SIXTH FEDERAL RESERVE DISTRICT
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Also in this issue:

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Spending for Better Roads

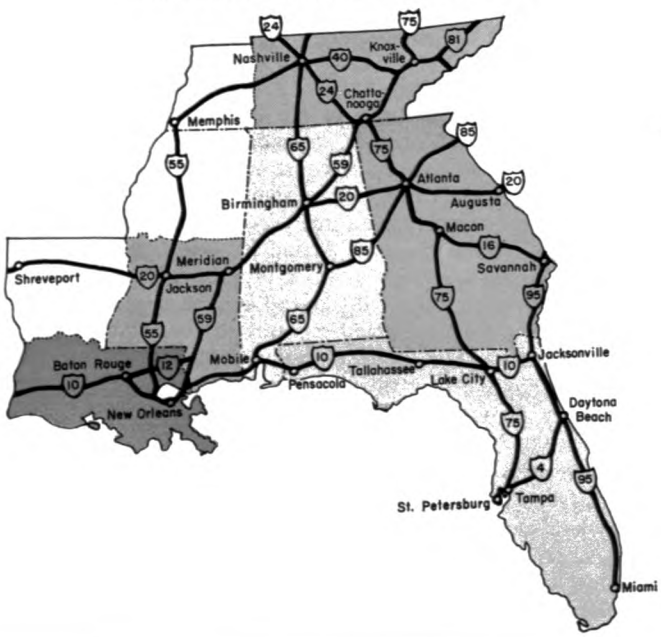
The map below and a completion date perhaps tell many Sixth District motorists most of what they want to know about that portion of the widely publicized Federal-aid interstate highway program to be developed in this region—the map shows where the new, limited-access, divided highways will take them, and the completion date tells when the new roads will be ready for use. The routes shown are those designated as part of the 41,000 mile network of highways officially known as the National System of Interstate and Defense Highways, commonly referred to as "the interstate system." The entire system is programed for simultaneous completion in all states over a period of thirteen years.

Although a study of how the proposed system will improve highway travel would be of major interest, we wish to consider here the program's origin, its relation to previous Federal-aid programs, and its impact on highway expenditures in those states lying wholly or partly within the Sixth Federal Reserve District.

Origin of Program

The Federal-Aid Highway Act of 1956, approved June 29 of that year, launched the present thirteen-year program to complete the interstate system. Need for such a system had been recognized by official reports in 1939 and 1944. Congress subsequently directed, in the Federal-Aid

Designated Interstate Highway System
Sixth District States, as of June 27, 1958



Highway Act of 1944, that the Bureau of Public Roads and the states designate an interstate system of highways not to exceed 40,000 miles. The first 37,700 miles of this system were designated in August 1947, and the 2,300 additional miles were designated in September 1955. It was not until several years after 1947, however, that special funds were actually provided to carry out the program, and even then amounts authorized were nominal. For each fiscal year 1954 and 1955, a total of 25 million dollars was authorized on a 50-50 matching basis; each dollar of Federal aid to a state had to be matched by a dollar from state funds. In each of the following two fiscal years, 175 million dollars was authorized on a somewhat more liberal basis—the Federal Government paying 60 percent of the costs of the projects undertaken and the state paying 40 percent.

Reports of the Bureau of Public Roads in 1949 and 1954 emphasized the inadequacy of progress being made, and Congress passed the Federal-Aid Highway Act of 1956 in order to accelerate work on the interstate system. The Act authorized a total of 25 billion dollars for fiscal years 1957-69 to be used specifically for this system and to be made available to states on a very liberal basis—90 percent of the costs of highway projects to be paid by the Federal Government and only 10 percent by the states. The Act also added another 1,000 miles to the interstate system, bringing the total mileage to 41,000.

Funds for Sixth District States

The money authorized for the interstate system of highways is not spent directly by the Federal Government. Each state receives a share, as specified in the 1956 Act, which is administered by the respective state highway departments jointly with the Bureau of Public Roads. Generally the funds are apportioned six to twelve months before they will actually be available in order to allow the highway departments time for programing their construction projects. Federal highway funds for the year ending June 30, 1960, for example, were apportioned late in July of this year. The District states were allotted a total of 340 million dollars for fiscal year 1960 for use on the interstate system. With this amount available from the Federal Government to cover 90 percent of the costs of projects on their portions of the interstate system, Sixth District states were enabled to proceed with plans calling for a total expenditure of nearly 380 million dollars in the twelve months ending June 30, 1960.

