

In 1955 the President's Clay Commission under President Eisenhower recommended a long-term bonding approach essentially similar to this that you recommend today for financing of the Interstate highway program. This was rejected by Congress. We adopted instead a pay-as-we-go approach to build out of current revenues each year the amount of highway that could be built out of those revenues.

We created a special trust fund, as you are quite aware, and have followed the pay-as-we-go approach on the interstate highway program. I think it has been a significant success.

One of the reasons that we rejected the long-term bonding approach at this time was that our analysis indicated to us that for every dollar's worth of highway built, it ultimately would cost us \$1.55 when we paid the interest over the period of amortization.

Now, that was calculated on interest rates prevalent in 1955. I daresay it would be still higher today.

I wonder how this comports with our efforts to put the Government in a fiscally responsible position so as to improve our international dollar balance and respect for the dollar throughout the world?

The President's insistence—I think quite properly—that we do one of two things, or a combination of two things, either reduce appropriations or raise taxes to bring it into a current balance on a pay-as-we-go basis—I wonder how this long-term bonding proposal that you have offered today comports with that?

Secretary UDALL. Congressman, let me discuss this and then Director Hughes would like to comment on it.

You have put your finger on a basic policy question. And I say quite frankly, I think in terms of the situation we find ourselves in that going to the approach of the Federal Government paying its part of the bonds as they become due is under these circumstances very sound.

And I recall, because I came to Congress when you did, and this was one of the major pieces of legislation in 1955 and 1956, when we wrote the highway legislation. And there was a feeling in the Congress at that time that we could set up a special fund, and that we could pay for the highway program as we went along through that fund.

We have basically adopted over the years the same approach to water pollution. What happened in my view, however, is that in 1966 the Congress saw that its level of appropriations, which then was under \$200 million, was too small. We were only helping the small communities. Congress decided to make a commitment to put up at least 30 percent of the money for all communities in the country, to move to a very high level of activity.

In fiscal year 1970, the authorization will go to a billion dollars of Federal grants, then to \$1.25 billion under the act. Quite frankly under the current budgetary stringencies we do not have the cash.

Now, we have a provision in this legislation so that if there is an alteration in the budgetary picture, we could increase the cash amount. We can come in and pay off our portion of bonds if we want to, so we do have that provision in it. But from the standpoint of social or political philosophy, I think I can justify the bond approach; because after all, that is what the States and cities are doing in this field.