NCDA
WASHINGTON REPORT

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DATE: September 30, 1999

FEATURE ARTICLES

CONGRESS PASSES CONTINUING RESOLUTION

We all knew it was going to happen again this year. With only 5 of the 13 appropriations bills forwarded to the President, Congress quickly passed H. J. Res 68 on Tuesday, September 28 to keep the federal government operating through October 21. The President signed the measure, but warns Congress against sending any further continuing resolutions after this one expires. Some congressional members think another continuing resolution will be needed in order to pass all of the remaining appropriations bills, give the President time to sign or veto the measures, and give Congress time to react to any vetoes by the President. Clinton has already vetoed one measure that was forwarded to him – the District of Columbia appropriations measure because of contentious policy riders that were attached to the bill. Only three appropriations bill – Military Construction, Treasury-Postal, and the Legislative Branch bills – have been signed into law. The continuing resolution keeps those federal agencies without approved FY 2000 appropriations bills operating at their FY 1999 funding levels. Lawmakers hope to send each of the appropriations bills to the President one at a time, instead of wrapped-up into a large omnibus measure. However, if the remaining appropriations bills do not move quickly, an omnibus measure is likely.

The President wants to ensure that the Social Security surplus is not used to fund any portions of the appropriations bills. So far, the House Republicans are in agreement with the President on this stance. However, many of the appropriations bills contain budget "gimmicks," such as emergency spending designations, advance appropriations (money appropriated in FY 2000, but unavailable for use until FY 2001) and score keeping adjustments that are estimated at approxi-mately $26 billion, well above the $14.5 billion that is available in non-Social Security surplus funds for FY 2000. Republicans are also toying with the idea of delaying payments of the earned income tax credits to low-income families in FY 2000. The President will likely veto any appropriations measure that contains such gimmicks as well as contentious policy riders.

VA-HUD APPROPRIATIONS BILL UPDATE

The House passed H.R. 2684, its FY 2000 VA-HUD-IA appropriations bill on September 9. The Senate followed shortly thereafter with passage of S. 1596, its FY 2000 VA-HUD-IA appropriations bill. During discussion of the VA-HUD bill on the Senate floor last week, Senator Bond (R-MO) remarked, "We have focused on funding HUD's core programs such as public housing, CDBG, HOME, and drug elimination grants, homeless assistance, and section 202 housing for the elderly. These are the key housing and community development programs that make a critical difference in people's lives. They are programs with a proven track record."

The two versions will now proceed to conference committee, where differences in the two bills will be ironed out between House and Senate conferees. Senate conferees include: Senator Bond, Senator Burns, Senator Shelby, Senator Craig, Senator Hutchison, Senator Kyl, Senator Stevens, Senator Mikulski, Senator Leahy, Senator Lautenberg, Senator Harkin, Senator Byrd, and Senator Inouye. House conferees have not been named yet. The conference committee on the FY 2000 VA-HUD bill will likely begin late next week.

The Senate funded CDBG at $4.8 billion for FY 2000, a $50 million increase from FY 1999. The Senate recommends $366.8 million in set asides for CDBG in FY 2000. The Senate recommends a funding level of $1.6 billion for the HOME Investment Partnerships Program in FY 2000, along with $20 million in set asides. The Senate bills includes a HOME program technical correction which authorizes the use of HOME funds for the preservation of multifamily housing assisted or previously assisted with Section 8 assistance.

The House recommends a funding level of $4.5 billion for CDBG, a $25 million decrease from FY 1999. The House also recommends approximately $245 million in CDBG set-asides. The House recommends a funding level of $1.58 billion for HOME in FY 1999, down from $1.6 billion and includes $12.5 million in set asides ($5 million for information systems and $7.5 million for housing counseling activities).

The House recommends a funding level of $20 million for Brownfields redevelopment in FY 2000, while the Senate proposes a funding level of $25 million. Both the House and Senate recommend that Brownfields redevelopment be funded separate from CDBG.

