Highway Act provided annual levels of \$30 million and \$27 million, respectively.)

Subject to approval of Secretary, any State may use not to exceed \$500,000 or 5% of its ABC authorizations under section 1 of the bill, whichever is lesser, on forest highways which are on a Federal-aid system.

The effect of this is to change 50-50 matching grants under the ABC programs into 100% Federal projects on the forest highway system. However, the latter would still be chargeable to the Highway Trust Fund.

The Secretary of Commerce is directed to make a study of forest highway needs and the amounts needed to complete construction of the forest highway system, as determined by the study, over a 10-year period beginning in 1962. The obvious intent of this study is to lay the groundwork for a 10-year contract authority program to complete the forest highway network. The Secretary is to report to Congress by January 1, 1960.

The Senate report also indicated that Agriculture will be requested to make a similar study for forest development roads and trails.

The bill further contains certain directions as to the manner in which the forest highway authorizations are to be apportioned among the States.

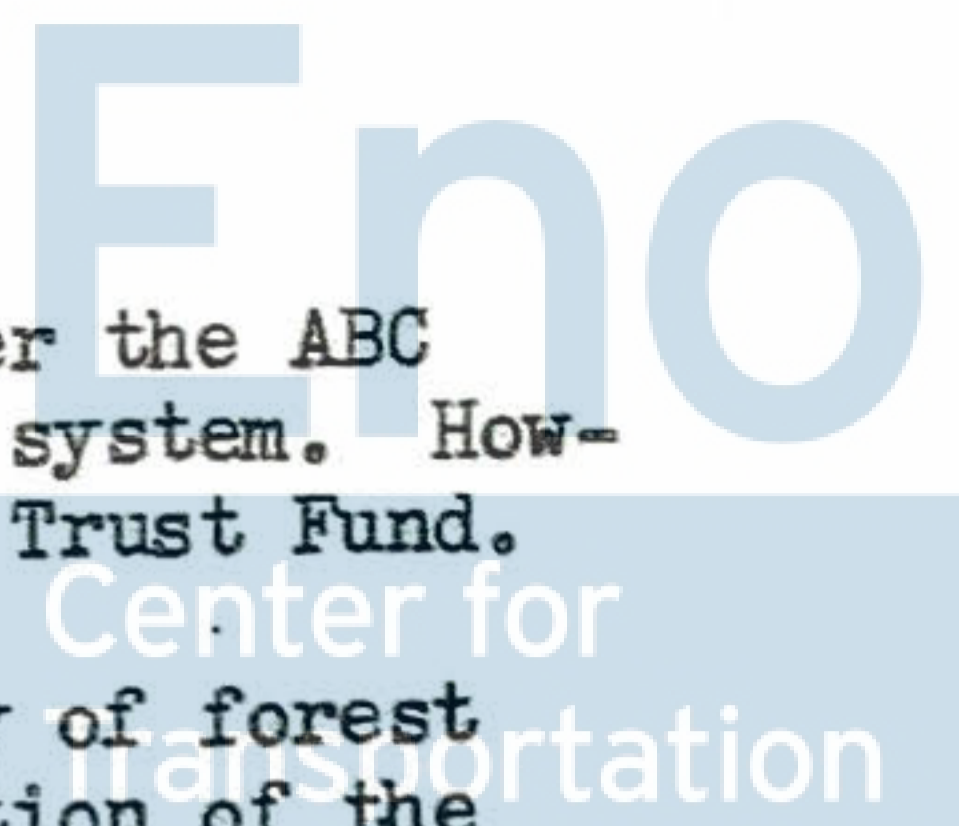
The administration proposed no additional authorizations for these programs in 1959. It recommended a \$30 million annual level of contract authority for the forest highway program and financing out of the Highway Trust Fund. It also proposed to handle the forest development roads and trails program in the regular appropriation process. None of the other features of this section were recommended.

Sections 4, 5, and 6 - Other Federal domain roads and miscellaneous provisions

An additional amount of \$1 million is provided for 1959 for public lands highways (making a total of \$3 million for that year). Further, \$3 million is provided for both 1960 and 1961. The administration recommended continuation of the current annual level of \$2 million and financing out of the Highway Trust Fund.

Authorizations of \$18 million for park roads, \$16 million for parkways, and \$12 million for Indian roads and bridges are provided for both 1960 and 1961. (The 1956 Highway Act authorized the same annual level for parkways and Indian roads but only \$16 million for park roads.) The administration recommended that these programs should be handled in the regular budget process and no fixed annual levels should be set in biennial highway legislation.

The bill also provides that maintenance of Indian roads shall not be charged to the above authorization but is to be included in annual appropriations, as is the case with park roads, parkways, and forest development roads. This will have the effect of increasing the charge on the general fund by about \$2.7 million annually.



Finally, the bill makes the above authorizations contract authority which is available upon apportionment, or if the authorization is not apportioned, available one year before the fiscal year for which the authorization is made. This continues a provision in the 1954 and 1956 Highway Acts but is contrary to the administration's recommendations above on forest development roads and trails, park roads, parkways, and Indian roads.

Section 7 - Additional authorizations for the Interstate System

An additional \$200 million is provided for 1959 (making a total of \$2.2 million) and an additional \$300 million for both 1960 and 1961 (making the total for each year \$2.5 billion). The administration did not propose additional Interstate authorizations at this time but indicated that increases would be premature until more experience had been gained with construction costs and trust fund receipts. (It is understood that the administration may have agreed informally to go along with the increases in the bill.)

Sections 8 and 9 - Approval of the new Interstate cost estimate and suspension of the Byrd amendment

Commerce's revised cost estimate for completing the Interstate System was approved as the basis for apportioning the 1960 Interstate authorization. In keeping with the intent of the 1956 Highway Act, the administration recommended approval of the cost estimate as the basis of apportioning Interstate authorizations for 1960 and 1961 and 1962.

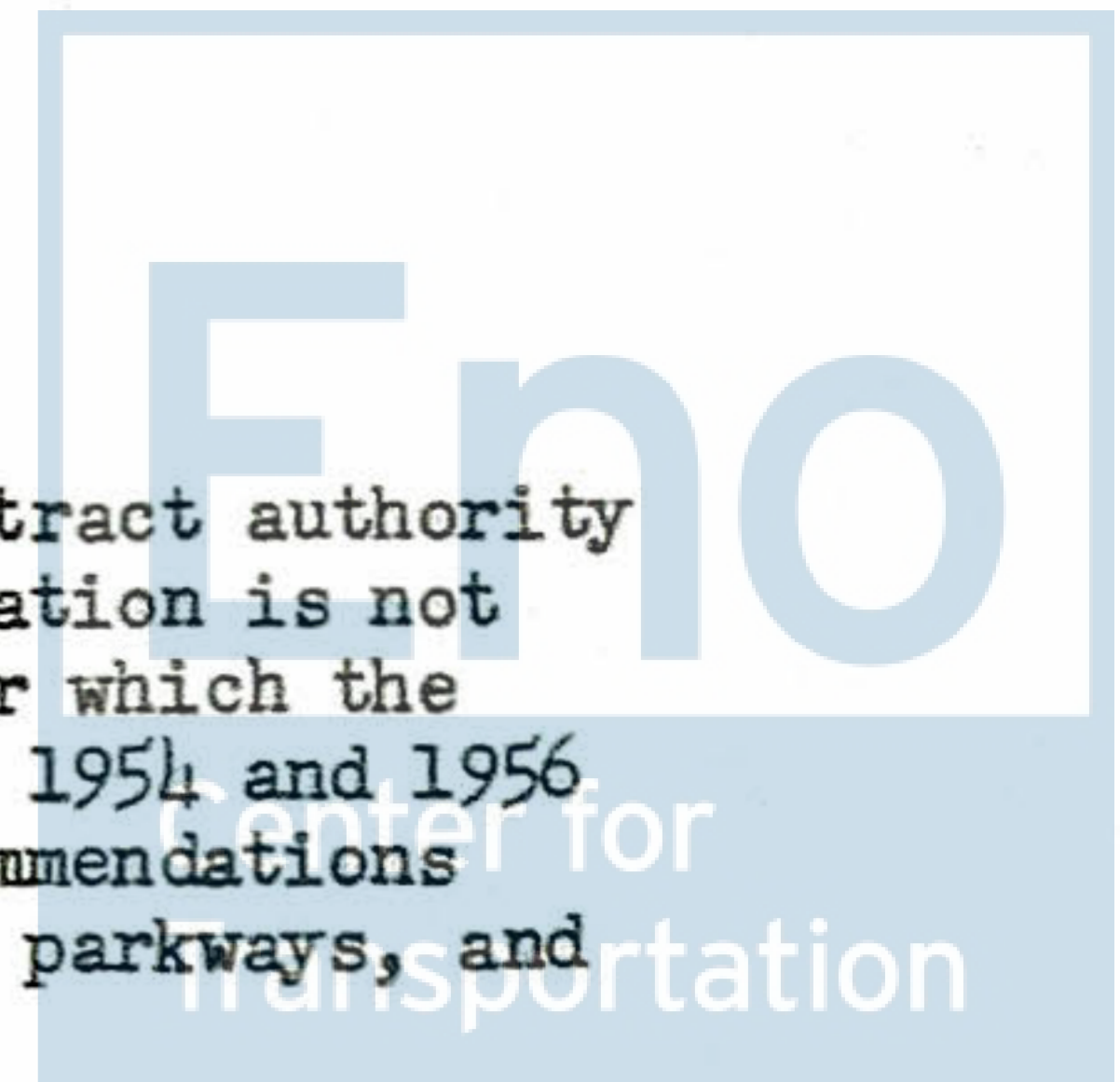
The Byrd amendment would be suspended for 1959 and 1960. The administration proposed waiving it for three years--1960-1-2.

Since the Byrd amendment is suspended only through 1960 authorizations, a highway bill will have to be passed in the next session of Congress to (a) suspend the amendment for an additional period or (b) increase highway user taxes going into the trust fund.

