

I now address myself to a task which I do not relish but which I feel has to be openly and squarely met.

We, as a department, have for the most part been happy and proud of our excellent relations with the Bureau of Public Roads, but I wish to point out that when the preferential systems are involved, dialog tends to be directed in only one direction and the partnership becomes less meaningful. True partnership, no matter in what activity, implies equal rights and equal responsibilities. The fund of competent knowledge of highways is not totally on deposit in Washington. We look to you gentlemen to aid in efforts to regain and insure that state of true partnership which once existed.

On the matter of financing, we have concluded, after long study, that the matching ratio on all Federal-aid projects should be identical. As you know, the Interstate System is now financed 90 percent by the Federal Government, with other systems on a 50/50 basis. Our analysis indicates that the most feasible and effective ratio for future programming would be 75 percent by the Federal Government and 25 percent by State and local sources.

Institution of this matching ratio would provide the States with more flexibility in their use of Federal funds and in meeting their highway needs on a priority basis.

All States have this need for flexibility. I am sure you are well aware of the tremendous price increases which have occurred over the past several years. These increases have not occurred in just construction but are to be found in every phase of highway endeavor. This is especially so in the maintenance function where 5 years ago we spent \$24 million and today the maintenance bill is \$34 million. Ten years from now we expect this function to be costing in the neighborhood of \$51 million.

Basically what I am saying is that rising costs coupled with the need for money to match Federal apportionments will leave us without the ability to carry on Michigan programs or the ability to borrow money because there is no flexibility in the fiscal program to allow for additional debt service.

There has been talk of other ratios. I hasten to point out that a two-thirds to one-third matching ratio would require my State to raise its present 7-cent gas tax to 9 cents. I also point to the difficulty encountered recently in Michigan to gain a 1-cent increase.

We support a \$4 billion ceiling on appropriations per year for the balance of the Interstate System. Our support is contingent upon the remaining funds being devoted primarily to increased ABC appropriations. While I do recognize the merits of both the TOPICS program and the metropolitan Federal-aid system program, I strongly believe the existing ABC systems have the highest priority for increased funding. If, after due deliberation, you feel the current ABC appropriation should be maintained in order to complete the current interstate program at the earliest possible moment, then I can assure you we would have no quarrel with this decision.

It is particularly vital that decisions be reached as quickly as possible. If the interstate program is brought to a close, as I sincerely believe it should, the States must have the leadtime necessary to gear up to an expanded ABC program. This is especially true since our greatest problems will be in the urban areas. It is in these areas where