

Statement by Hon. Harry F. Byrd, of Virginia, Relative to the Clay Commission Highway Report.

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Tuesday, January 18, 1955

I shall discuss the proposed new road plan at length in the Senate when the President submits it to Congress January 27. In this statement I am commenting briefly on the recommendations to the President by the National Advisory Committee for a national highway program.

The Committee's recommendations fall generally in two parts: (1) Continuation of the regular Federal aid to highways at the rate of \$623 million a year, and (2) expenditure during the next 10 years of an additional \$25 billion for the so-called interstate highway system. Federal expenditures on the 2 programs in 10 years would total \$31 billion. Including the interest, the expenditure will be \$42.5 billion.

The Committee estimates the \$25 billion would construct 40,000 road-miles designated by the Federal Government as interstate highway. This would be little more than 1 percent of all public-road mileage. The average would be about 800 miles per State. For this the Committee recommends borrowing \$20 billion at 3 percent interest and collection of \$5 billion in fees from filling stations, motels, etc., operating on the rights-of way.

If the 30-year taxable bonds recommended by the Committee can be sold at 3 percent interest, and if they were paid off on schedule-the last maturing in 1987-the interest would cost more than \$11.5 billion. At this rate every dollar borrowed would cost taxpayers \$1.55.

Based on all recent Federal experience, I submit it is a violent assumption to predict these bonds will be paid off at maturity. In effect, we have not paid off a single dollar of Federal debt in 25 years. Continuing increase in the Federal debt is in prospect for an indefinite period.

It may be expected that even before the 40,000 miles are constructed, the program will be expanded in mileage, scope, and amount. It is certain that the system will be thousands of miles greater than contemplated in the Committee report.

As we grow, population shifts, and the impact on specific road changes, and therefore our road needs shift and change. There is no such thing as a permanent road because on one can predict years in advance what specific roads will carry the most traffic.

Actually the Committee recommends that the Federal Government assume virtually the complete obligation for the so-called interstate highway system (abolishing the 60-40 Federal State matching requirement in this program) and that it be financed by methods which are unique so far as I know, and thoroughly unsound.

The Committee recommended to the President that the program be financed through a Federal corporation which, without either assets or income, would borrow \$20 billion from the public. The Treasury, under a contract with the corporations would guarantee the corporation's bonds, but the debt would not be included in the record of obligations guaranteed by the United States. Annual appropriations to meet principal and interest payments would be requested, but the request could not be refused or reduced by subsequent Congresses, for 30 years, if the faith and credit of the Government are to be honored. If financial difficulty should develop at any time, the corporation with no further authorization could make mandatory calls upon the Treasury for amounts up to \$5 billion outstanding at any one time.

Such procedures violate financing principles, defy budgetary control, and evade Federal debt law.

If the Federal Government can properly borrow money for roads in this fashion, without regarding it as debt, and spend it without budgetary control, it may be expected that similar proposals will be made for financing endless outlays which may be desirable for education, hospitals, public health, etc. In fact I am informed that such a plan is now under consideration for school construction.

This would mean operating the Government on two sets of books: One set for activities financed by borrowing outside the debt and expenditures outside budgetary control, and the other set for activities financed by borrowing on the record and expenditures under budget control.

Count it as you will, as we spend more than our income we add to our debt. The least the Government can do, in fairness to taxpayers, is to keep books and accounts in a manner reflecting the true state of our fiscal affairs.

When the Government contracts a bona fide debt, but arbitrarily removes it from classification as public indebtedness, it creates fiscal confusion and disorder, and destroys confidence in Government credit.

You cannot avoid financial responsibility by legerdemain, and you cannot evade debt by definition. The obligations of the Federal Government and all its citizens will still remain.

There is another grave objection to this Federal road plan, of importance equal to those I have mentioned.

GROWTH OF FEDERAL GRANTS TO STATES

Since 1934, Federal grants to States have enormously expanded in cost and functions. Every Federal grant elevates the control of the Federal Government and subordinates the authority of the States. Nothing is truer than the rule that power follows the purse. When the Federal Government makes a grant it directs the exact manner in which the fund is expended, even though the expenditure is partly contributed by the States. Time and time again I have seen the iron hand of the Federal bureaucracy compel the States to do things that they did not desire to do, because of grants made by the Federal Government.

The growth in Federal grants is indicated by the fact that in 1934, 21 years ago, the total of such grants was \$126 million, for 18 grants-in-aid programs. Now the total of Federal grants is \$3 billion for 50 programs. This is an increase of 300 percent in programs and 2,300 percent in cost. Federal grants to States never end. They continue to expand.

The Committee's proposal contemplates the greatest increase in Federal grants suggested. A Federal agency will determine the location of the interstate road system, will fix the number and location of access roads, which may be considerable distances apart, will fix the fees for the activities such as filling stations, motels, restaurants, etc., that are located along the rights-of-way and will control construction standards, etc.

No one recognizes more fully than I the need of road improvement to meet the constantly increasing impact of modern-day traffic. A great deal of my public career has been devoted to the problems of a road construction in Virginia. As a substitute for the committee's recommendations I propose:

1. That the 2-cent gasoline tax now being collected by the Federal Government be repealed, thus permitting the States to reimpose it.
2. Present Federal aid to primary, secondary, and urban road systems which, for many years has been integrated with States highway systems, be continued on the longstanding match basis. This amounts to \$535 million.
3. That the lubricating oil tax now collected by the Federal Government be continued.
4. A ½ cent per gallon Federal gasoline tax. Revenue from this tax plus the Federal lubricating oil tax, according to estimates of increasing use, shortly will be sufficient to compensate the Federal Treasury for this Federal aid.

Under such a plan States would retain as much control over their roads as they have had in the past; \$11.5 billion interest would be saved revenue for additional road construction; and road would be evenly distributed over future years to keep highways modernized to meet changing conditions.

Under the Committee plan principal and interest payments on the \$20 billion bond issue would dry up gasoline tax revenue for 20 years, from 1996 to 1987, with the exception of about \$600 million which is committed to matching funds of States for their primary, secondary, and urban systems.

In the next few days I will present on a yearly basis figures showing the plan I propose will resulting more road development than can accomplished under the Committee's plan: that it will avoid increasing the public debt, and that it will serve to preserve the soundness of the Federal budgetary system.