Actually these funds do not have to be spent during fiscal 1960, for the Federal-Aid Highway Act of 1956 makes them available for two years after the end of the fiscal year for which they were authorized. Moreover, "spending" means a formal commitment of funds to specific construction projects rather than actual disbursement of funds to highway builders. Thus, state highway departments have three years in which to commit the funds to specific projects. Actual payment may be made beyond the three-year limit as work progresses. The pattern of spending in each state will depend on the speed with which projects can be programed, contracted for, and roads actually constructed. The funds apportioned to District states, therefore, will not necessarily be spent in any given fiscal year, but they do indicate what will be available for spending beginning that year.

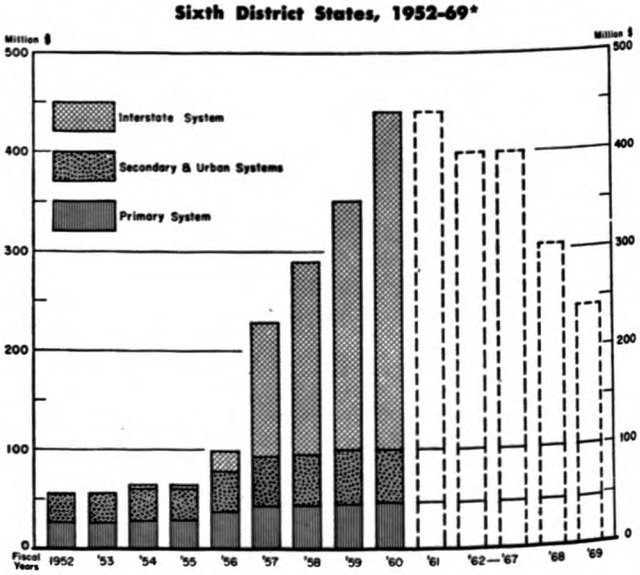
The funds already apportioned to Sixth District states for work on the interstate system will bring a very sharp rise in spending on Federal-aid highway projects, as is shown in the accompanying chart. To judge the impact accurately, of course, one must consider the expanded interstate highway program in relation to previous Federal programs to aid the so-called primary, secondary, and urban highway systems—special networks designated at different times in the past as warranting Federal interest. In fiscal years 1952 and 1953, Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee received a total of about 55 million dollars in Federal funds for use on the primary, secondary, and urban highway systems. As Congress authorized more aid for these systems in subsequent years, those states shared in the increase. The latest apportionment makes about 100 million dollars available in those states for fiscal year 1960.

Funds available as a result of the expansion of the interstate highway program, however, have increased even more, as shown by the top portions of the bars in the chart. Comparatively speaking, only meager sums were parceled out in 1954 and 1955 for use on the interstate system; for all six states they totaled less than 3 million dollars in each year. Acceleration of the program of improvement in 1956, however, brought a sharp increase in available Federal funds beginning with fiscal year 1957. As a result, District states will have 340 million dollars for work on the interstate system for fiscal 1960. With another 100 million dollars available for primary, secondary, and urban systems, Federal aid in these states will total 440 million dollars. Matching funds added by the states will enable the highway departments to carry forward projects costing a total of nearly 580 million dollars. This total, for Federal-aid projects only, is more than double the average expenditure of 274 million dollars in fiscal 1954 and 1955 on all state-administered highways, including Federal-aid and other projects.

Authorizations already made for the interstate system assure that highway spending will be sustained at a high level for a number of years. If Sixth District states continue to share authorizations as they are going to share in funds for

Allocation of Federal-Aid Highway Funds

Sixth District States, 1952-69*



*1952-60 Actual; 1961-69 Estimated

fiscal 1960, and if funds for other Federal-aid systems remain fairly stable, the pattern suggested on the chart will emerge—no change in available funds in 1961, a drop to a somewhat lower level in fiscal years 1962-67, and further declines in 1968 and 1969 as the program nears completion.

Actual spending, of course, will build up more gradually and will be sustained for a longer period of time. Because

funds are available for two years beyond the fiscal year for which authorized, some projects in Sixth District states may not be contracted for until mid-1971. Construction may well be extended on to 1972 and 1973. In all likelihood work on the programs will be stretched from thirteen years to fifteen years or more.

Increasing Costs Will Add to Spending

As the interstate highway program progresses, even greater spending than we have discussed seems assured. Estimates submitted to Congress in January of this year by the Secretary of Commerce indicate the interstate highway system will cost about 37 percent more than was provided for in the 1956 Act. The increase reflects principally the necessity to construct highways able to carry more traffic than originally forecast, the necessity to build new grade separations, interchanges, and frontage roads to better serve local needs, and increases in construction costs.