S. 1596 provides $1.02 billion for HUD's homeless assistance programs in FY 2000, a $45 million increase from FY 1999. The House recommends a funding level of $970 million, a $5 million decrease from FY 1999. Both the House and Senate measure allow up to one percent of the appropriation to be used for technical assistance for HUD's homeless programs. The Senate measure requires that 30 percent of the funds be used for permanent housing and that all funding for supportive services be matched by 25% by each grantee. The Senate measure also includes a provision which requires all state and local grantees to pass on at least 50% of their administrative funds to nonprofit organizations which directly administer the homeless programs. NCDA has learned that this provision applies only to HUD's competitive homeless assistance programs (those states and units of general local government that submit consolidated applications under HUD's "continuum of care" homeless assistance grants) and not the Emergency Shelter Grants Program. However, many of NCDA's members submit applications annually for HUD's competitive homeless funding. **NCDA needs to hear members' views on this provision, so that we can forward a letter to the conferees regarding our position on this provision by October 6.** Please contact Vicki Watson at 202-887-5532 or by e-mail at **vicki@ncdaonline.org.**

The Senate measure provides $710 million for the Section 202 elderly housing programs and allows $50 million of this amount to be used to fund service coordinators and congregate services for the elderly. It also allows $50 million of the appropriation level to be used to convert Section 202 projects to assisted living facilities for the elderly. The bill provides $194 million for the Section 811 disabled housing program, the same level as last year. The measure allows HUD to designate up to 25% of the appropriation for Section 8 rental assistance for the disabled. The House measure provides $660 million for Section 202, the same funding level as last year. It also recommends $194 million for the Section 811 program. Like the Senate measure, the House bill allows HUD to designate up to 25 percent of the appropriation for Section 8 rental assistance for the disabled.

The Senate measure provides $80 million for HUD's Office of Lead Hazard Control, the same level as last year, while the House recommends a funding level of $70 million.

In regards to HUD staffing, the Senate measure proposes termination of HUD's external community builders initiative beginning on February 1, 2000. The measure prohibits HUD from employing more than 200 external community builders.

S. 1596 provides $11.051 billion to fund expiring Section 8 contracts. Of this amount, the Senate defers $4.2 billion until FY 2001. The House version recommends a funding level of $10.540 billion to fund expiring Section 8 contracts in FY 2000. Both the House and Senate versions include authorizing language to provide enhanced vouchers for households faced with increased rents due to project owner's opt-out of the Section 8 program.

The Senate version recommends a funding level of $2.555 billion for the public housing capital fund and $2.9 billion for the public housing operating fund. The House funds HUD's public housing capital fund at $2.555 billion for FY 2000 and funds the public housing operating fund at $2.818 billion. The Senate version provides $500 million for funding of HOPE VI, HUD's program to eliminate severely distressed public housing. The House recommends a funding level of $575 million for HOPE VI in FY 2000.

The Senate provides $225 million for the HOPWA program in FY 2000. The House also recommends a funding level of $225 million for HOPWA in FY 2000.

The House recommends $2 million to fund a Millenial Housing Commission which will be charged with conducting a study "that examines, analyzes, and explores the importance of housing, the various possible methods for increase the role of the private sector in providing affordable housing, and whether the existing programs of HUD work in conjunction with one another to provide better housing opportunities."

HUD Funding Levels

Program	FY 1999 Enacted	President's Requested Level	House Recommendation	Senate Recommendation
CDBG	$4.750 billion	$4.775 billion	$4.750 billion	$4.8 billion
HOME	$1.6 billion	$1.610 billion	$1.58 million	$1.6 billion
Homeless Assistance Grants	$975 million	$1.025 billion	$970 million	$1.02 billion
Section 202 (elderly)	$660 million	$660 million	$660 million	$710 million
Section 811 (disabled)	$194 million	$194 million	$194 million	$194 million
Housing Certificate Fund	$9.6 billion	$11.522 billion	$10.540 billion	$11.051 billion
Public Housing Operating Fund	$2.818 billion	$3.003 billion	$2.818 billion	$2.9 billion
Public Housing Capital Fund	$3 billion	$2.555 billion	$2.555 billion	$2.555 billion
Lead-Based Paint	$80 million	$80 million	$70 million	$80 million
HOPWA	$225 million	$240 million	$215 million	$225 million
HOPE VI	$625 million	$625 million	$575 million	$500 million
Native American Housing Block Grants	$620 million	$620 million	$620 million	$620 million

