

Mr. HUGHES. Yes, sir.

Mr. CRAMER. That is very interesting. Then we are really talking about at least twice as much contract authority. We are talking about \$5 billion instead of \$2.275 billion. That is very interesting. I did not read that into the bill.

Mr. HUGHES. We are talking about a program, additional program level, of \$2.275 billion, and——

Mr. CRAMER. Plus interest.

Mr. HUGHES. Plus interest.

Mr. CRAMER. Which is 120 percent more.

Mr. HUGHES. I am not sure of the 120 percent.

Mr. CRAMER. Approximately.

Mr. HUGHES. Certainly the interest would be in addition.

I say again, Mr. Cramer, the interest costs are additional, whether it is a cash grant or an amortization payment.

Mr. CRAMER. That has the effect of doubling these authorizations so far as Federal commitments are concerned.

Mr. HUGHES. I do not so regard it. The program level would be the same as though those amounts were appropriated in the 3 years in the form of cash grants.

Mr. CRAMER. Plus interest.

Mr. HUGHES. Plus interest. That is correct.

Mr. CRAMER. So in effect what we are doing by this method, we are getting 50 percent or less construction as compared to what we would get out of direction appropriations, using this bond issue gimmick.

Mr. HUGHES. No. That is not correct.

Mr. CRAMER. What is correct?

Mr. HUGHES. We would get the same level of construction that we would have gotten had those been cash grants. The interest cost in the one case would be paid in the process of amortization, and in the other case, it would have been paid in the form of interest on the public debt to finance the cash grant.

Mr. CRAMER. Well, I would like to make sure I understand it, that this limitation which you say you are willing to accept, but you don't have to if you don't want to, of \$700 million for 1969, \$1 billion for 1970, \$1.25 billion for 1971, is that principal amortization or principal and interest amortization?

Mr. HUGHES. That is principal. That is the program level, the additional program level, represented by the contract face value, if you will.

Mr. CRAMER. That means it would cost double that, at least, because of interest and carrying charges.

Mr. HUGHES. The interest cost would be in addition as they would be if this were a cash grant.

Secretary UDALL. Let me make two points, to help clarify this.

Mr. CRAMER. That is assuming you have to borrow the money, is that what you mean?

Mr. HUGHES. The value of money is the value of money, whether it is available——

Mr. CRAMER. Assuming we do not pass the surtax and eventually balance the budget?

Mr. HUGHES. The value of money is the interest cost of money.