The funds each District state will receive over the entire period for use on the interstate system will depend, of course, on the construction costs in each place. The estimates shown were made by each state on the basis of mileage designated as of July 1, 1956. At that time, the cost estimates ranged from 441 million dollars for the Mississippi portion of the system to nearly 1.1 billion dollars for the Tennessee portion. Mississippi had nearly 13 percent of the mileage, but it was estimated that Mississippi would need less than 9 percent of the funds going to District states because the cost of construction there, averaging 652,000 dollars per mile, will be less than in other District states. Louisiana, because of a much higher average cost, will require nearly 19 percent of the funds to build only 11 percent of the mileage.

Since July 1, 1956, the base period for the cost estimates, Highway 12, shown on the map as connecting Baton Rouge with Highway 59 in Mississippi, has been added to the proposed system, as has the extension of Highway 24 northwest of Nashville. This means, of course, that the figures for Louisiana, Mississippi, and Tennessee now are somewhat higher.

About 10 Percent Programed

Substantial progress has been made already toward completion of the interstate highway system in District states, as the table shows. At the end of May this year the six states had programed a total of 575 million dollars, or about 10 percent of the total estimated cost of completing the system. This figure includes amounts committed for specific projects, committed for use or already spent for preliminary engineering or right-of-way acquisitions, and committed for construction contracts—all essential steps in a complex process. By the time the highway network is completed in the early 1970's, the interstate system should be able to handle traffic adequately. The highways are being designed to accommodate the traffic anticipated in 1975. If we catch up with traffic needs, the problem then will be to keep up.

PHILIP M. WEBSTER

Mileage and Estimated Cost of Interstate Highway System Designated for Sixth District States As of July 1, 1956[1] And Funds Programed as of May 31, 1958[2]

	Total Designated Mileage		Estimated Cost		Average Cost Per Mile	Total Funds Programed May 31, 1958	
State	Number of Miles	Percent of Total	Millions of Dollars	Percent of Total	Thous. of Dollars	Millions of Dollars	Percent of Est. Cost
Alabama	878	16.4	755	15.0	860	86	11.4
Florida	1,111	20.7	929	18.4	836	91	9.8
Georgia	1,112	20.8	906	18.0	815	127	14.0
Louisiana	595	11.1	940	18.6	1,580	80	8.5
Mississippi	676	12.6	441	8.7	652	82	18.6
Tennessee	988	18.4	1,076	21.3	1,089	109	10.1
Total	5,360	100.0	5,047	100.0	942	575	11.4

[1]U. S. Congress, "A Report of Factors for Use in Apportioning Funds for the National System of Interstate and Defense Highways," Jan. 7, 1958.

[2]U. S. Department of Commerce, Bureau of Public Roads.

Clouds Over the Cotton Economy

This nation's cotton economy is under pressure. Total domestic cotton consumption has been falling for 15 years. Exports fluctuate violently, and during the last few years have depended heavily on governmental price support. Lower consumption and reduced exports in some years created large surpluses which have been expensive to store, hard to manage, and depressing to the cotton economy. Only a little relief is in sight. The United States Department of Agriculture's first 1958 forecast of cotton production has been released, and if it materializes, 11,583,000 bales will be produced—6 percent more than last year.

Production Up in 1958

The nation's farmers will produce more cotton this year on about 12 percent fewer acres than were harvested last year. This will be the smallest acreage harvested since 1876. Because of unusually favorable weather in Texas and the far western states, yields will reach a record high, according to the USDA. Those states will supply over 60 percent of the cotton crop this year.

Sixth District farmers, on the other hand, are growing cotton on the smallest acreage ever recorded, and weather has been less favorable here than in the far western states. Cold, damp weather in many areas delayed plantings and reduced stands; some farmers had to replant their entire crop. Weather conditions are better now, however, and the outlook is for better quality cotton and higher yields than were produced last year. Nevertheless, District cotton production will be substantially under the 2,780,000 bales harvested in 1957. The greatest declines in production may be in Alabama and Georgia, where the crop is expected to be about 25 percent smaller than last year.

Weak Demand Plagues Industry

A weak demand for cotton at established prices plagues the industry. Last year both domestic use and export sales were below 1956. Cotton consumption in the United States has shown a declining trend, indeed, since the early 1940's when it reached a peak.

Domestic consumption is declining principally because competition from other fibers is becoming keener. Some synthetic fibers are cheaper than cotton. Rayon, for example, has been priced under cotton since 1944 and per