Program	FY 1999 Enacted	President's Requested Level	House Recommendation	Senate Recommendation
Drug Elimination Grants	$310 million	$310 million	$290 million	$310 million
Brownfields Redevelopment	$25 million	$50 million	$20 million	$25 million
Fair Housing	$40 million	$47 million	$37.5 million	$40 million
Rural Housing and Economic Dev.	$25 million	$20 million	$10 million	$25 million

LETTER TO HILL ON PROPOSED CHANGES TO THE CDBG FORMULA

In a meeting of public interest groups held on Thursday, September 23, to discuss the various positions on Secretary Cuomo's proposed expansion of the number and size of entitlement communities, NCDA, NACo, NACCED, NLC, COSCDA, and NAHRO decided that the most prudent course of action is to write a letter to Secretary Cuomo and the appropriators and authorizers requesting answers to the following questions, before any of us would support or oppose this proposal:

Why hasn't a complete discussion on the reasons for the proposed changes taken place?
What is likely to be the impact on the state CDBG program?
Why are these proposed changes being considered at this time instead of after the 2000 census?
Why has HUD not provided the interest groups with the requested information on the funding breakdown for the new optional entitlement communities using 1998 population estimates?
How does this proposal benefit to the program as a whole?

The U.S. Conference of Mayors has not yet heard from its leadership on this issue, however they are not opposed to waiting for the 2000 census to be completed before a lengthy discussion takes place on this issue. Please see the attached letter that all the interest groups attending the meeting agreed to sign.

Because of the lack of support from interest groups for this proposal, the very pointed language in the Senate HUD/VA bill admonishing Secretary Cuomo for his attempt to put authorizing language in an appropriations bill, and the fact that nothing on the matter has been mentioned by the Secretary in recent press conferences or meetings with interest groups, most of us assumed the issue to be dead. It is not. It is our understanding that the Secretary is pushing full speed ahead with this initiative, and is intent on getting this proposal into the FY 2000 HUD/VA appropriations bill during conference. He is not inclined to wait until after the 2000 Census. Apparently, the Secretary (as do many advocates) believes it is past due for the CDBG formula to be reevaluated.

HOUSE PASSES ELDERLY HOUSING BILL

H.R. 202 – Preserving Affordable Housing for Senior Citizens and Families into the 21st Century – was approved by the House on September 27. The measure combines a potpourri of provisions from a series of housing bills into one measure – H.R. 202. Committee Chairman Jim Leach (R-IA) said the bill would help low-income seniors "age in place, to preserve their independence and self-sufficiency, and avoid seniors having to move into a nursing home due to a lack of affordable housing."

H.R. 202 would address the ongoing Section 8 opt-out issue that has affected so many elderly and disabled households over the past year. The measure would provide "enhanced" or "sticky" Section 8 vouchers to seniors and other low-income households residing in projects where owners have chosen to opt-out of the Section 8 program in lieu of charging market rents on their rental units. The enhanced voucher would pay market rent on the unit, thereby allowing the elderly and other low-income families to remain in their units. Many of the elderly residing in these projects have lived in their units for decades and are attached and depend upon the community in which they reside. A disruption in their living conditions would be detrimental. In addition, many live in tight rental markets where locating another rental unit would be difficult. The bill would also provide grant funds to public housing authorities to convert elderly-only public housing units into assisted living facilities for the elderly. The bill also allows an elderly recipient of Section 8 housing assistance to use the assistance in an assisted living facility.

The bill requires HUD to convert the financing of pre-1990 Section 202 elderly housing projects from direct loans and project-based Section 8 rental assistance to the post-1990 method which provides non-repayable capital advances and project rental assistance contracts. The legislation also directs HUD to develop a pilot program to use Section 202 funding to create mixed-income projects, combining supportive housing for the elderly and market rate housing.

