

The City of Cambridge is strongly protesting the Office of Management and Budget's (OMB) proposed cutbacks in housing and community development programs. Mayor Francis H. Duehay, in a letter to the President, pointed out that the demise of the Community Development Block Grant program by 1984 coupled with drastic cuts in public housing operating funds, new construction and modernization, would strip Cambridge of all the tools needed to address the shelter needs of low and moderate income residents.

Cambridge allocates a significant portion of its CDBG grant (\$1.5 million of the \$3.7 million total this year) to rehabilitate housing owned by low and moderate income people. In addition to the Home Improvement Program, three neighborhood-based non-profit agencies operate weatherization and energy conservation programs, train youth crews to do rehab work, and help Cambridge residents to buy homes by using their own labor to do the necessary rehab as a down payment. Many of these programs encourage self help and have improved over one thousand units over the life of the CDBG program.

The proposed cuts in the public housing programs will have a devastating impact in Cambridge where over 12 percent of the housing units are subsidized. OMB is recommending the rescission of all new construction and substantial rehab programs in 1982, increased rents for tenants holding Section 8 certificates (30%

of income plus food stamps), increased rents for public housing tenants, and the rescission of all 1982 modernization funds.

President Reagan will decide on whether to accept these recommendations by December 23. Secretary Pierce (HUD) is appealing OMB's low-income housing and CDBG recommendations and will meet with the President before the end of this week. The National Low Income Housing Coalition wryly commented that OMB's provisions would make the 1973 moratorium look like a tea party. They are calling for a massive outcry to save low income housing. Cambridge citizens led by Mayor Duehay and City Manager Robert W. Healy, have already begun to respond.



CITY OF CAMBRIDGE

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Francis H. Duehay

Mayor

December 15, 1981

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington D. C. 20500

Dear Mr. President:

The City of Cambridge strongly opposes the Office of Management and Budget's recommendations which would dismantle the federal commitment to provide decent affordable homes and a suitable living environment for our people. The housing needs of low- and moderate-income people cannot be met either by a general revival in the economy or by additional investment in non-subsidized housing.

In Cambridge, we have used a significant portion of our Community Development Block Grant to rehabilitate housing owned by low- and moderate-income people. The crippling of this program and its proposed termination in 1984 will make it impossible to even maintain our existing housing stock.

The demise of the CDBG program coupled with the proposed recission of all Section 8 and public housing new construction and substantial rehabilitation would strip us of all the tools needed to address the shelter needs of our residents.

Finally, the termination of the UDAG program in 1984 would jeopardize job development for our residents and further contribute to the distress of all Cambridge Citizens.

I strongly urge you to consider favorably the Department of Housing and Urban Development's appeal and to reject the above-mentioned OMB recommendations.

Respectfully yours,

Francis H. Duehay
Mayor

FHD:jp

cc: The Honorable Thomas P. O'Neill
The Honorable Edward M. Kennedy
The Honorable Paul S. Tsongas
The Honorable Samuel J. Pierce

Summary of OMB recommendations:

Source: Dec. 7 Congressional record
S. 14640

1. Section 8 New Construction and Substantial Rehab
Rescission of all budget authority in 1982
2. Section 8 Moderate Rehab:
Rescind budget authority for 34,000 units in pipeline which have been reserved but not yet started.
3. Section 8 Existing:
 - (a) payment standard reduced from median rent levels to 40th percentile of non-new rental units
 - (b) Tenant contribution 30% plus food stamps instead of 25% not counting food stamps
 - (c) Minimum 10% contribution required from all households
 - (d) Replacement of Section 8 certificates with Housing Vouchers beginning 1983. Vouchers issued for 5 years with no adjustments for inflation
assumed subsidy per year is \$1800 or \$150 per month
Funding from deobligation of new construction and substantial rehab programs
4. Public Housing Operation
no retroactive operating subsidy appropriations (\$148M had been proposed in 1982 budget to apply to 1981)
1983 budget authorizations will be based on:
 - immediate rent increases
 - 20% reduction in utility allowance
 - deduction of vacant units in subsidy calculations
 - reductions in units due to deobligation of new units in pipeline and closing down of expensive projects.
5. Rental rehab initiative program:
denied
6. Troubled Projects Operating Subsidy
no new money. Funded from rental assistance fund only.
Only HUD properties or FHA insured projects will be eligible

7. Rescind Section 202 (construction of elderly and handicapped housing in 1982). Liquidate all 202 loans by 1984 beginning in 1983.
8. Public housing production and modernization
Rescind all 1982 funds. No funds for 1983
Housing Authorities, however, may use 50% of obligated funds for modernization. The other 50% will be rescinded. Mod funds may be used for energy conservation and demolition.
9. 312 Program
Termination in 1982 with income to be used for multifamily rehab. Increased interest rates to be based on landlord's income, not tenants.
10. Terminate GNMA tandem program in 1983
11. Phase out GNMA mortgage-backed securities program by 1987
12. Non-profit assistance program (Section 106b)
rescind 1982
13. Urban homesteading
Fund at 9,000,000
14. Terminate Section 108 loan guarantee program in 1982.



