

UNITED STATES DEPARTMENT OF
COMMERCE

Frederick H. Mueller, Secretary Washington 25, D. C.

Office of the Secretary

Center for
Transportation G 59-86

FOR IMMEDIATE RELEASE THURSDAY, OCTOBER 8, 1959

Secretary of Commerce Frederick H. Mueller announced today a procedure for the scheduling of Federal highway funds in order to assure prompt reimbursement to the States and to maintain the Federal-aid highway program on a pay-as-you-go basis.

Secretary Mueller said:

"The Federal Government pays 90 percent of the cost of the Interstate Highway program. This program will continue without interruption. We are exercising our legal authority and public duty to make sure that when the vouchers are presented by the states for payment there will be money in the Highway Trust Fund to pay them."

The Secretary released a circular memorandum implementing his announcement from Ellis L. Armstrong, Commissioner of the Bureau of Public Roads, to the Bureau's Regional and Division Engineers. The Bureau is the agency of the Commerce Department directly concerned with the administration of the Federal-aid highway program.

Under the Federal-Aid Highway Act of 1959, it is planned, with scheduling of reimbursement to the States, to apportion approximately \$1.8 billion of Federal funds for the National System of Interstate and Defense Highways for the fiscal year 1961 and \$2 billion for fiscal 1962.

However, in utilizing these apportionments it will be necessary for the Bureau and the States to provide immediately for an orderly scheduling of obligations and new contracts financed from the 1961 apportionment and from remaining balances of earlier apportionments to assure that the estimated revenues in the Highway Trust Fund will be sufficient to meet the anticipated reimbursement requirements of the States during the current fiscal year and the years immediately ahead.

Under the governing legislation the States initially make expenditures to advance the Federal-aid highway program and are subsequently reimbursed for the Federal share from the Highway Trust Fund. In addition to contributing 90 percent of the cost of the Interstate System, the Federal Government pays 50 percent of the cost of the other Federally aided highway systems.

The Secretary said his announcement today was in accordance with a principle set forth by the President in signing the Federal-Aid Highway Act of 1959. The President said, in part:

"Because the bill does not provide the level of revenues required for continuing the highway program on the schedule contemplated under existing authorizations, it will be necessary to make orderly use of these authorizations so that spending can be held within limits that will avoid future disruption of the program. This action will be required if the Federal Government is to meet promptly its obligations to the States and at the same time adhere to the self-financing principle upon which the highway program has been established."

Secretary Mueller said that the President's 1960 Budget proposal for a temporary 1 1/2 cent a gallon rise in the Federal motor-fuel tax through the fiscal year 1964 would have permitted the Interstate program to proceed on schedule.

"The legislation enacted by Congress falls short of providing the Trust Fund revenues envisioned in the President's recommendation," he said.

"However, it should be made clear that there will be no interruption in the progress of the Interstate or ABC (primary, secondary, urban) programs. While the Interstate program will be limited as required by law, by the amount in the trust fund, it will continue at a reasonably satisfactory rate without disruption and without discrimination among the States."

In effect, the circular memorandum issued by Commissioner Armstrong establishes the estimated amounts which each State may expect to obligate during the fiscal year 1960 with assurance that it will receive prompt Federal reimbursement from the Trust Fund. The memorandum advises the Bureau's field offices to hold State obligations for the current fiscal year within a \$2.7 billion total.

October 6, 1959

CIRCULAR MEMORANDUM TO: Regional and Division Engineers

FROM: Ellis L. Armstrong, Commissioner

21-00

SUBJECT: Reimbursement planning

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The Federal-Aid Highway Act of 1959 (P.L. 86-342, approved September 21, 1959), provides additional revenue to the Highway Trust Fund for fiscal years 1960 through 1964. Provided that there is orderly use of existing authorizations, it is expected that the total revenues to be available during this period will support Interstate apportionments of \$1.8 and \$2.0 billion for the fiscal years 1961 and 1962, respectively, in addition to the apportionment of \$925 million of ABC funds for the fiscal year 1961 and a similar amount assumed for the fiscal year 1962 but which has not yet been authorized.