Sections 10, 11, and 13 - Miscellaneous provisions

Commerce would be authorized to reimburse the States for the Federal share of the value of materials stockpiled on the site of a Federal-aid project. Progress payments are now limited to work in place. This provision is supported by Commerce and is desirable.

A perfecting amendment is made in the section of the 1956 Highway Act providing for Federal reimbursement for payments made by States for the costs of relocating public utility installations on the right-of-way. Bill does not adopt Commerce's proposal (which was not formalized as an administration position) that reimbursement should be limited to actual property rights of the utilities which are taken.



State highway departments would be required to afford a public hearing to people in rural areas who wish to be heard on proposed highway locations in the same manner that a hearing must be provided, under the 1956 Highway Act, to persons in cities, towns, and villages. This appears equitable.

Section 12 - Regulation of advertising along the Interstate System

Regulation of advertising signs within 660 feet of the right-of-way, consistent with national standards to be promulgated by the Secretary of Commerce, is declared to be the national policy.

Four classes of signs would be permitted; e. g., signs advertising activities being conducted within 12 miles of the sign itself.

The Secretary of Commerce is authorized to enter into agreements with State highway departments to carry out the national policy. These agreements may also include provisions for preservation of natural beauty, prevention of erosion, landscaping, reforestation, development of scenic viewpoints, erection of historical markers, etc.

Within the discretion of the Secretary, and upon application by a State, the agreements may exclude from application of the national standards segments of the Interstate System which (a) cross incorporated municipalities where the use of real property is under municipal regulation or (b) cross areas where the land use is clearly established by State law as industrial or commercial. Also excluded by the bill are segments of the System where any part of the right-of-way was acquired prior to July 1, 1956.

The agreements must be negotiated prior to July 1, 1961.

As incentive to the States to cooperate, the bill provides that the Federal share will be increased by one-half of one percent of the cost of a project to which the national policy and the agreement applies. This increased share would not be payable on excluded projects. The one-half of one percent would be payable from appropriations from the general fund. (Public Roads tentatively estimates this provision would cost about \$93 million.)

In addition to the incentive payment, Commerce would be authorized to pay its share (90%) of the cost if a State implements its agreement by acquiring the property right to advertise along the right-of-way by purchase or condemnation. The cost to purchase these rights could not exceed 5% of the cost of the right-of-way. (Public Roads tentatively estimates this provision would cost about \$68 million.)



The administration's proposal was to (a) establish a national policy to control advertising under standards to be set by the Secretary of Commerce, (b) to effect control on a statewide basis, and (c) to secure State compliance by deducting 5% from the Federal share of Interstate projects where the States failed to comply with the national standards.

As a compromise, however, the administration indicated it would not object to a proposal to provide an incentive payment of three-quarters of one percent to secure State compliance (rather than its own penalty proposal). It specifically objected to proposals which would (1) provide (as does this bill) both an incentive payment and a sharing of the cost of acquiring easements to control advertising and (2) use general fund monies to finance such incentives.





THE SECRETARY OF COMMERCE
WASHINGTON 25, D. C.

APR 7 1958

Eno

Center for
Transportation

The Honorable
The Director
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Director:

This is in reply to your request of April 4, 1958, for the views of this Department on H. R. 9821, an enrolled bill

"To amend and supplement the Federal-Aid Road Act approved July 11, 1916 (39 Stat. 355), as amended and supplemented, and the Act approved June 29, 1956 (70 Stat. 374), to authorize appropriations for continuing the construction of highways, and for other purposes."



This bill would, among other things, increase amounts authorized for the Interstate System for the fiscal years 1959, 1960, and 1961 by a total of \$800 million. The amount authorized for the Federal-aid primary, secondary, and urban programs for the fiscal year 1959 would also be increased by \$400 million, to be matched by the States on a 66 2/3-33 1/3 basis. The sum of \$115 million would be authorized to be appropriated to be used in increasing the Federal share payable with respect to sums apportioned from the additional \$400 million. The amounts so advanced would be deducted from sums subsequently apportioned to the States from funds authorized to be apportioned for the fiscal years 1961-1962.


This Department in testifying before the Senate Committee on Public Works on S. 3414, which contained provisions similar to those incorporated in this enrolled bill, stated that it did not believe that amounts authorized for the interstate program should be increased at that time on the basis of the estimate of cost of completing the Interstate System which was submitted to the Congress, since such estimate was based on limited experience with the interstate program. The Department urged that legislation submitted by it to the Congress be enacted. This legislation would have amended the Federal-Aid Highway Act of 1956 so as to permit the full amounts authorized for the Interstate System for the fiscal years 1960, 1961, and 1962 to be apportioned.

The Department also stated at the hearings on S. 3414 that the \$875 million authorized for the fiscal year 1959 for the Federal-aid primary, secondary, and urban programs was designed to permit such programs to proceed at an orderly rate, and that it did not believe it desirable that such amount be increased. The Department further stated that it felt that the traditional 50-50 matching formula should be maintained for these programs, and that it was opposed to authorizing the appropriation of sums to be used in increasing the Federal share payable with respect to apportionments from the additional authorization for the fiscal year 1959.

The Department realizes that there is much in H. R. 9821 which must be enacted into law. It is convinced, however, that the increased authorizations would be felt too late to be of significantly greater assistance than proposals of the Administration in combating the Nation's current economic problems, could have a serious and unavoidable inflationary impact on the economy, and would disrupt the orderly and balanced nature of the Nation's highway program.

This Department recommends, therefore, disapproval of the bill by the President. A draft veto message is attached.

Sincerely yours,


L. S. J. Fehschell

Secretary of Commerce

 **Enclosure**

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 9, 1958

Eno

Center for
Transportation

Mr. Phillip S. Hughes
Acting Assistant Director for
Legislative Reference
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Hughes:

You have requested the views of the Council of Economic Advisers on H.R. 9821, an Act "To amend and supplement the Federal-Aid Road Act . . ."

I shall not undertake to summarize the provisions of the bill in this letter, though I attach a memorandum which summarizes and appraises the legislation in such detail as we found essential for our purposes.

The legislation contains certain undesirable features but these are not, as we see it, sufficiently serious to warrant a veto of the bill by the President. I have particularly in mind those provisions of the bill that depart from the customary practice of a 50-50 sharing, as between the Federal Government and State governments, in the cost of constructing the so-called ABC roads, and that will involve a higher level of Federal expenditures for public roads in 1959-62 than was contemplated under the Administration's proposal.

However, the departure from the 50-50 sharing arrangement is limited to an added authorization for the fiscal year 1959 and does not alter the basic apportionment. In itself, this is not, in our judgment, a sufficient ground for recommending a veto. Nor do we think that the excesses of expenditures implied by this bill are sufficiently large to warrant a veto. As will be seen in our attached memo, we estimate these excesses at \$165 million in 1959, \$345 million in 1960, \$300 million in 1961 and \$268 million in 1962.

We regard the development of an extended and improved highway system as a major element in the Federal Government's program



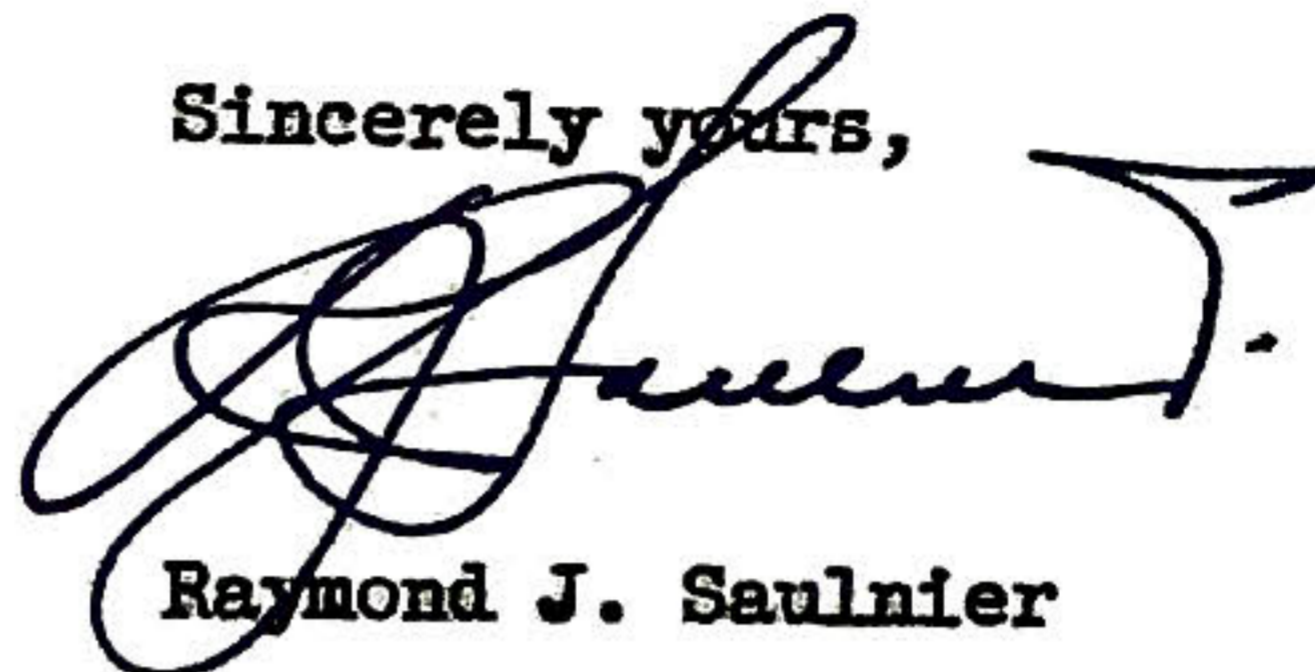
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Mr. Phillip S. Hughes - 2

April 9, 1958

to promote the growth of our economy. In our judgment, the differences between the legislation as passed by the Congress and the Administration's proposal are not sufficiently serious to warrant a veto of the legislation. We recommend that the bill be signed by the President.

Sincerely yours,



Raymond J. Saulnier

Attachment



April 9, 1958

Eno

MEMORANDUM

SUBJECT: Summary of the Major Provisions of H.R. 9821, an Act "To amend and supplement the Federal-Aid Road Act approved July 11, 1916 (39 Stat. 355), as amended and supplemented, and the Act approved June 29, 1956 (70 Stat. 374), to authorize appropriations for continuing the construction of highways, and for other purposes."