MAJOR DEVELOPMENTS

OMB SAYS NO TO ADDITIONAL HOUSING AID, CALLS FOR ELIMINATION OF CDBG, UDAG

Housing vouchers would be substituted for current assistance under Section 8 and other housing programs in 1983, and the community development block grant and urban development action grant programs would be eliminated in 1984, under the Office of Management and Budget's final response to HUD's fiscal 1983 budget proposal. Federal housing credit programs would also be cut sharply, with the Government National Mortgage Association mortgage-backed securities program being eliminated by fiscal 1987.

HUD Secretary Samuel R. Pierce, Jr., is expected to appeal OMB's positions directly to President Reagan, who will ultimately decide the content of the budget proposal the Administration will submit to Congress in January. One top HUD official contacted by HDR called the OMB figures "ridiculous" and expressed confidence that they would be altered to some degree before submission to Congress.

The budget office position calls for no increase in the number of families to receive housing assistance in fiscal 1983, proposing a program of housing vouchers for roughly 214,000 to 224,000 families to replace assistance currently being provided under the Section 8, public housing and possibly other programs. There would be no additional funding for any type of Section 8, public housing development or the Section 202 program.

For block grants and action grants, the budget office is advocating \$1.2 billion in fiscal 1983 and no funding in fiscal 1984. The plan calls for a rescission to reduce the fiscal 1982 funding for both programs from the \$4.166 billion included in the continuing resolution providing fiscal 1982 HUD funding through December 15 to \$2.4 billion.

For public housing operating subsidies, OMB reportedly has approved fiscal 1983 funding of only \$600 million. It was not known whether OMB also wants to reduce the Administration's pending request for fiscal 1982 funding of \$1.06 billion, a figure that will only provide 69 percent of subsidy eligibility under the performance funding system, according to PHAs.

There were also reports from nongovernment sources that the OMB position calls for rescission of funding for Section 8 new construction and public housing development in fiscal 1982.

The budget office rejected all of the major new program initiatives proposed by HUD. These included a new "rental rehab initiative," which would have involved \$200 million in grants to finance up to half the cost of upgrading rental housing projects.

FHA, GNMA Programs

OMB also shot down all of HUD's proposals for FHA insurance for alternative mortgage instruments, both for single-family and multifamily housing. However, OMB did agree with HUD's proposal to remove the statutory volume limit on mortgages for which the interest rate could be negotiated.

Activity under FHA programs and the Government National Mortgage Association mortgage-backed securities program would be subject to lower commitment limits under the OMB proposal. The budget office wants fiscal 1983 caps of \$24 billion for FHA and \$38.4 billion for Ginnie Mae,

on the basis that FHA should serve only those borrowers who are not served by private mortgage insurers. The Ginnie Mae program would be reduced by 20 percent per year over the next four years and eliminated in fiscal 1987. In fiscal 1982, FHA activity is capped at \$40 billion and GNMA activity is capped at \$68.25 billion, but the Administration wants to limit 1982 commitments to \$35 billion and \$48 billion, respectively.

Voucher Program

OMB endorsed HUD's proposal for a voucher program as an alternative to current housing programs. But the budget agency position is a more comprehensive departure from current programs, calling for the complete elimination of all Section 8, Section 202, and public housing development assistance. HUD had asked for 80,000 units of vouchers, 44,000 units of Section 8 existing housing, 10,000 units of Section 8 new construction to be used with a reduced Section 202 program, and subsidies for 8,000 units under a variation of the voucher approach described as the "bounty" demonstration program. HUD had sought no new public housing development funds.

Under OMB's proposal, there would be no assistance in 1983 for additional families. The agency wants to convert roughly 190,000 to 200,000 outstanding Section 8 existing housing certificates into vouchers, at half the annual per-unit cost. The vouchers would have a shorter contract term, five years, and a lower budget authority obligation of \$9,000 per unit (\$1,800 per unit per year). The regular Section 8 existing housing program has a 15-year contract term and a budget authority obligation of \$54,000 per unit (\$3,600 per year), according to HUD's fiscal 1982 budget documentation.