In signing the Act the President stated in part:

"Because the bill does not provide the level of revenues required for continuing the highway program on the schedule contemplated under existing authorizations, it will be necessary to make orderly use of these authorizations so that spending can be held within limits that will avoid future disruption of the program. This action will be required if the Federal Government is to meet promptly its obligations to the States and at the same time adhere to the self-financing principle upon which the highway program has been established."

To provide prompt payment of vouchers on existing project agreements, legislation has been approved to appropriate a total of \$359 million as a repayable advance from the general funds of the Treasury to the Highway Trust Fund. This will be available as an advance during the fiscal year 1960 for the purpose of avoiding temporary deficits that would otherwise occur in the Trust Fund beginning in October and reaching a peak in January.

It is necessary to provide for an orderly scheduling of obligations and contracts in order to assure that the anticipated revenues that will be available to meet anticipated reimbursement requirements during the current and next fiscal years are not exceeded. Our objective, in cooperation with the States, is to establish the amounts which each State may expect to receive in Federal reimbursement from the Trust Fund for fiscal year 1961 and perhaps for two or more subsequent years.

(more)

Based on our past experience and the present revenue provisions of the Act, it is anticipated at this time that we can incur new reimbursable obligations during the fiscal year 1960 totaling \$2.7 billion which would be comprised of \$1.8 billion of Interstate funds and \$900 million of ABC funds. The \$1.8 billion of Interstate funds, which we expect would be the maximum amount we could forecast to be available for prompt reimbursement, are being distributed to the States for advancement to obligation status during the current fiscal year on the basis of the 108(d) factors which are now in force for apportioning Interstate funds, and the \$900 million of ABC funds used as the maximum of new obligations are being distributed on the basis of the total apportionment of 1961 ABC funds, with provision in all cases that the total amounts made available to any State shall be not less than the sum of (1) all of the unobligated balance of 1958 funds plus (2) 50 percent of the unobligated balance of 1959 funds as of June 30, 1959. The objective is to distribute the amounts available for obligation on an equitable basis while insuring that each State shall receive at least an amount sufficient to permit utilization during the remaining time for obligation of prior years' apportionments which might be endangered by operation of the lapse provisions of the law.

The amounts thus distributed are shown in the attached table separately for the distribution of ABC, Interstate, and total funds. It is necessary for us to make these calculations to develop the controlling amount, but it should be emphasized that the total amount shown for each State may be used for either category of projects, without regard to the breakdown which we developed in determining the State's total share.

Within the total amounts shown, prompt reimbursable obligations will have to be scheduled at a lower rate in the first half of the fiscal year compared with the higher rate during the latter half of the year. The total of prompt reimbursable obligations for the country as a whole is to be distributed by periods in accordance with the following schedule with amounts not utilized during any period remaining available for later utilization on an accumulated basis.

Distribution of prompt reimbursable obligations
of \$2.7 billion during fiscal year 1960-----

Period	Percentage accumulated	Amount accumulated
July 1 through October 31	22	\$600
November 1 through December 31	33	900
January 1 through March 31	67	1,800
April 1 through June 30	100	2,700

(more)

Special memorandum control records are to be maintained in the division offices to insure that the obligation totals for which we anticipate we can make prompt and full reimbursement are not exceeded. The tentative amounts available to each State for each of the periods shown, based on the above distribution schedule with adjustments required to account for progress during the fiscal year to date and to provide for a continuing program in each State, will be furnished for use in establishing such records. The distribution of obligations during 1960 shown in the above table is based on the best estimate of receipts and expenditures available at this time. A new estimate of receipts and expenditures will be made in connection with the preparation of the 1961 budget. The schedule of reimbursable obligations for the period of January 1 to March 31 will be reviewed in the light of this re-estimate to determine whether an adjustment in the amount may be required.

In order for this proposed system to be effective and to enable us to make accurate estimates of future demands for reimbursement, it will be necessary for the States to submit a schedule for each proposed project indicating by quarters the timing of Federal reimbursements required to complete the project. After October 31, 1959, no obligations will be incurred unless such a schedule is provided on a basis that is acceptable to the division engineer as being reasonable. A suggested format for these schedules will be provided.

