

IMMEDIATE RELEASE

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James C. Hagerty, Press Secretary to the President

O.F.

Center for
Transportation

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THE WHITE HOUSE

The President today requested the Congress to make a temporary advance of \$359 million from the general fund to the highway trust fund, to be repaid before June 30, 1960. The request is consistent with the pay-as-you-go principle of existing highway legislation. The advance is only to meet a temporary financing problem of the highway fund during the current fiscal year and does not affect the requirement that the fund be self-financing. The advance will be made to the trust fund and repaid to the general fund from the trust fund in the same fiscal year and will therefore have no effect on 1960 budget expenditures or new obligational authority.

Repayable advances of the kind proposed are authorized by, and their repayment required by, the Federal-Aid Highway Act of 1956. This is the first time it has been necessary to request such an advance because prior to this fiscal year there have been very large balances in the highway trust fund. However, as was anticipated at the time of the enactment of the 1956 Highway Act, the speed-up of the Federal-aid highway program authorized and directed by the Congress in 1958 has caused higher expenditures than were anticipated by the 1956 Highway Act for fiscal years 1959 and 1960. Furthermore, legislation pending for increased motor fuel taxes will be effective later and will provide a lower tax rate than the President proposed. For these reasons there will be a temporary period beginning in October 1959 when amounts in the fund will be insufficient to permit reimbursements when due to the States for expenses of the Federal-aid highway program. It is estimated that by January 1960 the cumulative deficit in the trust fund will amount to \$359 million, assuming the enactment effective by October 1, 1959, of a 1¢ increase in highway fuel taxes now under consideration in the Congress. The postponement of reimbursements to the States in such magnitude would force many States to delay payments to their contractors. The temporary advance from the general fund is requested to prevent such a situation from occurring.

After January 1960, with the additional revenues from the 1¢ tax increase and a levelling off of expenditures, the highway trust fund will have sufficient funds to make necessary reimbursements to the States and repay the advance with interest to the general fund on or before June 30, 1960.