The bill provides HUD with the authority to make grants to States and units of general local government for low-income housing preservation purposes, to be matched on a one-to-one basis from sources provided by the grant recipients. Amounts may be used for acquisition, preservation incentives, operating costs, and capital expenditures for a housing project that is: at risk of loss; primarily occupied by elderly or disabled families; contains one or more dwelling units occupied by large families; is located in a rural area without an adequate supply of housing; or where rental assistance vouchers would, under certain market conditions, be difficult for residents to use.

The bill also provides that section 8 contracts may be renewed for up to one year or for any number of years, subject to appropriation (as opposed to mandatory renewals of one year). Some of these same provisions have already been incorporated into the House and Senate appropriations bills.

HOUSE AND SENATE CONFEREES MEET ON FINANCIAL MODERNIZATION BILL (CRA)

Last Thursday, House and Senate conferees began reconciling the different financial modernization bills which passed in each chamber earlier this year. The two bills, S. 900 and H.R. 10, authored by Senator Phil Gramm(R-TX) and Representative Jim Leach (R-IA) respectively, reform depression era rules that placed restrictions on the ability of banks, thrifts, insurance companies, and securities firms to involve themselves in one another's business activities. In general, the changes being considered to the nation's banking laws would allow for the creation of Wholesale Financial Institutions (WFIs) or 'Wiffies'. Something akin to mega-sized bank holding companies with insurance, securities, and thrift subsidiaries, Wiffies would be free to do everything from making home loans and selling insurance to brokering in stocks and providing capital for various forms of equity investing.

Advocates for low-income housing and community development are paying close attention to this legislation because of the impact it would have on the Community Reinvestment Act. Although they have expressed serious reservations about both financial modernization bills, most not-for profit organizations and state and local governments strongly prefer H.R. 10 over S. 900. Representative Leach's bill (H.R. 10) expands general CRA provisions to the new Wiffies, requires all bank subsidiaries of holding companies seeking to merge with an insurance company or securities firm to maintain at least a "Satisfactory" CRA rating, and obligates financial services companies to solicit public comment on mergers and acquisitions involving banks with assets over $1 billion.

In contrast, opposition among low-income and housing and community development interests groups to S. 900 is adamant. These groups believe that Senator Gramm's banking reform bill creates a "safe harbor" for banks with poor CRA ratings during the merger application process by setting an unduly high standard of evidence. A provision in S. 900 prohibits federal regulators from considering a public comment if it does not prove that the banks in question no longer deserve Satisfactory or Outstanding CRA ratings in most of the markets they serve. Community development advocates note that public comments often address the impacts of mergers on future community reinvestment performance, not just past behavior. S. 900 further creates a CRA exemption for small banks in rural areas with less than $100 million in assets, regardless of whether or not a small bank has a virtual monopoly in a rural service area. Under this provision, slightly over 70% (3,800) of the rural banks in America would be made exempt from CRA. Of course, this could have a potentially devastating effect on the ability of community groups to get rural banks to serve low -to- moderate income people. Lastly, the Gramm bill includes what many feel is an onerous data reporting requirement for community development groups. Even though S. 900 explicitly prohibits federal regulators from engaging in any oversight or enforcement of CRA related lending commitments or promises made by banks, community groups would still be required to provide regulators with detailed reports on all grants, loans, and investments made pursuant to CRA.

The Coalition to Protect the Community Reinvestment Act, a consortium of community development organizations, faith based groups, civil rights activists, low-income housing advocates, and state and local governments, are urging President Clinton to veto any final bill which does not expand CRA to keep pace with financial modernization, or adopts any of the CRA weakening provisions contained in S. 900.

The House-Senate conference committee began drafting the CRA provisions of a compromise financial modernization bill on Wednesday, September 29, and is expected to continue working on the bill each Wednesday and Thursday for the next two to three weeks.