The obligation schedule is designed to keep the demands on the Highway Trust Fund during the current and next fiscal year to the amount of the tax revenues accruing to the Fund which will be available to meet estimated reimbursement requirements promptly. In order to accomplish this objective it is necessary, in addition to the obligation schedule, to provide for an orderly scheduling of awards of contracts so that the reimbursement capability of the Trust Fund will not be exceeded. It is expected that the division engineer will work out with the chief of the State highway department a schedule of advertising for individual projects so that the approximate amount let to construction contract, plus authorizations for preliminary engineering and for acquisition of rights-of-way, including amounts for projects authorized prior to July 1, 1959, but let to contract subsequent to such date, does not exceed at the indicated dates during the fiscal year the amounts prescribed in the obligation schedule for the corresponding period of time.

States desiring to proceed at a rate faster than can be supported from available Trust Fund revenues may elect to do so but with the clear written understanding that vouchers cannot be paid until and unless funds are available for reimbursement. Under current estimates of revenue and expenditures this cannot be expected to occur before late in the fiscal year 1963. Separate identification obviously will be required for any project advanced on such basis, and the letters of authorization and the project agreements shall specify that the Federal Government will not be expected to pay reimbursement vouchers on account of such projects until funds become available. It shall also be specified that deferment of reimbursement shall not cause any increase in cost of the work to the Federal Government.

(more)

In view of the many factors that affect the rate of withdrawals from the Highway Trust Fund, studies are being continued with the objective of assuring that State plans and programs requiring future Federal reimbursement are developed within a framework that is consistent with objectives and the anticipated resources of the Trust Fund.

Detailed procedures for establishing the proposals discussed above will be forwarded as soon as possible.

Attachment - 1

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State	Distribution of ABC funds (\$900,000)	Distribution of Interstate funds (\$1,800,000)	Total (\$2,700,000)
Alabama	\$17,479	\$34,742	\$52,221
Alaska	35,961	-	35,961
Arizona	10,659	24,065	34,724
Arkansas	12,553	17,494	30,047
California	47,935	179,030	226,965
Colorado	13,865	13,654	27,519
Connecticut	8,302	21,493	29,795
Delaware	3,801	6,772	10,573
Florida	14,428	45,648	60,076
Georgia	20,015	42,512	62,527
Hawaii	4,095	-	4,095
Idaho	8,155	12,156	20,311
Illinois	38,906	90,343	129,249
Indiana	21,143	50,809	71,952
Iowa	18,463	16,719	35,182
Kansas	17,445	15,768	33,213
Kentucky	15,424	30,972	46,396
Louisiana	13,614	46,528	60,142
Maine	6,313	9,056	15,369
Maryland	9,614	39,692	49,306
Massachusetts	16,411	49,065	65,476
Michigan	29,843	69,238	99,081
Minnesota	20,883	33,209	54,092
Mississippi	13,699	19,344	33,043
Missouri	23,686	50,263	73,949
Montana	13,161	20,031	33,192
Nebraska	13,901	15,324	29,225
Nevada	7,721	9,214	16,935
New Hampshire	4,005	9,690	13,695
New Jersey	17,021	57,011	74,032
New Mexico	11,497	21,106	32,603
New York	56,175	87,260	143,435
North Carolina	20,894	19,158	40,052
North Dakota	9,418	7,804	17,222
Ohio	34,954	114,761	149,715
Oklahoma	16,568	16,014	32,582
Oregon	12,648	30,531	43,179
Pennsylvania	42,604	71,845	114,449
Rhode Island	4,943	8,210	13,153
South Carolina	11,259	14,517	25,776
South Dakota	10,125	13,076	23,201
Tennessee	18,043	52,254	70,297
Texas	51,400	79,597	130,997
Utah	8,413	16,473	24,886
Vermont	3,690	16,613	20,303
Virginia	16,742	74,645	91,387
Washington	14,043	31,905	45,948
West Virginia	9,460	22,074	31,534
Wisconsin	19,764	18,551	38,315
Wyoming	8,333	18,305	26,638
Dist. of Col.	5,277	17,459	22,736
Puerto Rico	6,249	-	6,249