1. The Bill authorizes \$400 million for ABC roads in F59, over and above the \$875 million authorized by earlier legislation.

Although these additional funds will be apportioned to the States in the same manner as previously, the Federal share of the cost of ABC roads undertaken with this additional assistance is raised from the customary 50 percent to 66-2/3 percent. Moreover, \$115 million is authorized for advances to States unable to raise their one-third share, though this is qualified by a provision that the advances to States may not exceed two-thirds of the State's residual one-third share. Thus, if we say that the Federal share is six-ninths, the advances cannot carry Federal assistance beyond eight-ninths of the project cost. But the \$115 million authorized for advances would not suffice to raise the Federal share to the full eight-ninths if all States should elect to take them. If all States were to seek full advances the Federal share could not go beyond 86 percent. Advances must be repaid by the States by deductions from the apportionments which would otherwise be made to them in the Fiscal Years 1961 and 1962.

2. The Bill authorizes \$900 million for F60 and \$925 for F61, whereas the Administration requested \$900 million for each of these years.

3. The Bill authorizes additional appropriations, over and above Administration requests, as follows:

		<u>F59</u>	<u>F60</u> (millions)	<u>F61</u>
Forest roads & trails	(HR 9821	\$5	\$30	\$30
	(Adm. Request	0	0	0
Forest highways	(HR 9821	5	33	33
	(Adm. Request	0	30	30
National Park roads and trails	(HR 9821	0	18	18
	(Adm. Request	0	0	0
National Park park- ways	(HR 9821	0	16	16
	(Adm. Request	0	0	0
Roads and bridges on Indian reservations and lands	(HR 9821	0	12	12
	(Adm. Request	0	0	0
Total	(HR 9821	\$10	\$109	\$109
	(Adm. Request	0	30	30



4. The proposed legislation provides for a different schedule of apportionment to the States under the Interstate Highway System than was requested by the Administration. First, it authorizes additional apportionments to the States of \$200 million in F59, which would raise the total to \$2.2 billion. The Administration requested no supplemental apportionments for F59.

Second, it would apportion \$2.5 billion in F60 and F61, whereas the Administration proposed to continue on the original schedule of \$2.2 billion a year.

Third, it waives the Byrd amendment for F59 and F60. The Administration request (since it provided for no supplementary apportionments in 1959) did not call for a waiver in F59 but did ask for one in F60 and F61.

5. Section 8 of the legislation is a "perfecting amendment" which gives effect to differences in construction cost as well as to differences in population and in the linear mileage within the State as a basis for apportioning funds.

6. The "billboard" section is of relatively little economic significance. It permits certain specified types of signs within 660 feet of the right-of-way, subject to agreements between the Secretary of Commerce and the appropriate local authority, but exempts stretches through cities and through industrial and commercial areas. In order to encourage the States to enter into such agreements, the Federal Government is authorized to increase its share of the project from a ratio of 90 percent to 90½ percent.

Appraisal of the Legislation

Two features of the legislation are important in appraising its economic and legislative merits. First, is the departure from the customary 50-50 share on ABC roads. This departure from established practice is not a desirable feature of the legislation, but it applies only to the additional \$400 million for F59.

Second, the added apportionments for the Interstate Highway System and the increased appropriations to ABC roads will involve a higher level of expenditures by the Federal Government on highways than was implied by the Administration request. The figures are as follows:



Estimate of Federal Expenditures for Public Roads
(in \$ millions)

Fiscal year	Estimated expenditures under			Amount of increase over existing law		Excess of HR 9821 over Administration request
	Existing law	Adminis. request	HR 9821	Under Adminis. request	Under HR 9821	
1959	\$2,350	\$2,436	\$2,601	\$ 86	\$ 251	\$165
1960	2,340	2,615	2,960	275	620	345
1961	2,391	2,941	3,241	550	850	300
1962	2,240	3,127	3,395	887	1,155	268

The impact of these increased expenditures in F59 will be helpful in promoting a higher level of economic activity but the higher expenditures implied for F60 through F62 may prove to be excessive from the viewpoint of controlling expansionary forces.

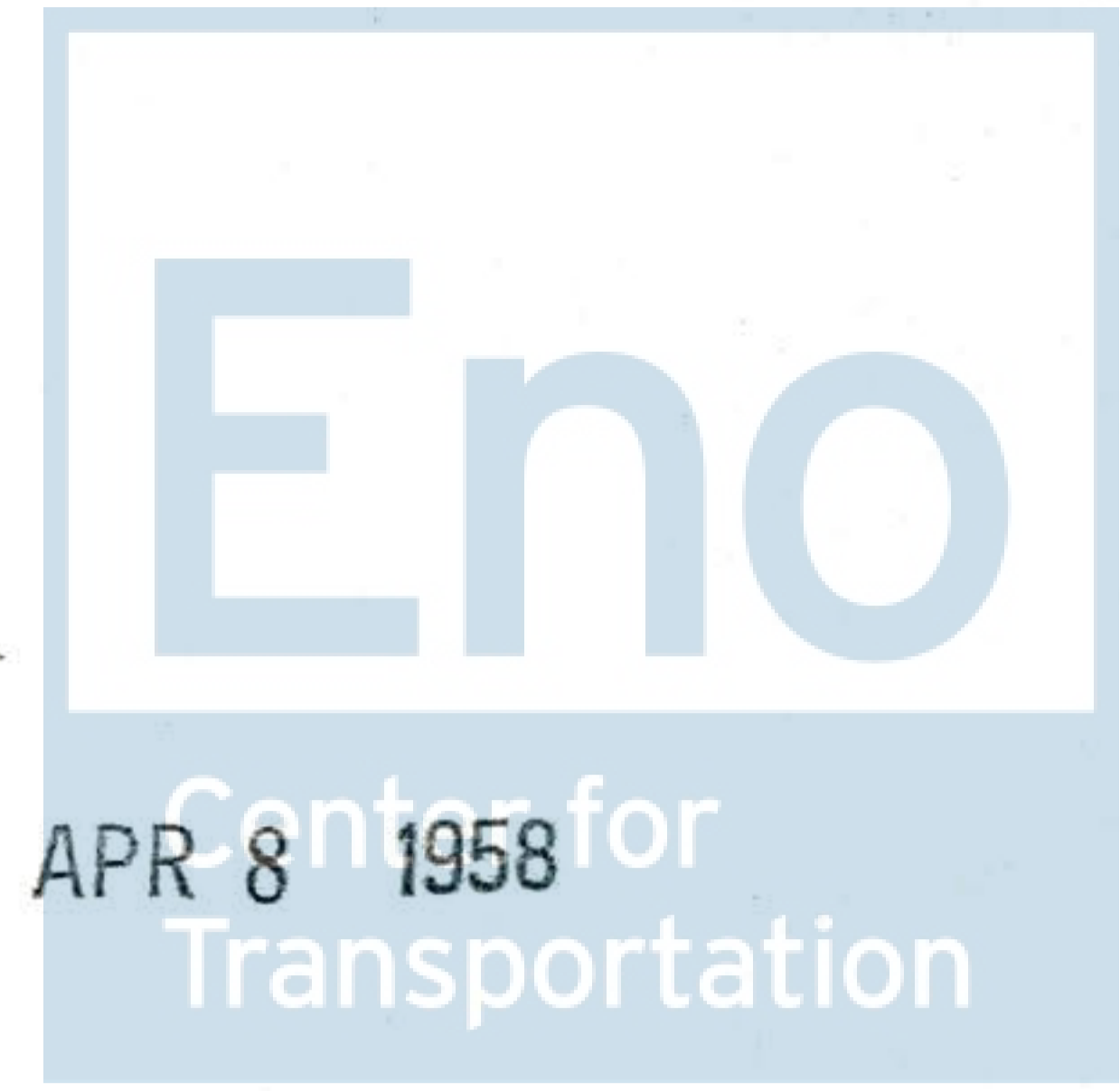
However, all things considered, it is our judgment that the bill does not deviate sufficiently from the Administration request to warrant a veto.





IN REPLY REFER TO:

DEPARTMENT OF THE ARMY
WASHINGTON 25, D. C.



Honorable Maurice H. Stans
Director, Bureau of the Budget

Dear Mr. Stans:

The Secretary of Defense has delegated to the Department of the Army the responsibility for reporting the views of the Department of Defense on enrolled enactment H. R. 9821, 85th Congress, "To amend and supplement the Federal-Aid Road Act approved July 11, 1916 (39 Stat. 355), as amended and supplemented, and the Act approved June 29, 1956 (70 Stat. 374), to authorize appropriations for continuing the construction of highways, and for other purposes."

The Department of the Army on behalf of the Department of Defense recommends the approval of the enrolled enactment.

The measure, among other things, provides funds for continuing the Federal-Aid Highway Program for fiscal years 1960 and 1961, and provides additional funds for fiscal year 1959. For this reason the Department of the Army on behalf of the Department of Defense recommends enactment of H.R. 9821.

The fiscal effects of this measure cannot be estimated.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

Sincerely yours,



Wilber M. Brucker

Wilber M. Brucker
Secretary of the Army

BUREAU OF THE BUDGET

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UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON 25, D. C.