In conjunction with the U.S. Conference of Mayors and the National League of Cities, we are asking NCDA members contact the House and Senate Banking Committees and express strong support for H.R. 10's pro-CRA measures and declare their opposition to S. 900. The number for The House Committee on Banking and Financial Services is 202-225-5940. On the Senate side, the Banking, Housing, and Urban Affairs Committee phone number is 202-224-7391. For information on how to contact specific conferees, or to find out if one of your members of Congress is involved in drafting the compromise financial modernization bill, contact Romulus Johnson at 202-887-5526.

LABOR-HHS FY 2000 APPROPRIATIONS UPDATE

The Labor-HHS-Education Appropriations sub-committees of both chambers of Congress completed their long-awaited FY 2000 mark-ups this week The largest of the 13 annual appropriations bills Congress must submit to the President, this bill is considered to be a key deal maker (or breaker) with respect to the final outcome of this year's federal budget process.

The House mark-up, which passed out of committee on a straight party line vote of 8-6, contains $89.4 billion in funding authority for FY 2000 and, technically speaking, manages to stay within its $73 billion allocation. This feat was achieved through the very controversial step of forward funding some $15.7 billion in spending to FY 2001. Put differently, the sub-committee appropriated almost $16 billion dollars in funds which cannot actually be used for any program expenses until the following fiscal year. But the House proposal which has drawn the sharpest response is a plan by House Majority Leader Dick Armey (R-TX) to amend the committee's mark-up to spread out earned income tax credit (EITC) payments to low-income families over a period of 12 months. (Normally, eligible families receive EITC payments in the form of a lump-sum tax refund every Spring.) This would make nearly $9 billion in federal spending which actually began in FY 2000 look like it did not occur until FY 2001, thereby allowing the Congress to claim that the FY 2000 non-Social Security budget remains in balance. Advocates for the poor argue that since there is no provision for paying these families interest on their delayed tax refunds, it is tantamount to taking from the poor to subsidize spending for the rich, which comes in the form of new defense procurement and un-reduced spending associated with providing subsides to industry.

Not surprisingly, the President has threatened to veto the House mark-up if it ever reaches his desk. Apart from its questionable accounting practices, the Administration objects to a range of cuts it makes to its education, health, and workforce training priorities.

Though closer to the President's request, still, the Senate mark-up is faring no better in terms of facing a veto threat. S.1650, which successfully passed out of sub-committee on a solidly bi-partisan vote of 19-0, funds the Labor, Health and Human Services, and Education departments at a combined funding level of $97.1 billion. This represents an increase a of $4 billion over FY 1999 levels but stills fall short of the President's request by 1.4 billion. Like its House counterpart, the Senate bill also relies on a fair share of "novel accounting" practices, including $16.5 billion in forward or advanced funding, and a scheme to declare certain allocations for Defense department and Census Bureau programs to be off-budget emergencies.

As it stands, the President has already vetoed one annual appropriations bill (for the District of Columbia), and is openly threatening to veto at least four more, including the VA-HUD-IA bill. No one can say for sure what will happen when the existing three-week continuing resolution expires, but possible end-game scenarios include: the President and Congress coming to terms through an omnibus budget agreement which preserves the current budget caps, or agreeing on 13 separate spending bills which cumulatively break the 1997 budget caps. On the other hand, we could even see a return to some form of deficit spending that involves borrowing from the Social Security trust fund to finance FY 2000 appropriations. Of course, if some sort of compromise should fail to materialize relatively soon, the country could once again be faced with the prospect of an outright shut down of the federal government.

PRESIDENT VETOES $792 BILLION CONGRESSIONAL TAX CUT; FUTURE OF LIHTC AND BOND CAP INCREASE DOUBTFUL

In a somewhat anti-climactic White House Rose Garden ceremony, last Friday President Clinton formally vetoed the $792 billion across the board tax cut package which had been trumpeted for weeks by Congressional Republicans as the crown jewel of their domestic policy agenda. The President offered up the following rationale for vetoing the bill: "The bill is too big, too bloated, [and] places too great a burden on America's economy."