As Section 8 existing tenants leave the program, their certificates would be replaced by the five-year vouchers. The savings, which could amount to as much as \$9 billion in budget authority, would be proposed for rescission.

In addition, OMB wants to recapture roughly \$4 billion in budget authority which has already been committed for Section 8 new construction and substantial rehabilitation projects in 1982 and 1983. Details on the plan were unavailable, but OMB did propose funding for 20,000 vouchers for tenants who would lose assistance in the process.

OMB also apparently wants to close down, sell, or demolish several thousand public housing units. Again, details were unavailable, but the OMB position calls for vouchers for 3,750 families which will be displaced from public housing or face higher rents.

The budget agency did not recommend any new funding for the public housing modernization program but did agree to allow PHAs to use 50 percent of any funding in the pre-construction pipeline for modernization.

FHA Reorientation Rejected

Unless the President reverses the OMB position, it appears the budget agency has won the first round in the debate over the future of FHA programs. OMB rejected proposals for multifamily graduated-payment and shared-appreciation mortgage insurance; single-family variable-rate and shared-appreciation mortgage insurance; and deregulation of the Section 234(c) condominium mortgage insurance program.

The proposals were an integral part of Assistant Secretary for Housing Philip D. Winn's plan to reorient FHA programs to first-time home buyers and inner-city residents. In addition, HUD had based the near-elimination of new rental production subsidies on the assumption that FHA insurance for innovative mortgage instruments and tax-exempt financing would be sufficient to facilitate private sector production.

Included in the HUD plan were proposals to allow Section 11(b) financing to be used for any FHA-insured project, regardless of whether the units carried Section 8 subsidies, and to eliminate the requirement under the Mortgage Subsidy Bond Tax Act of 1980 that 20 percent of the units in projects financed with Section 103 bonds be occupied by low-income families for 20 years. As HDR went to press, it was not known whether OMB had responded to those proposals.

Among the HUD proposals OMB did endorse were the removal of the limit on the current Section 203 negotiated rate demonstration; removal of language in Section 207 of the National Housing Act which requires regulation of rents, sales, and other operations of FHA-insured projects; insurance of mortgages for manufactured home parks intended exclusively for the elderly; and changes in the bankruptcy code to allow quicker foreclosures on HUD-insured mortgages.

HUD Response

HUD officials told HDR the department would ask President Reagan to reconsider their original legislative and budget proposals as a whole. Department officials were shocked by the OMB position and felt their appeal would be bolstered by the probability that Congress would reject a budget based on the OMB position.

Winn told HDR that many of the OMB positions are "totally unacceptable," but he was confident that a compromise could be reached. "We're in a negotiating stage and it may go to the President. This President I don't think would ever turn his back on the needy," he said.

Winn said he was "taken aback" by the OMB position. HUD was cognizant of the need to cut spending in preparing its 1983 proposals, which Winn said were innovative but still consistent with Administration economic policy. But Winn took a positive view of the debate within the Administration, saying, "I don't think that what we're going through is unhealthy."

Winn said the OMB position, if upheld by the President, would prevent HUD from assisting any more low-income families and thwart his goal of reorienting FHA programs to first-time home buyers through insurance for alternative mortgage instruments. He said it also thwarts the department's proposals to rely on insurance of innovative multi-family financing arrangements to spur housing production in lieu of federal production subsidies.

"I think we have a major difference of opinion as to the role of government in housing," he said. "I don't look at what we are suggesting in FHA as being derogatory to the budget process. OMB does, and we will have to resolve this." If the President does not resurrect the FHA proposals to help first-time and inner-city buyers, he said, "the private sector somehow will have to handle the market."

Winn was critical of OMB's \$600 million mark for public housing operating subsidies but endorsed the plan to close and demolish deteriorated public housing and provide vouchers to displaced tenants. "If we have to rip projects down because they should be torn down for whatever reasons, if they're beyond repair, we must figure out a way to house those people," he said.

Winn called on states and cities to take more responsibility for housing, but conceded that OMB's proposed funding levels would make that difficult. "What OMB is saying is that it's time the cities and states assume their responsibility. The time has come when the mayors cannot turn their backs on public housing and say it's a federal problem," Winn said.

Congressional Reaction

Congressional leaders and housing groups reacted strongly to the OMB position. "If I were (HUD Secretary Samuel R. Pierce), I would fight OMB on this and if I lost, I would quit," said House housing subcommittee Chairman Henry B. Gonzalez (D-Texas). "No responsible administrator would do what OMB is telling him to do. I think even the Republicans will join in opposing these cuts."