APR - 8 1958

Dear Mr. Stans:

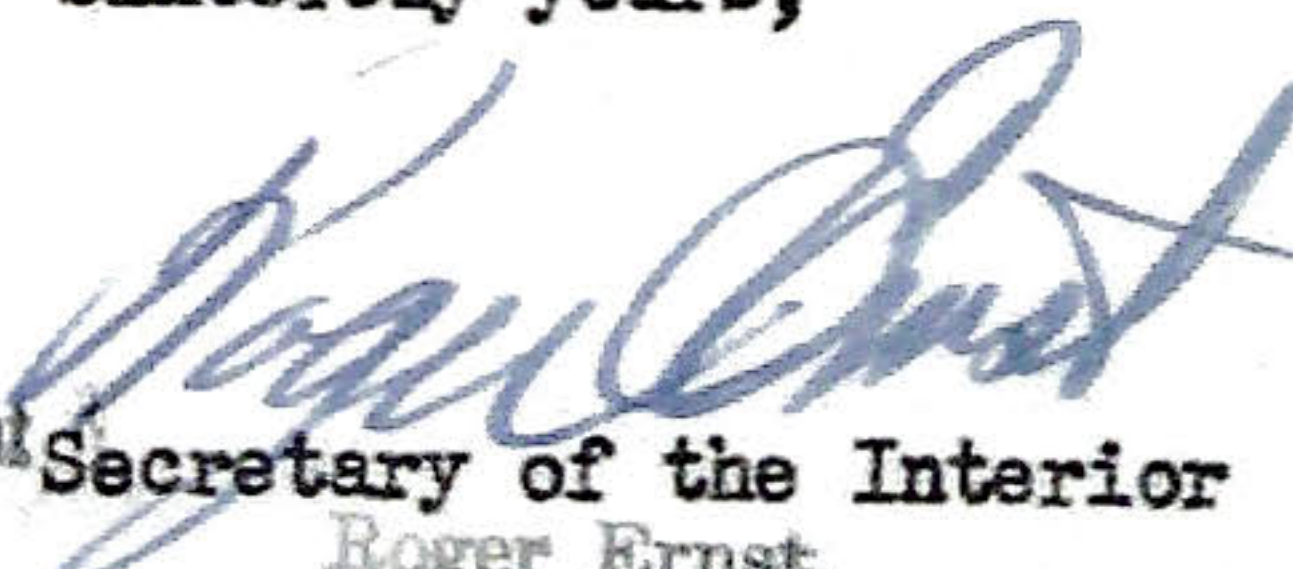
You have asked for a report on enrolled bill H. R. 9821, "To amend and supplement the Federal-Aid Road Act approved July 11, 1916 (39 Stat. 355), as amended and supplemented, and the Act approved June 29, 1956 (70 Stat. 374), to authorize appropriations for continuing the construction of highways, and for other purposes."

Insofar as the bill applies to this Department, we recommend that it be approved.

The bill authorizes appropriations for fiscal years 1960 and 1961 for National Park roads, Parkways, and Indian Reservation roads. The amounts authorized are \$18,000,000 per year for National Park roads, \$16,000,000 per year for Parkways, and \$12,000,000 per year for Indian Reservation roads. These amounts compare with \$16,000,000, \$16,000,000, and \$12,000,000, respectively, for the preceding two fiscal years.

The bill contains the contract authority that was contained in the last Federal Aid Highway Act. Although we agreed with the position of the Bureau of the Budget that this provision is undesirable, we believe that it does not warrant disapproval of the bill.

Sincerely yours,


Assistant Secretary of the Interior
Roger Ernst



Hon. Maurice H. Stans
Director, Bureau of the Budget
Washington 25, D. C.

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DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

Eno

Center for
Transportation

April 7, 1958

Hon. Maurice H. Stans
Director, Bureau of the Budget

Dear Mr. Stans:

In reply to the request of your office, the following report is submitted on the enrolled enactment, H.R. 9821, "To amend and supplement the Federal-Aid Road Act approved July 11, 1916 (39 Stat. 355), as amended and supplemented, and the Act approved June 29, 1956 (70 Stat. 374), to authorize appropriations for continuing the construction of highways, and for other purposes."

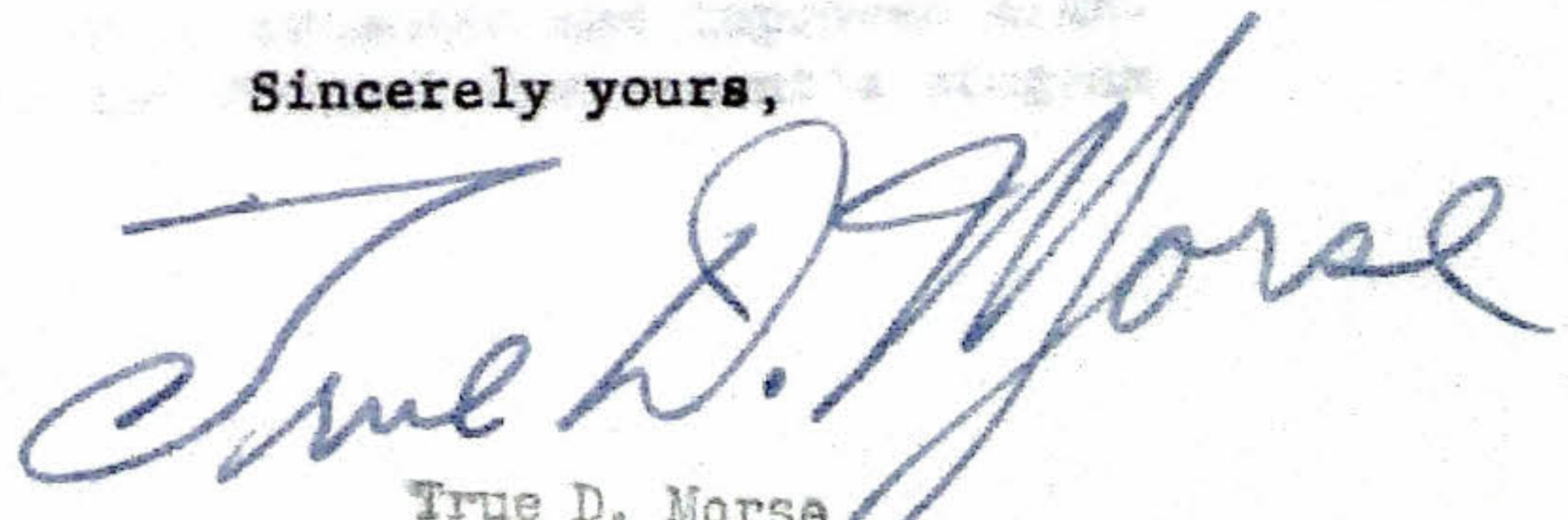
Only Sections 3 and 6 of the bill relate to the programs of this Department. Mainly, Section 3 authorizes for forest highways and forest development roads and trails, additional appropriations for fiscal year 1959 and also appropriations for 1960 and 1961. Section 3 specifies the manner in which the amounts authorized for forest highways would be apportioned among the States, Alaska, and Puerto Rico and it would provide for States to use for forest highways on Federal-aid systems a specified portion of the funds which would be authorized to be appropriated for Federal-aid highways in Section 1 of the bill. Section 3 also directs the Secretary of Commerce in cooperation with the Secretary of Agriculture and appropriate State officials to make a forest highway study.

Section 6 specifies when funds authorized for Federal domain roads, including forest highways and forest development roads and trails, would be available for contracting.

This Department recommends that the President approve the bill.

The construction and maintenance of forest highways and forest development roads and trails are essential for the full use and protection of national forests and other lands administered by this Department. Approval of the bill will authorize highway, road, and trail programs needed to help keep pace with increasing demands for the utilization of these forest lands for recreation and for the production of timber and other resources.

Sincerely yours,


True D. Morse
Acting Secretary



TREASURY DEPARTMENT

WASHINGTON 25

Eno

Center for
Transportation


APR 9 1958

Sir:

You have requested the views of this Department on the enrolled enactment of H.R. 9821, "To amend and supplement the Federal-Aid Road Act approved July 11, 1916 (39 Stat. 355), as amended and supplemented, and the Act approved June 29, 1956 (70 Stat. 374), to authorize appropriations for continuing the construction of highways, and for other purposes".

The Department has no objection to a recommendation that the enrolled enactment be approved by the President.

Very truly yours,


Fred C. Ambrose

Acting Secretary of the Treasury

The Director

Bureau of the Budget

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UNDER SECRETARY OF THE TREASURY
WASHINGTON

April 15, 1958

MEMORANDUM FOR: Honorable Sherman Adams
The White House

From: Fred C. Scribner, Jr.



Following his conversation with you, Secretary Anderson called me and asked that a brief memorandum emphasizing his objections to the Highway Bill, which is now before the President, be sent to you. The Secretary emphasized that he is seriously concerned by the provisions of the Bill which have departed from the straight 50-50 matching arrangement in relation to the local highway program. The pending Bill, because of the loan provisions, means, for practical purposes, the Federal Government will be paying 85% of the program and the states 15%. If this departure from the long protected 50-50 arrangement becomes law, the Secretary believes that we will be very hard pressed to restore the old arrangement.



The Treasury and the Secretary also have objection to the provision authorizing Federal loans to the states to cover a portion of their share of the matching. Here again, the precedent having once been established, it will be most difficult to object to similar provisions in subsequent legislation.

Since he was not present at the leaders meeting this morning, the Secretary did not have the benefit of the discussion which took place at that time. He fully realizes that the objections which he has to the pending Bill must be weighed against the political and economic results which would follow a veto of legislation which proposes to add to the current highway construction program. The Secretary does feel, however, that the two defects in the bill which have been discussed above will have long-term repercussions on the Federal budget.



THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 11, 1958



Center for
Transportation

Mr. Gerald D. Morgan
Special Counsel to the President
The White House
Washington, D. C.

Dear Gerry:

This will acknowledge receipt of the proposed veto message for the "Federal-Aid Highway Act of 1958."

As you know, I believe, as do my associates on the Council, that this bill should be signed by the President, and I therefore disagree with the veto message, root and branch.

As I read it, the veto message is anything but persuasive. The fact is that the highway bill would stimulate our economy. While it would not serve to initiate a recovery, it would help to spur a recovery along, and this would be a very desirable result. There is a very good chance (most professional economists subscribe to this view) that economic recovery, while it may start around mid-year, will not proceed at a satisfactory rate and that our economy will be left at the end of 1958, and well into 1959, operating at substantially less than full-employment levels. The road program would help to avoid a sluggish kind of recovery.

