STATEMENT OF SENATOR STROM THURMOND (D-SC) ON HIS AMENDMENT TO S. 3497, THE COMMUNITY FACILITIES LOAN BILL, ON SENATE FLOOR, APRIL 16, 1958.

MR. PRESIDENT:

My amendment is to the declaration of policy and authorizing sections of this bill. The amendment is as follows: On page 2, line 20, strike out "equally favorable terms or conditions" and insert in lieu thereof "reasonable terms." On page 3, lines 13 and 14, strike out "equally favorable terms and conditions" and insert in lieu thereof "reasonable terms."

This means, simply, that the present requirements for obtaining a loan under the existing law would be carried forward into the bill under consideration.

As the bill is written, the Federal Government sets itself up as the purchaser of all municipal obligations/which would not qualify on the open market for purchase/on as favorable terms as those established in the bill.

The purpose of this bill/is supposedly to stimulate the construction of municipal projects as an anti-recession measure. Even a casual examination of the facts shows that the bill will fail in its purpose unless my amendment is accepted.

In 1957, a total of $6,824,557,000.00 in State and municipal bonds were sold without Federal assistance. Of those sold, more than 84% would have been eligible for purchase by the Federal Government had S. 3497 as proposed been in effect. In other words, bonds sold for a value exceeding $5,746,000,000.00/were sold in 1957 at interest rates above the rate/which would have been applicable in the particular month under the proposed formula.
State and municipal bonds aggregating $1,685,000,000.00 were sold in January and February of 1958. Of this amount, more than 45%, or $766,000,000.00, of the State and municipal bonds sold in this period would have been eligible for purchase by the Federal Government/had S. 3497 been in effect, because they were sold at interest rates above the rate/which would have been applicable in the particular month/under the proposed interest formula.

During the period July, 1956, through February, 1958, States and municipalities sold bonds in the amount of $11,298,495,000.00. In the same period/the total bonds offered by States and municipalities and not sold/constituted only 1% of the total bonds sold.

The point of my amendment is this: only $1,000,000.00/is authorized to be appropriated by this bill/for loans to States and municipalities. If eligibility for these loans/is to be based on whether the States and municipalities/can obtain loans on an equally favorable basis, the great preponderance of the amount authorized/will be loaned to those applicants who would construct their projects/ regardless of whether the Federal Government participates or not. Only an insignificant amount/would be available for those State and municipal projects/which could not be built at all without Federal assistance.

The interest rate is not the only criterion under the proposed formula. It should also be noted that this bill provides for loans with terms up to 50 years. It further provides that there may be an initial postponement of the commencement of repayments, and also provides for a possible two-year moratorium of payments to prevent
defaults. Statistics are not available to show how many/or what percentage of bonds recently sold/were on terms less favorable than these, but it is readily apparent that an overwhelming majority of bonds sold on the open market were, in one of the respects aforementioned, less favorable than provided for in this bill.

As to the interest rate itself, I favor a low rate, as demonstrated by my vote yesterday on the Fulbright Amendment to lower the interest rate to 3%. I do not, however, favor the Government attempting to do for the people/what they are perfectly capable of accomplishing for themselves/through private resources. Those states and municipalities which cannot otherwise obtain financing/on reasonable terms/for necessary projects/should be given the advantage of a lower interest rate, for it is those who most need assistance.

By pegging the eligibility requirements to the standards as established in this bill, the Federal Government would merely be substituted as financier/of an enormous number of those projects which would be undertaken/ regardless of Federal participation. By limiting eligibility for assistance under this bill/to those projects which could not otherwise be financed on reasonable terms, the funds authorized in this bill/could be reserved exclusively/for those projects/which could not be built without Federal participation. Only in this way/can the bill be converted from the familiar "pork barrel" project/into a measure which is calculated to combat the recession.

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