Among other concerns, the Administration's economic officials feared that the tax plan didn't leave enough money to shore up the Social Security trust fund, preserve Medicare while adding a new prescription drug benefit, and maintain domestic spending at levels to the President's liking. While Mr. Clinton has stated that he is willing to consider a tax plan of some $300 billion which is targeted to the middle class and contains a number of specific policy priorities, Congressional leaders have responded coolly to the President's compromise offer. They say that they would rather take their tax package to the voters in November than see it whittled away by the President in open negotiations.

Most proponents of low-income housing and community development programs applauded the President's decision to veto the tax package, which they viewed as a direct threat to domestic spending on anti-poverty programs. Still, the demise of this Congressional session's major piece of tax legislation also casts substantial doubt on whether or not there will be an increase in the Low Income Housing Tax Credit (LIHTC) or Private Activity Bond Cap anytime soon.

Estimates suggest that, if the LIHTC and Private Activity Bond Cap provisions contained in the vetoed tax bill were to become law, the number of rental apartment houses constructed or renovated nationwide using federal tax credits would increase by 28,000 a year. Moreover, an additional 65,000 to 75,000 moderate to middle income first-time home buyers would have been able to receive low interest home loans. (For more details on the LIHTC and Bond Cap provision of the tax bill see, "Tax Plan Threatens Community Development . . .," archived at **www.ncdaonline.org** in the August 17, 1999 *Washington Report* .)

Despite the fact that these anti-poverty tax provisions received unprecedented bi-partisan support in both chambers this year, observers feel that the inability of the President and Congressional Republicans to reach a compromise on the Republican tax bill may very well have doomed the long desired increases. This week, the House Ways and Means Committee passed a stripped down $23 billion measure to extend the existing tax credit programs for one more year. It received no Democratic support. Congressional Democrats rejected the measure on the grounds that it borrowed from the social security trust fund, a main argument cited by the Administration in rejecting the larger Republican tax proposal. If congressional Republicans and Democrats, and the Administration can't even agree to an extender bill which merely maintains the existing tax credit programs for one more year, it is unlikely they will be striking a deal to make any tax credit enhancements any time soon.

HUD NEWS

LEAD-BASED PAINT TRAINING DATES TO BE RELEASED SOON

HUD hopes to have a schedule of the first 26 training sessions for its Lead-Based Paint final rule available within the next 15 days. NCDA has been told the first training session will be held on November 15. HUD and ICF Consulting, the consulting company hired to conduct the training sessions, are finalizing hotel arrangements for the 26 sites. Stay posted to NCDA's web site (**www.ncdaonline.org**) for a list of the training sessions as soon as they are made available.

FEDERAL REGISTER NOTICES

September 27, 1999. Federal Home Loan Bank Financial Management and Mission

Achievement. The Federal Housing Finance Board is proposing to adopt new financial management and mission achievement regulations, and amend certain existing regulations, for the Federal Home Loan Banks. The proposal would modernize policies governing the business activities of the banks, and for the first time, would establish regulatory standards of mission assets. The proposal includes a risk-based capital requirement, pursuant to which the amount of capital required to be maintained by a bank would be based on the credit, market, and operations risks to which it is exposed.

September 24, 1999. Section 8 Housing Assistance Payments Program – Contract Rent Annual Adjustment Factors, Fiscal Year 2000. This notice revised Annual Adjustment Factors (AAFs) for adjustment of Section 8 contract rents on housing assistance payment contract anniversaries from October 1, 1999. The AAFs are based on a formula using data on residential rent and utilities cost changes from the most current Bureau of Labor Statistics Consumer Price Index (CPI) survey and from HUD's Random Digit Dialing rent change surveys.

September 21, 1999. Public Housing Agency Plans; Change in Plan Submission Dates. This final rule makes two amendments to HUD's February 18, 1999 interim rule regarding public housing agency (PHA) plans. First, this final rule provides PHAs whose fiscal years begin on January 1, 2000, with additional time to submit their first PHA plans to HUD.

JOB OPPORTUNITIES/ATTACHMENTS

Audrey Nelson Community Development Achievement Awards
NCDA 1999-2000 Program and Policy Committee Assignments
Letter to Secretary Cuomo and the Hill on the Proposed CDBG Entitlement Expansion
A Party For John Sasso