Second, we cannot afford to criticize the bill because it would increase expenditures in the fiscal years 1960 through 1962. Our own bill would have done the same thing. What is more, it was our wish to increase expenditures during these years, even though we, no more than the Congress, could "say with certainty what economic conditions will be" in those years. In the first paragraph of page 2 it is argued, first, that the "violation" of the traditional 50-50 rule is unjustified because the bill would have "little or no anti-recession benefits." Since it must be conceded that it would have an anti-recession benefit, this argument falls to the ground at once. But in the same paragraph the departure from 50-50 is criticized also because it would "set an unfortunate precedent." It may properly be asked: On which of these arguments is the President resting his case? Neither one of them, in my judgment, is an adequate basis for veto.



Mr. Gerald D. Morgan - 2

April 11, 1958

I shall not comment on the long paragraph on billboards, which comprises nearly 50 percent of the message. If this is a defective section, the Congress might well be asked to remedy it in subsequent legislation.

I must confess that my reading of the draft veto message strengthens my conviction that the bill should be signed. It just does not seem fully persuasive.

Sincerely,



Raymond J. Saulnier

cc: Governor Adams
Secretary Weeks
Dr. Mauge

THE WHITE HOUSE
WASHINGTON

Public Works Planning



MEMORANDUM FOR MR. MAURICE H. STANS

The provisions of Section 2(d) constitute a departure from the 50-50 sharing basis for the ABC program. This is not wise. It could establish a precedent difficult to recede from in the future. Although some precedent exists for such action in the emergency period following 1929, the conditions now are not at all similar.

Section 2(e) also permits two-thirds of the States' share to be advanced to States under certain conditions. Similar provisions in the precedent referred to above were made, but later the amounts of such advances were forgiven to the States which had enjoyed them. This would probably be the result this time.

The amounts allowed for highways under this bill are generous. This is especially so when considered in conjunction with Section 9 suspending requirements of keeping apportionments from the amounts that are in the highway fund. Recognizing fully the importance of highways, there are many fields of public works where the relative needs are greater, such as schools, hospital and welfare institutions, water supply and sanitary systems. Excessive amounts in one field underbalance orderly public works development. Section 2(d) and (e) would thus make it more difficult in any steps taken to increase other Federal-aid programs on their regular bases.

Since this is the biennial Federal-aid highway bill, the foregoing is not considered grounds to justify a veto but it is believed the undesirable characteristics pointed out above could well be mentioned in the approval message.


J. S. Bragdon



This is in response to Acting Assistant Director Phillip S. Hughes' memorandum of April 4, 1958, requesting our views on H. R. 9821, proposed Federal-Aid Road Act for 1958.

RECEIVED

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

Eno

Center for
Transportation

APR 15 1958

My dear Mr. President:

I continue to believe that you should send H. R. 9821, the enrolled highway bill, back to Congress for changes. In support of my conviction, I am attaching for your further consideration a somewhat revised form of veto message emphasizing the issues of policy rather than the financial or economic issues.

Secretary Weeks has read this and authorizes me to say that he still recommends a veto and very much prefers this suggested message. However, he points out that the views of the Leadership do constitute an important factor which you will have to weigh.

Respectfully yours,

Maurice H. Stans

Director



The President

The White House

Attachment

TO THE HOUSE OF REPRESENTATIVES

I am returning herewith, without my approval, H. R. 9821, the "Federal-Aid Highway Act of 1958", with the recommendation that the Congress re-enact it with certain changes. The following features are those which I believe should be modified:

1. The bill violates the traditional 50-50 Federal-State partnership by increasing the Federal share of the additional \$400 million authorized for the regular Federal-aid programs to 66-2/3%. Despite the best intentions that this change would be temporary and limited, it could set a very unfortunate precedent for future action.

2. The bill further departs from sound practice by making provision for Federal advances to the States to finance most of their one-third remaining share.

3. In charging the incentive payment of one-half percent for billboard regulation to the General Fund rather than to the Trust Fund, the measure violates the fundamental policy that the highway users should pay the cost of this highway program. Accordingly, the bill should be amended to charge this cost, estimated at about \$93 million, to the Trust Fund. Also, as the legislation now stands, the States could receive up to \$68 million, in addition to the incentive payments, for the purchase of easements to regulate highway advertising. The bill should not include such authority for double payments to the States.

4. The bill amends the 1956 highway legislation in a manner which does not accord with the sound proposition on which the Highway Trust Fund was established as a means of keeping Federal-aid highway expenditures on a self-sustaining basis. Any amendatory legislation should reaffirm the intent expressed in the original Act of maintaining over the years a balance between total receipts and total expenditures in the Trust Fund.

It is also my hope that the Congress will take the opportunity to improve and clarify the provisions under which regulation of advertising along the Interstate Highway System would be undertaken by agreements

Eno

Center for
Transportation



between the Federal Government and the States. If such advertising is to be constructively controlled, the Act must provide a clear basis for the issuance of administrative standards. Certain exceptions in the present language also should be removed. As now worded, they are so broad and ambiguous that they cannot be effectively interpreted or administered. They may permit almost uncontrolled advertising in certain areas.

The bill purports to use the highway program as a method of stimulating a resurgence of the economy. If it could be reasonably expected to make a major contribution of this sort, I would feel constrained to sign it at once despite the undesirable features. The facts do not support this expectation. Legislation already in force will, without further amendment, pour into the economy during the next fiscal year, beginning July 1, 1958, Federal-aid highway expenditures of \$2,350,000,000, over half a billion dollars more than during the present fiscal year, and almost 2-1/2 times as much as in fiscal 1957. The increased authorizations in the enrolled bill would cause no substantial further net increase in highway expenditures in the fiscal year 1959.

The Federal-aid highway program is one of the oldest of the cooperative Federal-State programs. With its long approved 50-50 State and Federal cost participation in the regular Federal-aid program, it has been the keystone in developing a fine network of highways and has thus contributed immeasurably to the progress and welfare of the Nation. While there is ample justification for the steps taken by the Administration to accelerate Federal expenditures resulting in important anti-recession benefits, there is no justification for rushing out legislation of such little short-run value and containing policies of great long-run danger to a program that has served the Nation well. Neither our economy nor the future welfare of our people will be aided by such action.

THE WHITE HOUSE

April , 1958.

Eno

Center for
Transportation

DRAFT

I have today signed H. R. 9821, the "Federal Aid Highway Act of 1958,"

which authorizes an ^{increased} ~~increase~~ in Federal assistance to the States for the con-

struction of roads and highways. I approve ^{this} ~~the~~ bill ^{with serious misgivings} reluctantly, because of

~~the probable results~~ of certain provisions ^{of it} ~~in it~~ ^{which} I regard as grave defects.

^{of them} Some could even create unfortunate precedents that may be difficult to disregard in the future.



The principal factors influencing me toward favorable action are ^{these} ~~these~~.

The first is the desirability of speeding up construction of our badly needed

system of Interstate Highways, as was proposed in recommendations I recently

submitted to the Congress. The second is the hope that in the acceleration of

^{work on} ^{system} this program and ^{the} ~~the~~ ^{on other federal aid highway programs} ~~ABC Highways~~, some impetus may promptly be given to

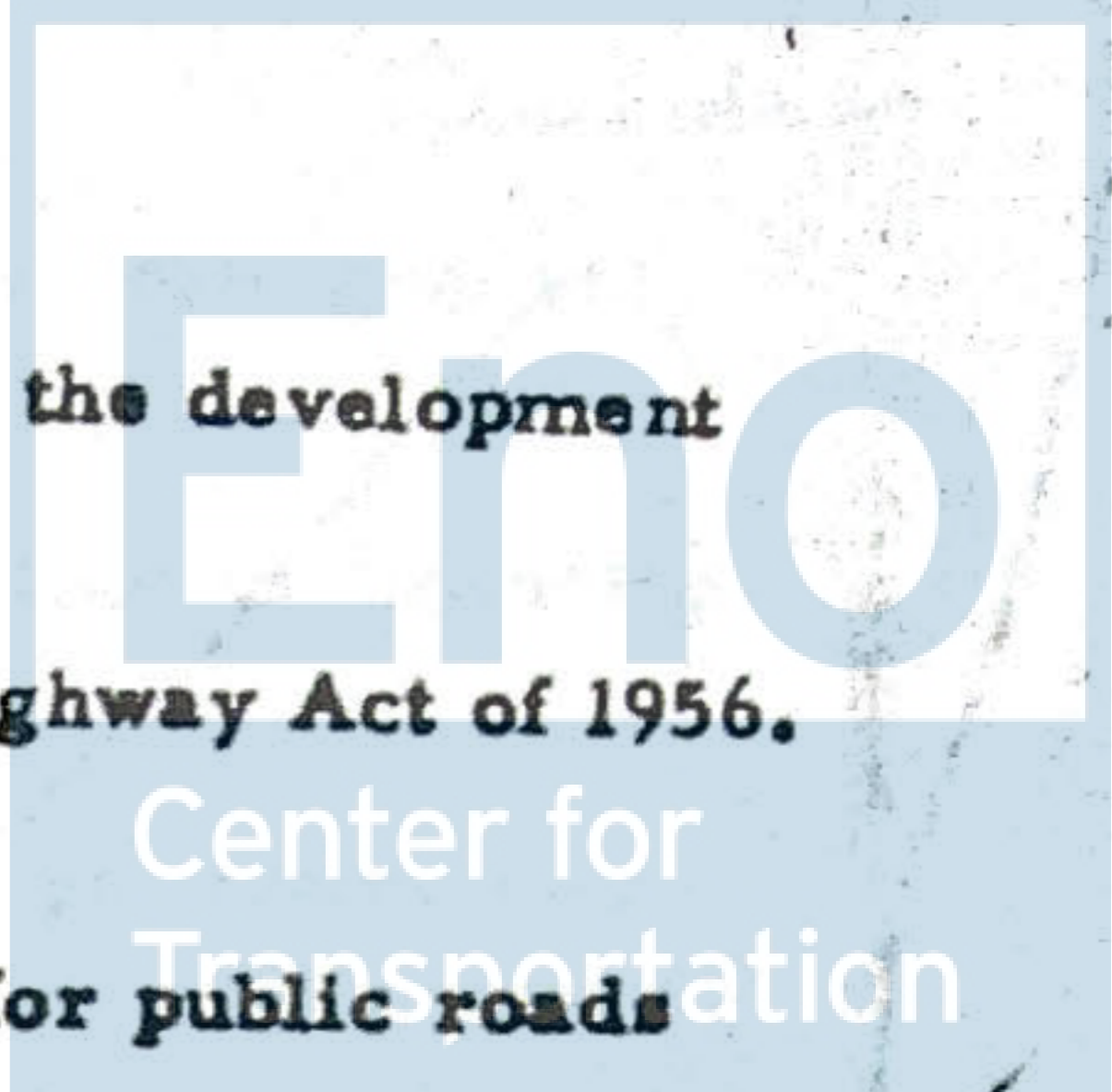
public and private efforts to increase employment. The third is the temporary

character of what I believe to be the faulty ^{provisions of} ~~actions authorized~~ in the bill. Only

because these are not permanently contemplated can I give my approval to the

~~bill.~~ ^{this legislation}

~~It is true that~~ **I** Important progress has been made in the development of an improved and enlarged highway system under the Highway Act of 1956.