Gonzalez was particularly angry about the proposed elimination of the block grant and action grant programs. "OMB is prescribing poison for the cities that are sick, shackles for the cities that are well and a calamity for anybody, anywhere, who ever relied on a commitment from the Reagan Administration," he said.

Sen. Jake Garn (R-Utah), chairman of the Senate banking and HUD appropriations panels, called the OMB proposals "stupid." Aides to the senator said he has not expanded upon that comment.

Cushing N. Dolbeare, president of the National Low-Income Housing Coalition, said the OMB position is "clearly a great deal worse than what Nixon tried to do in 1973. It's an absolute disaster." If Reagan upholds the cuts, she added, "you might just as well wipe out HUD." She said the proposal would do "less than nothing" to mitigate the loss of low-cost housing units from the nation's housing stock, even as the cost of homeownership tax benefits continues to rise.

Both Dolbeare and a staff aide to Gonzalez predicted Congress would not approve the HUD proposals as modified by OMB. The staff aide predicted Congress would preserve the Section 202, block grant, and action grant programs. The aide said Congress may be willing to end the Section 8 program but would probably be receptive to a new program for low-income housing production.

Dolbeare echoed that view, saying that an ad hoc coalition recently organized to promote an alternative production program may have a chance of success with Congress. "With the economy the way it is and housing starts where they are, I would be relatively optimistic that if the people in the coalition could agree on a program that we could get it through," she said.

Leon N. Weiner, president of the National Housing Conference, called the OMB position "a sham and a shame, ill-conceived and ill-thought through." Weiner expressed disbelief at the OMB position and called on housing and community development interests to fight it. "They are really throwing down the glove and saying I dare you to knock the chip off. I think we have to rise to the challenge," he said.

Robert Maffin, executive director of the National Association of Housing and Redevelopment Officials, said the OMB position on public housing will "rapidly accelerate the time when public housing will default, deteriorate, dilapidate and go bankrupt." He said, "It makes no sense to walk away from 1.2 million units of public housing representing a \$65 billion investment for the sake of an ideological dream."

GNMA Cuts Criticized

The Mortgage Bankers Association of America, National Association of Home Builders, and National Association of Realtors called a joint press conference December 4 to

denounce the proposed cuts in the Ginnie Mae mortgage-backed securities program. The groups said the phase-out of the Ginnie Mae program would effectively terminate the Federal Housing Administration and Veterans Administration mortgage programs as well, since over 70 percent of all FHA-VA loans are packaged in Ginnie Mae pools.

"Without the Ginnie Mae security, lenders cannot generate the funds to originate additional FHA and VA loans," said MBA Executive Vice President Mark J. Riedy. "This is a backdoor approach to eliminating two programs that have helped millions of Americans own their own homes."

NAHB executive vice president David E. Stahl called the OMB proposal "reckless, deceptive, and unjustifiable," and said it would mean "less affordable mortgage credit for veterans and middle-income Americans, many of whom will be unable to afford or qualify for conventional credit."

CITIES FIRE BROADSIDE AT OMB, REAGAN OVER ADDITIONAL CD, UDAG CUTS

DETROIT (By a BNA staff correspondent)--News that the White House may scrap the community development block grant and urban development action grant programs galvanized a meeting of local officials here and unleashed a torrent of angry criticism against the Reagan Administration, which is widely perceived as anti-city.

HUD officials, including Assistant Secretary for Community Planning and Development Stephen J. Bollinger, urged the 3,000 city officials at the November 29-December 3 National League of Cities convention to lobby the White House to continue both programs. "We need strong support behind them," Bollinger said, "or these programs will be in jeopardy."

The League adopted two resolutions introduced by NLC President William H. Hudnut, the Republican mayor of Indianapolis, opposing further cuts in CD and UDAG and joining a National Governors' Association call for a moratorium on domestic budget cuts and a summit meeting of governors, mayors, state legislators, and county officials and the President before the Administration's fiscal 1983 budget is introduced in January.

The cause of the alarm is an Office of Management and Budget proposal to reduce the combined CDBG and UDAG budgets in fiscal 1982 to \$2.4 billion. In fiscal 1983, OMB recommends a combined budget of \$1.2 billion, which would be cut to zero the following year. (For a related report, see p. 550.)

