

PROTECTION OF HIGHWAY TRUST FUND

In 1956, to finance an expanded Federal-State highway construction program, Congress created the Highway Trust Fund. The passage of the Highway Act of 1956 marked the end of a two year effort to establish an acceptable means of financing this accelerated construction program on a pay-as-you-go basis; this marked a significant change in the previous practice of financing roads from the fund of the Treasury.

The Highway Trust Fund has been the repository for revenues from the Federal motor fuel taxes and certain other Federal taxes on highway users. From these receipts have been made all expenditures for the Federal share of the costs of the Federal-State highway projects. Thus a direct link was established between Federal highway disbursements and highway user tax revenues. These Federal excise taxes are imposed only on the actual users of the highways. The pay-as-you-go system of financing Federal-State highways by the leveling of taxes on the highway users is perhaps the most successful Federal program today.

In the past two years, due to the reduction on non-military spending and, as an anti-inflationary measure, the Administration has twice cut back the federal share of the highway funds.

The Attorney General of the United States ruled that the cutback order was a valid exercise of Executive authority. In his opinion, and we quote from a letter to Secretary of Transportation Alan S. Boyd, "that as the proceeds of the highway taxes are not paid directly into the Trust Fund, the Fund, in effect is only a device designed to identify an amount equivalent to certain designated taxes as a ceiling on the sums available for highway construction."

He further pointed out that "the Fund is functionally akin to the conventional appropriations and, as such, constitutes an authority rather than a mandate." Mr. Clark went on to say, "there is no duty to spend the entire amount that is available in the Trust Fund."

We feel, as do others, that Mr. Clark's interpretation was not in accord with the intent of Congress when it passed the Federal Highway Act of 1956.

We quote Senator Warren Magnuson, Chairman of the Senate Commerce Committee, "the fact that this is a trust fund is true. The words literally mean 'trust.' We intended it to be a trust fund. These funds are not the funds of the Federal Government in the sense that they are deposited in the Treasury, to be used according to the policymakers on the budget of Government expenditures or reflected in what should be done about Government taxes. These funds were deposited in the Treasury for trust keeping. In a sense they are not Government funds. They are funds of the people."

We feel that the Highway Trust Fund, as intended by Congress, must be protected from cutbacks by this or any future Administrations. While the Administration attempts to combat inflation by decreasing federal highway expenditures, in effect, this action is nullified by the normal inflation encountered during any postponement and highway construction will cost more in the long run. This is false economy. Highway construction contractors, paying for expensive plants and equipment, cannot afford, at this rate, to continue to operate in the highway construction industry.

We would recommend to this body that they consider legislative measures to protect the Highway Trust Fund from the Executive Department and thus insure that the nation's highway construction program will continue on schedule as intended by Congress.

DAVIS-BACON COVERAGE FOR THE ABC SYSTEM

In 1931 Congress passed the first statute requiring the payment of prevailing wages to employees by contractors engaged in government construction projects. The hearing and debates on the original Davis-Bacon Act leave no doubt as to the evil to which the statute was directed. It was designed to prevent government construction projects from lowering established prevailing wages in the area.

Prior to the late 1940's, only construction contracts let by the so-called "procurement agencies" that is, "The Corps of Engineers," "Bureau of Reclamation," "The General Services Administration," and similar agencies came under the purview of the Davis-Bacon Act.

The Administrations of Presidents Truman, Eisenhower, Kennedy and Johnson have all sponsored legislation whereby the Federal and local governments participate in the financing of construction projects that are held to be necessary to