^{Act}
Under this and related legislation, Federal expenditures for public roads will approximate 2.3 billion dollars in ~~each of the~~ fiscal year 1959. ✓

This is over half a billion dollars more than in the present fiscal year and two and one-half times as much as in ~~the~~ fiscal year 1957.



The expansion and improvement of our roads and highways have been major factors in the development of our economy and will continue to be so in the years ahead. Nevertheless, the defects to which I refer seem to me to be so serious that I am constrained to invite special

they will be completely eliminated in
attention to them in the hope ~~that~~ future legislation ~~will completely eliminate~~

~~them~~

~~the first and most important of these defects is the violation of the~~

long established principle of a 50-50 sharing of Federal and State costs ~~substituting them for a 2 to 1 ratio.~~

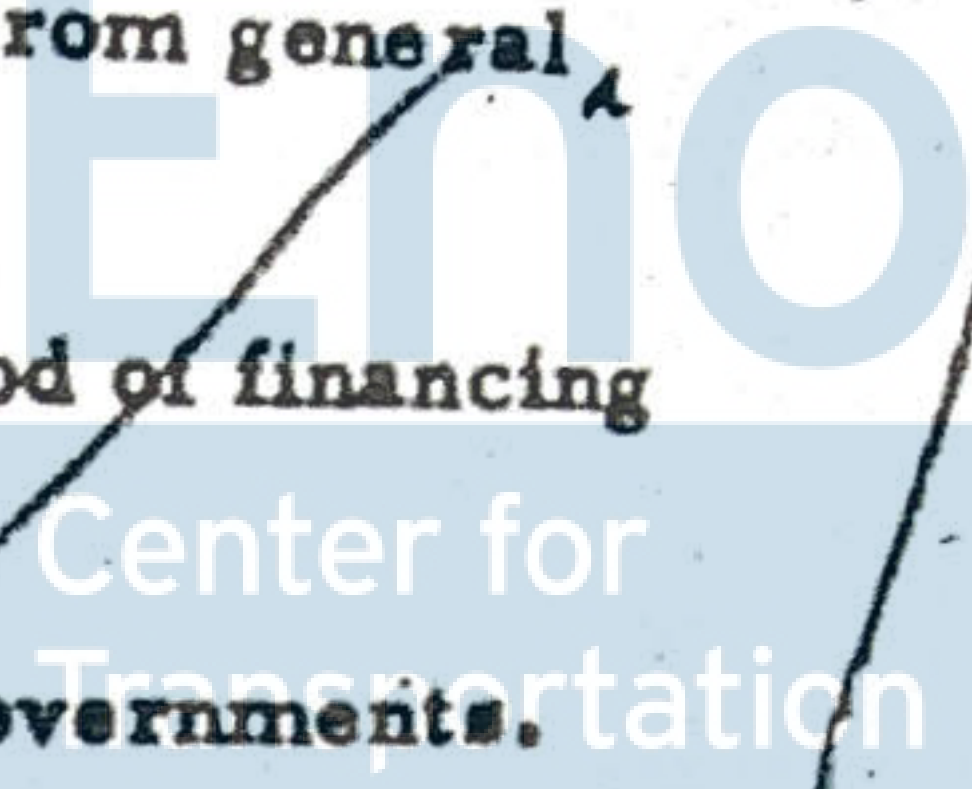
~~in the ABC Highway Act~~ I deplore the possibility that some may try to use ^{sound} this departure from a ~~satisfactory~~ arrangement as a precedent for emulation.

This I would resist.

H.R. 9821 substitutes, in the added program authorized for this year, a 2 to 1 ratio for this long established

of federal aid highway programs other than the interstate system.

Treasury



The second is the partial financing of ABC highways from general funds rather than from the Highway Trust Fund. This method of financing has previously had the approval of both Federal and State governments. To depart from the system is to endanger the policy of keeping Federal-Aid highway expenditures on a self-sustaining basis.



second defect provision for advances
 The ~~thing~~ is the ~~provision~~ of Federal ~~loans~~ to State governments to

their third

assist in financing ~~the 33 1/3 percent State~~ portion of the cost of the ~~primary, secondary and urban highways authorized by this legislation.~~ additional ~~highways to be constructed this year.~~ Here again we could

primary, secondary and urban highways authorized by this legislation.

create a ~~damaging precedent~~ *for the future?* I would oppose any repetition of ~~these~~ provisions *in subsequent legislation.*

In another ~~part~~ *part* of the bill, the Congress has constructively

endeavored to encourage the States to regulate advertising along the Interstate System. This provision of the bill should be clarified and strengthened so as to provide a clear basis for ~~the~~ administrative standards.

Certain exceptions ~~in the present language also~~ should be removed. As

these exceptions now worded, they are so broad and ambiguous that they cannot be effectively administered or interpreted. (They may permit almost uncontrolled advertising

in certain areas.) Moreover, not only does the act provide that ~~the~~ funds

for this ~~project~~ *purpose be* furnished from ~~General~~ *the fund* rather than the Trust Fund, ~~they~~

it provides ~~also~~ *dollars.* an additional 68 million for easements that are, in effect,

double payments to the States.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

APR 7 1958

RECEIVED
APR 17 1958
CENTRAL FILES

Center for
Transportation

MEMORANDUM FOR MR. MORGAN:

Attached is the draft material on the Highway Bill, HR 9821, which we discussed this morning.

As you will see, in its present form it is in effect almost a listing of ideas and is in need of considerable rearrangement, selection and editing. We plan to do this this afternoon and tomorrow morning and will have a better draft for you about this time tomorrow. Our present schedule provides for formal transmission of the file on Wednesday.

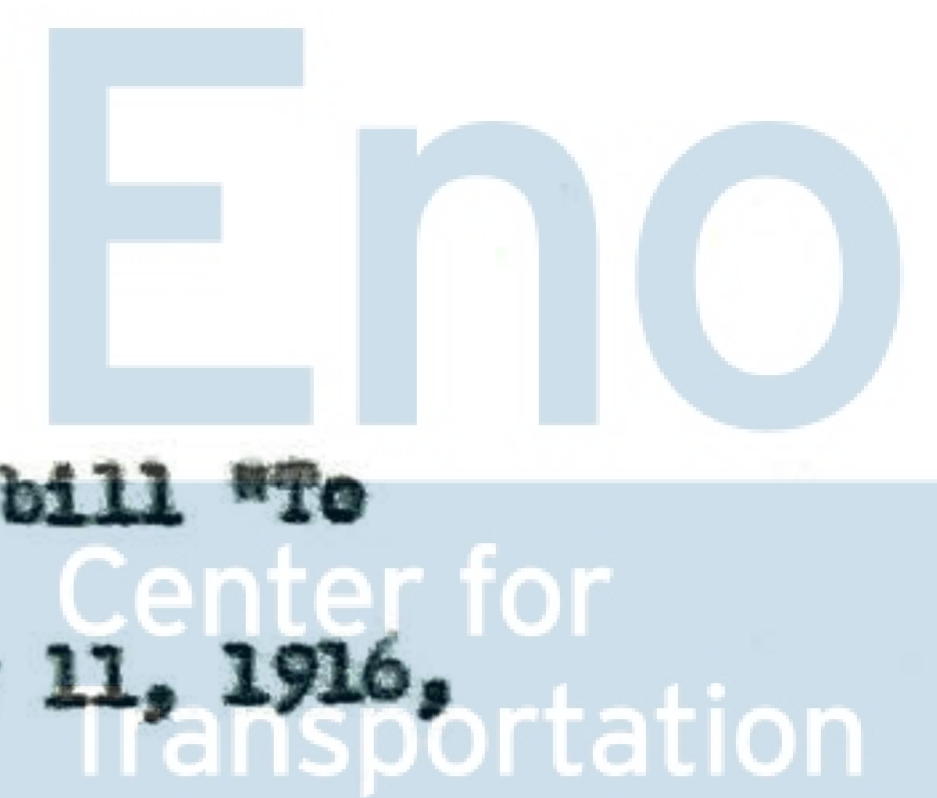


Philip S. Hughes
Acting Assistant Director
for Legislative Reference

Enclosure

April 7, 1958

Message on H. R. 9821



I am reluctantly disapproving H. R. 9821, an enrolled bill "To amend and supplement the Federal-Aid Road Act approved July 11, 1916, to authorize appropriations for continuing the construction of highways."

The Federal-aid highway program is one of the oldest and best known of the cooperative Federal-State programs. It has been a keystone in developing the finest network of highways in the world and has thus contributed immeasurably to the progress and welfare of the Nation.

The Federal-Aid Highway Act of 1921 established the basic framework for this program. Authorizations have usually been provided in biennial highway acts, such as H. R. 9821. One of the basic principles of Federal-aid highway legislation has been that the Federal Government and the States would share in the cost of construction of Federal-aid highways on a 50-50 matching basis.



