

STATEMENT OF SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT BEFORE THE
HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE, SUBCOMMITTEE ON SURFACE
TRANSPORTATION, CONCERNING DOT BUDGET ADJUSTMENTS, APRIL 1, 1980.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be back with you this morning to describe how the President's anti-inflation initiatives will affect the DOT budget.

As you all know, the President's initiatives respond to the dramatic surge in inflation in the past two months, sharply rising interest rates, and rapid increases in energy prices. As the President said, the inflation challenge requires strong medicine, and he has now prescribed it. An essential first step is to bring the Federal budget into line.

Before I describe the specific reductions we are proposing, I want to reiterate that the budget the President approved in January for the Department was already restrained. It accurately reflected the overall fiscal and program priorities of the government and the Department at that time. It also advanced the Department's major objectives in the areas of transportation safety and conservation of our transportation resources, particularly energy.

Since that budget was submitted, however, the number one objective of the government -- to check and to contain inflation -- has become even more pressing. Inflation hurts transportation programs just as it hurts every other aspect of our society. Without action to control inflation, the dollars we spend on transportation will buy less and less, allowing us to accomplish less while spending more. To reverse this trend we are proposing budget reductions to halt inflation but in a way that continues to move us toward our broad transportation objectives, although at a somewhat slower pace.

We have, therefore, made our proposed reductions keeping three basic principles in mind. First, our concern for safety will continue to override all other objectives. None of the reductions we are now proposing will adversely affect any activities aimed at maintaining and improving safety. That has been my highest priority.

Second, the current price of oil has only hardened our resolve to maintain the energy initiative. We have tried to retain energy conservation programs that promise to produce the most immediate fuel savings.

Finally, considering our overall purpose, Mr. Chairman, we recognize that our citizens accept cuts in programs that benefit them providing the reductions have been made equitably among the Department's programs. While the dollar amounts differ, major capital programs for the various modal programs have generally been cut between 8 and 10 percent.

As I explained to the Subcommittee on Aviation last Thursday, these reductions will not compromise FAA safety programs. Air travel will become even more safe as a result of the \$350 million in new facilities and equipment that we proposed in the January budget. This \$350 million figure has not been reduced. Similarly, the Coast Guard's safety-related activities will be sustained. Our activities in highway and railroad safety and in the transportation of hazardous materials will continue at levels proposed in the January budget.

Department-wide, outlay reductions related to program cuts will amount to \$1.1 billion in FY 1981. A number of programs are affected by this need to restrain spending, and several are within the jurisdiction of this Subcommittee.

The Federal-Aid Highway Program, which is the Department's largest spending category, will undergo a reduction of about 8-1/2 percent. As you know, in our highway assistance programs there is a substantial lag between the time projects are approved and the time that states and contractors actually spend the funds. The revised budget will reduce the total obligations for highway assistance from \$8.85 billion in FY 1980 to \$7.70 billion; in FY 1981 the projected program level of \$8.85 billion will be reduced to \$8.50 billion. These reductions will result in lower outlays by about \$400 million in FY 1981. In our judgment, the highway program can be sustained on a reasonable basis despite these reductions.

Depending on how states decide to use the remaining funds, we believe that we can continue making progress toward our goal of completing the Interstate System on the schedule called for in the Surface Transportation Assistance Act of 1978. The actual impact these actions will have on the states will vary considerably, depending on the availability of local matching funds and the rates at which the states have obligated federal highway funds during the early months of the current fiscal year. In recent weeks, the rate of obligation of highway funds has soared -- perhaps in anticipation of Presidential action to restrain highway spending as part of an anti-inflation program. In order to determine the amount of funds which need to be deferred, we temporarily suspended approval of Federal-aid highway projects. With the formal submission of the deferral message we are apportioning funds to the states and will be working with them to develop obligation plans for the balance of the highway funds available. Highway funds can be applied to highest priority projects during the remainder of the fiscal year. Every effort will be made to prevent the lapsing of funds. Use of available resources for emergency relief projects will not be constrained by this limitation.

Mr. Chairman, let me turn to the second area of reduction -- programs that we proposed last year as a part of the President's \$16.5 billion transportation energy initiative. You recall that these new programs were contingent upon enactment of the windfall profits tax, which now awaits the President's signature. The major element of that initiative was our proposal to augment the existing program of grants for transit development. The January budget had included \$1.1 billion as a FY 1980

supplemental under this new program. In the current revisions, the FY 1980 supplemental will be reduced to \$675 million. The amount available in FY 1980 will include the funds in our original estimate for programs which we believe have the most rapid pay-off in terms of energy savings.

The fuel economy assessment element of the transportation initiative will be deferred from FY 1981 to FY 1982 and our proposed cooperative Auto Research Program will be reduced in FY 1981 resulting in an outlay savings of \$6 million. In addition, initiation of the Auto Use Management portion of our Transportation Energy Initiative will be deferred until FY 1981 since authorization legislation has not been enacted. This will save \$120 million in FY 1981 outlays. We continue to seek authorization of this program, however, in order to retrieve major energy savings in the transportation sector.

The January budget had included \$200 million for UMTA's urban initiatives program in FY 1981. This program will be trimmed back to \$120 million, but we believe this will be sufficient to carry the program forward at an adequate level stressing projects with highest potential. The proposed reduction also includes a decrease in the FY 1981 UMTA research and development program. We have not, however, reduced transit operating expenses.

Reductions have also been made in programs under the jurisdictions of other subcommittees. The Federal-Aid Airport Program obligation limit will be reduced by \$50 million in FY 1981, and some lower priority

projects unrelated to safety will be deferred until late in the fiscal year. We will also save about \$100 million in FY 1981 by deferral of certain lower priority work and equipment acquisitions in FRA's Northeast Corridor Improvement Project and in Amtrak's capital program. Finally, throughout the Department we have made a range of smaller reductions in operating programs, including savings from the personnel freeze and tightening up of travel and other administrative expenses related to overhead.

Mr. Chairman, the President has taken bold and courageous action to slow the rate of inflation by proposing steps to balance the budget. I support this action, and I support the specific reductions we have made in the DOT budget. I believe that our people will accept these restraints if reductions are applied fairly, because they recognize the current inflationary spiral. These reductions we have discussed are reasonable and rational in light of the overriding need to control inflation, but they do not compromise the Department's basic objectives.

That concludes my prepared statement, Mr. Chairman. I would welcome any questions that you or the other Members may have.