The 1956 Federal-Aid Highway Act and its companion act--the Highway Revenue Act--were legislation of great importance. They established an orderly program for completing the Interstate System of 41,000 miles and created a Highway Trust Fund to finance the Federal-aid program. The program was placed on a "pay as you go" basis by the assignment of certain highway user taxes--principally the Federal tax on gasoline--to the Highway Trust Fund. Since this program was of paramount national importance, the Federal Government assumed 90 percent of the cost of this system, instead of the traditional 50-50 sharing ratio on the regular Federal-aid programs.

Many of the provisions of H. R. 9821 are essential and should be enacted into law. Others, however, violate well established principles

of the Federal-aid program or have other objectionable aspects which compel me to disapprove this bill. My reasons are set forth below.

Special authorization of \$400 million
for the regular Federal-aid programs

H. R. 9821 provides an additional authorization of \$400 million in 1959 for the regular Federal-aid programs--the primary, secondary, and urban systems. It increases the Federal share for this authorization from 50% to 66-2/3%. To help the States meet their smaller 1/3 share, it authorizes what are in effect Federal loans up to two-thirds of their matching share. These "loans" are to be repaid out of their 1961 and 1962 Federal-aid authorizations. Time limits are set on the use of this special authorization.



I am well aware that the purpose of this authorization is to provide employment in certain depressed areas. I am in full sympathy with the objective. The objections to this provision in the bill, however, are to my mind overriding: (1) It violates fundamental Federal-aid principles; (2) it assumes, falsely we think, that the Federal-aid program can or should be manipulated for short-term economic effects; and (3) it is not drafted so as to accomplish its intended purpose.

First, it violates the soundly conceived traditional partnership arrangement wherein the Federal Government and the States share 50-50 in the costs of Federal-aid highways. The net effect of the bill would be to increase the Federal share to more than 85%. In spite of the best intentions that this change should be for a temporary, limited purpose, I am seriously concerned that it may be an unwise precedent for the future.

Second, the purpose of the Federal-aid program is to encourage the building of needed highways. This bill will have the opposite effect. The \$115 million which would be borrowed by the States from their 1961 and 1962 Federal-aid authorizations would simply increase the Federal share of roads built next year under this special authorization. It would not-- as it should--contribute 50% of the cost of Federal-aid highways that would otherwise be built in 1961 and 1962.

Third, the highway program is now in process of rapid acceleration as the result of the large authorizations for the Interstate System provided in the 1956 Highway Act. (Figures?)

Fourth, in spite of the good progress which most States are making in obligating Federal-aid funds, large amounts of Federal-aid authorizations are currently unprogrammed by the States. In addition the 1960 Federal-aid authorizations will shortly be apportioned to the States and become available for obligation. Substantial flexibility exists under present law and procedures for the States to select projects on which they wish to spend available Federal-aid money. If the States wish, they can direct substantial funds under current authorizations into areas of unemployment.



Fifth, large fluctuations in the annual level of the regular Federal-aid programs detract from efficient and effective use of Federal-aid grants. Costs may be affected, orderly planning disrupted, and roads of lower quality and priority may be constructed. Most importantly, they may divert effort from the Interstate System and affect its orderly progress.

Sixth, the highway program is not well suited for short-term acceleration efforts. The long cycle of State programming, financing, developing detailed plans, acquiring sites, and actual construction make it an unsatisfactory anti-recession vehicle.

Seventh, because of the above considerations, it is reasonable to expect that instead of accelerating the overall level of highway construction, this special authorization of \$400 million will largely result in the States using this special fund first before using their regular Federal-aid authorizations where the Federal share is 50%.



Eighth, although congressional intent is indicated, there is nothing in the bill which requires the States to use their regular authorizations before--or at the same time--as they are using the 85% Federal grants. Nor does the bill give the Secretary of Commerce flexibility in channeling these special grants into areas where unemployment exists; instead the authorizations would be apportioned among the States according to the usual formulas.



Ninth, if the States do substitute one grant for another, as seems likely in many cases, the expenditure impact of this special authorization may come late in 1959 or 1960 when the economic situation may be entirely different.

Additional authorizations for the Interstate System

H. R. 9821 also provides additional authorizations for the Interstate System of ^{totaling} \$800 million ^{over} ~~for~~ fiscal years 1959, 1960, and 1961. It also approves the Department of Commerce's revised cost estimate for completing the Interstate System--which was submitted to Congress in January--as the basis for apportioning the 1960 Interstate authorization. The increased authorizations are apparently intended to reflect the revised cost estimate.

The administration recommended that Congress approve the revised cost estimate as the basis for apportioning the Interstate System authorizations

for the fiscal years 1960, 1961, and 1962. This was in accord with the intent of section 108(d) of the 1956 Highway Act.

It did not recommend that the Interstate authorizations be increased at this time. We believe that it is premature to change the pattern of authorizations provided in the 1956 Highway Act. More experience is needed with actual costs of construction. In this connection, it is noted that recently highway contract awards in New York State have been running some 20% below the engineering estimates.

Also, we need to know more about the ability of the States themselves to accelerate their Interstate programs up to the levels authorized in the 1956 Act. It should be remembered that the objective is to provide for simultaneous completion of this system in all of the States. The fact that some States are able to outrun the others in the construction of their portions of the system does not mean that we should raise the overall annual authorizations in the 1956 Act. Under present law, States may, if they wish, use their own funds to push rapid completion of the Interstate System, subject to later reimbursement of the Federal share from authorizations in future years.



Further, I believe strongly that the Interstate authorizations should not be increased without an offsetting increase in the highway user taxes going into the Highway Trust Fund. The 1956 Highway Act established the Federal-aid programs on a "pay as you go" basis. It reflected the generally accepted principle that beneficiaries of special services or facilities should pay their costs, rather than the general taxpayer. This sound and equitable financing principle should not be compromised.

In addition, the budget outlook for the years ahead indicates that if the trust fund is not continued on a self-sustaining basis, any borrowing from the general fund of the Treasury would call for deficit financing. This would have a corresponding effect on the debt ceiling. We should make every effort to avoid this.

It is true that the administration did recommend legislation to suspend the effect of sections 209(g) of the Highway Revenue Act of 1956 for the three fiscal years 1960-1-2. This was proposed in order that the Interstate authorizations in the 1956 Act could be apportioned to the States in their full amount and on schedule. Without this suspension, it would have been necessary, for example, to apportion only \$1.4 billion of the \$2.2 billion already authorized for 1960--some six months later than desired--in order to ensure that expenditures from the Highway Trust Fund did not outrun available revenues.

It was my intention then, and now, to recommend at an appropriate time legislation which will increase the revenues going into the Trust Fund and ensure that it will remain on a self-sustaining basis.

Authorizations for direct Federal highway programs

Although they do not reflect a number of this administration's recommendations, I do not wish to take issue in detail with the provisions of H. R. 9821 for forest highways, forest development roads and trails, and other direct Federal highway programs. My concern is more general in nature.

These are direct Federal construction programs in which the Federal Government usually pays the full cost of the highways.



The annual level of authorizations for these programs, we note with concern, has been increasing in the last several biennial highway acts. For example, forest highways have gone from \$22.5 million in the 1954 Act to \$30 million in the 1956 Act; and now H. R. 9821 proposes a further increase to \$33 million. The burden on the budget is correspondingly increased.

I have previously recommended that the forest highway and public lands highway programs of the Department of Commerce be paid out of the Highway Trust Fund, rather than the general fund. Most of these highways are on the Federal-aid systems, and it is appropriate that they be financed in the same manner as other Federal-aid highways.

My concern here, however, is whether a [larger?] share of the cost of these programs should not be borne by the States. The highways and roads constructed thereunder serve the people of the States in much the same manner as the Federal-aid highways and provide important local economic benefits. Accordingly, it seems only equitable and a proper assumption of their responsibilities for the States to share in the cost of constructing these highways.

~~It should be noted that the regular Federal-aid programs contain a weighting factor which greatly reduces the matching requirement of the large public land States.~~

I recommend that Congress study this problem to determine whether it would not be desirable to include legislation for this purpose in a future highway act. This recommendation appears particularly appropriate in the light of the direction in H. R. 9821 that the Department of Commerce make a special study of forest highway needs.



- 8 -

Meanwhile, I recommend that the authorizations for these direct Federal highway programs in the 1958 highway bill do not exceed the levies authorized in the 1956 Highway Act.

Regulation of advertising along the Interstate System

I am pleased that H. R. 9821 contains a provision for regulation of advertising along the Interstate System.

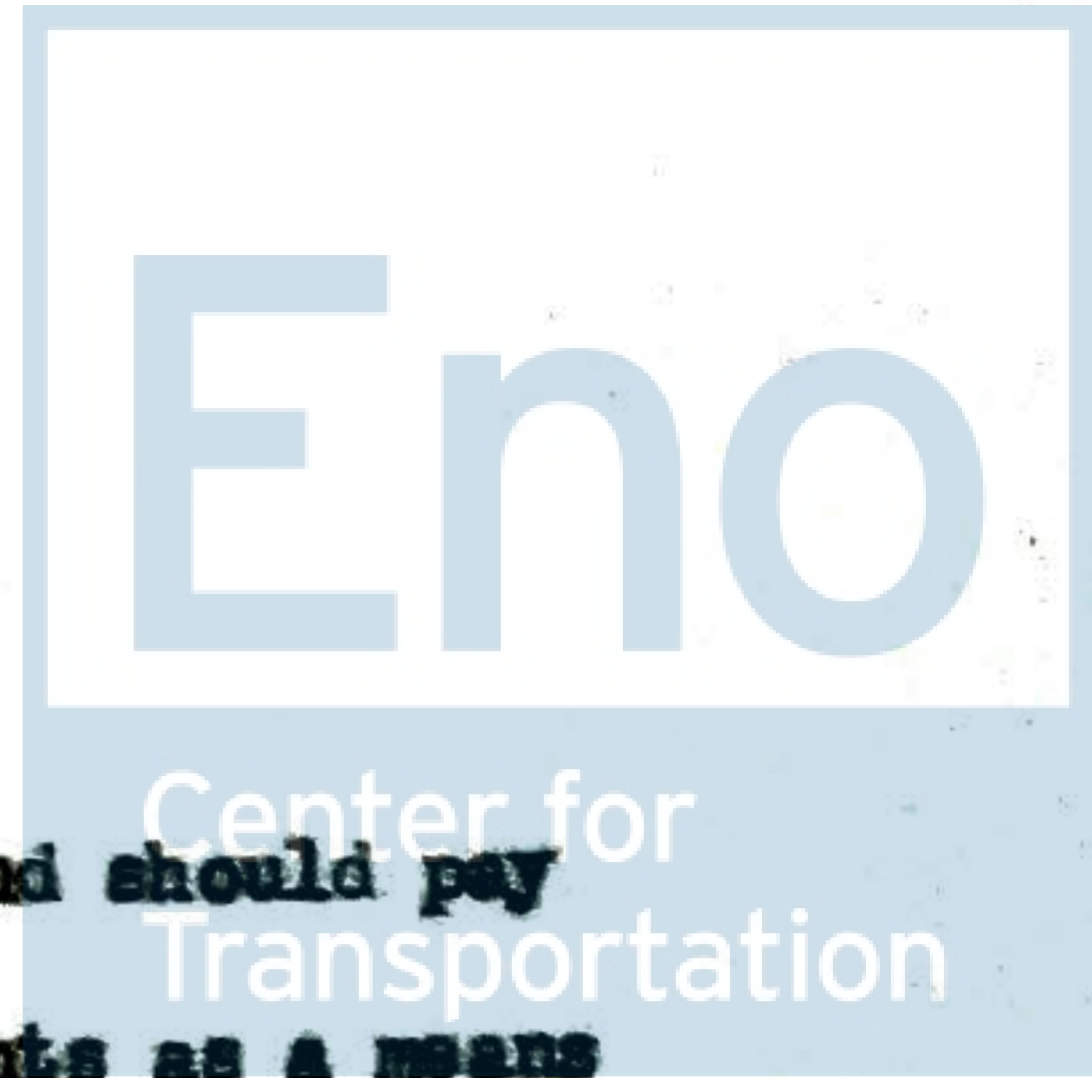
The highway users are making a tremendous investment of many billions of dollars in this System. It is only common sense that this investment should be protected--in the interests of all the users--by controlling the erection of roadside signs under reasonable national standards.

I must express regret, however, that the coverage of this provision is not broader in scope. It ^{would} also be most helpful if the language of the bill were clarified in some particulars as an aid in its administration. In any event, the Department of Commerce will give vigorous administration to any constructive provision which the Congress approves for this purpose.

H. R. 9821 provides that the Federal share of an interstate project will be increased by one-half of one percent if a State enters into an agreement to apply the national standards. I have no objection to this approach if the Congress believes that this will be more effective than the method recommended by the Administration.

I do ~~not~~ object strongly, however, to charging this incentive payment to the general fund rather than to the Highway Trust Fund. Highway users will receive the benefits of regulated advertising along the Interstate System and should pay for its cost in the same manner as other highway costs.

Further, I do not believe that the Highway Trust Fund should pay 90% of the cost when a State acquires advertising easements as a means of implementing its agreement to control advertising. This would have the effect of the Federal Government's paying twice for a benefit. If a State chooses this method of carrying out its agreement, it is only reasonable that it should pay the cost as its share of achieving a commonly sought objective.





THE GENERAL COUNSEL OF COMMERCE
WASHINGTON 25, D. C.

April 8, 1958

Eno

Center for
Transportation

MEMORANDUM

TO: The Honorable Gerald D. Morgan
The White House

FROM: Frederick C. Nash *FC Nash*
General Counsel, Commerce Department

SUBJ: Draft Veto Message, H. R. 9821



Lou Rothschild and I have checked the proposed Veto Message and think it is excellent. We have just a few comments.

It leaves out all criticism of the bill as an anti-recession measure. Shouldn't this be included, particularly in view of the substantial record made before the Gore Committee and elsewhere on behalf of the bill as an anti-recession measure.

Second line of paragraph (1) "almost" should be "over".

Third line, paragraph (1) "was proposed by the Administration" should be "under Administration proposals".

Page two, paragraph 3, first line "unnecessarily" seems a little strong. How about "unsoundly"?

The argument in the second sentence of paragraph 3 seems risky unless we say we are going to ask for taxes to finance our proposals referred to in the last sentence. As you know, we have not told anyone yet about our intentions.

THE WHITE HOUSE
WASHINGTON

April 8, 1958

Eno

Center for
Transportation

The Honorable Louis Rothschild
The Honorable Fred Nash

May I have your comments pronto?

Gerald D. Morgan

Enclosure
Draft Veto Message, HR 9821





To the House of Representatives of the United States:

I am returning herewith, without my approval, H. R. 9821, designated as the "Federal-Aid Highway Act of 1958."

While there is much in the bill that must be enacted into law, it also contains provisions which I cannot in conscience approve.

- (1) It will, in the next four fiscal years add in expenditures for the Federal-aid highway system almost a billion dollars more than was proposed by the Administration. With expenditures for this system in fiscal 1959 already estimated at substantially in excess of 2 billion dollars -- five hundred million dollars more than in fiscal 1958 -- this added expenditure to which we would be irrevocably committed could in the future have a serious and unavoidable inflationary impact upon the economy. Unless government keeps a proper perspective and exercises a keen sense of responsibility as to the future, it may undermine the very foundation on which sound economic growth depends. We must not rush out legislation in the guise of anti-recession measures that could thwart our best plans for the future. We can have both a great highway system and a strong stable economy if we show some strength of purpose now.

- (2) It changes the traditional 50-50 matching between the Federal and State Governments with respect to the



additional \$400 million it authorizes for fiscal 1959 for the primary, secondary, and urban Federal-aid system, and embarks upon an unsound system of advances by the Federal Government to the States to be repaid by the States through reduction in their subsequent apportionments by the Federal Government. Under this system of advances, coupled with the change in the matching formula, Federal participation could go to over 85 per cent. The 50-50 matching formula has stood us well for many years. This bill, if enacted, would set a precedent for smaller financial participation by the States and could well be the start toward breaking down the traditional matching formula.

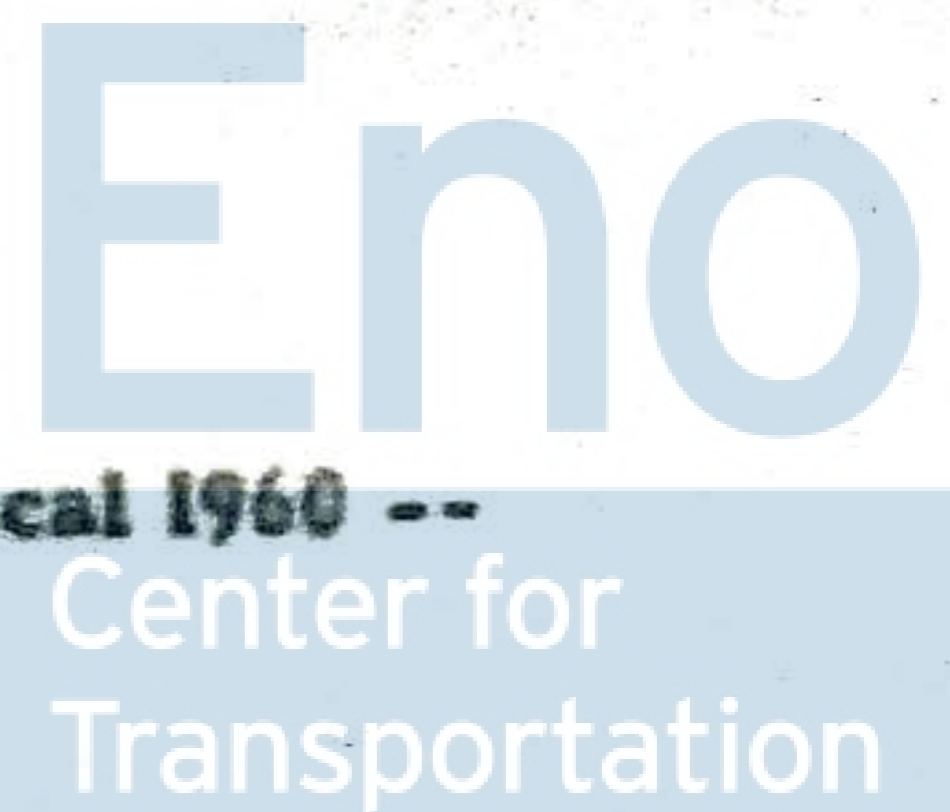
- (3) The bill unnecessarily increases the authorization for the Interstate System by \$800,000,000 over the fiscal years 1959, 1960, and 1961, and the authorization for the primary, secondary, and urban Federal-aid system by \$400 million over the fiscal year 1959. Increasing authorizations without making, or at least indicating an intent in the future to make, some provision for keeping our highway program on a self-sustaining basis reverses the sound policy established in 1956 of paying for our roads as we go. Moreover, these increases in authorizations will result in substantial fluctuations in the Federal-aid highway program -- substantially greater expenditures a year or two from now and lesser expenditures thereafter. All that is needed to keep the program on a sustained and orderly basis is to suspend the expenditure limitations for fiscal years 1960 through 1962 so that the amount already

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authorized -- \$2.2 billion, for example, in fiscal 1960 --
can immediately be apportioned to the States.



The bill contains provisions whose objective is encouraging and assisting the States to control outdoor advertising in areas adjacent to the Interstate System. I am heartily in favor of this objective. I am disturbed, however, by the lack of clear guides and standards under which the Secretary of Commerce would administer these provisions. I am also disturbed by the fact that some of the exceptions from the policy declared are so broad and ambiguous as to permit almost uncontrolled advertising in certain areas. Also, it seems to me that the increase in the Federal share of 1/2 of 1 per cent which would be paid with respect to any project covered by an agreement with the Secretary of Commerce should be paid out of the Highway Trust Fund rather than from the general fund of the Treasury. Finally, the provision that costs incurred by the State in carrying out the declared policy shall be considered as a part of the construction costs of the projects results in a double payment by the Federal Government to the States for carrying out this objective. If the States are to be given a bonus in the form of an increase in the Federal share payable on such projects, they should not be extended further benefit.