OMB had made a similar proposal during the fiscal 1982 budget debates in February, and the spending targets contained in the current proposal were included in a plan sent to the Administration by Rep. Phil Gramm (D-Tex) last October to show where further cuts could be made without affecting defense spending. (For background, see *Current Developments*, Vol. 9, p. 349.)

The first resolution, adopted by the League on December 2, urges the President and Congress "to reject any proposals to cut further or eliminate the CDBG and UDAG programs and to fund these programs at their fully authorized levels."

Even before the OMB proposals were disclosed, Hudnut voiced the concerns of most of the mayors that the Administration is cutting too much out of the urban programs and making the cities dependent on state governments at a time when both states and localities are facing tight budgets.

"If we are to bring about the urban reinvestment that is so greatly needed, we will need the resources, at least in the short term, to restore the urban infrastructure to a standard that will meet future needs," he told the convention. Hudnut

said two-thirds of the fiscal 1982 cuts fall on the cities. "In the opinion of some people," he added, "that is asking too much too soon, and they point out that it would be a sad irony if the economic recovery the President hopes to bring about were to be thwarted by a decayed urban infrastructure without hope for repair."

HUD Officials Urge Action

Officials from HUD's Office of Community Planning and Development strongly encouraged the League to lobby the White House for maintaining the programs. "If you want UDAG, write to the White House," Stuart Sloane, deputy assistant secretary for field operations and monitoring, told the local officials.

"We look to you, the consumer, to point out the importance of the (UDAG) program to the White House," Bollinger told a November 30 breakfast meeting. "We need strong support behind them, or these programs will be in jeopardy."

Bollinger noted that HUD Secretary Samuel R. Pierce, Jr. had publicly endorsed the UDAG program at an October 12 National Press Club luncheon based on the findings of a department study. Although Pierce used the study's findings to make his decision, the report has been embargoed by the White House pending the final budget decisions, according to one HUD aide. (For background, see *Current Developments*, Vol. 9, p. 464.)

In criticizing OMB's proposal to eliminate community development funding, Bollinger noted that only a few months ago, the Administration pushed a major restructuring of the program through Congress. The changes eliminated the CD application for entitlement communities and gave states the authority to operate the small cities program. "It's ludicrous to put together a state program and then announce that the program will be phased out," Bollinger said. (For a related report on the small cities program, see p. 556.)

No Decision by Reagan

Richard Williamson, special assistant to the President for intergovernmental affairs, said the OMB proposals have not yet been endorsed by the President, and that Williamson himself personally favors the two programs.

Republican and Democratic mayors, already numb from the 1981 budget debates, berated the entire Reagan policy of large cuts in taxes and federal spending, and turning program authority over to the states.

New York Mayor Edward I. Koch, a Democrat, said "the Administration's program imperils the cities and is wholly lacking in realism and responsibility." He predicted that supply-side economics would erode city infrastructure, such as bridges and water works, and that states and localities would be unable to make up the lost federal money through tax increases, as the President has suggested. State income taxes in 30 states are tied to the federal tax code, he said, so the new Federal cuts will lower state revenues, too, unless the states change their laws. A number of states, including New York, are already considering "uncoupling" their tax schedules in the treatment of corporations, he said.

"This is going to disadvantage those states which seek to spur economic development but must forego tax relief in order to meet revenue needs imposed by social services and infrastructure repair programs," he said.

Cleveland's Republican Mayor George V. Voinovich said the Reagan Administration lumped federal programs together into block grants without first checking to see if some programs are better operated at the local level rather than the state level. The immediate effects of the consolidation and budget trimming would hurt millions of city residents.

he charged. "To try and dismantle and eliminate everything that had developed during the past 40 years in just three or four years is simply unrealistic," he said. "More importantly it is my political judgment that this will destroy the political consensus needed to make the Reagan programs work in the long run."

Moratorium on Budget Cuts Sought

The second resolution passed December 2 echoes a National Governors' Association call for a moratorium on further cuts, to give the Administration time to study the effects on cities and states, and supports a proposal by NGA president Richard A. Snelling, governor of Vermont, for a summit meeting with Reagan.

"As long as the new federalism means one thing to me, another to you, something different to the President and sometimes nothing at all to Congress, we are going to see the federal role in domestic affairs withered away," Snelling warned the League in a December 1 speech. Snelling called for a coalition of governors, mayors, city, and county officials and state legislators to lobby the White House to save domestic aid.

Senator Mark O. Hatfield (R-Ore), chairman of the Senate Appropriations Committee, condemned the Reagan cuts as "sovietizing" the nation by channeling domestic funds into military projects. Military spending, he said, adds to inflation and unemployment, because it ties up resources and credit that could otherwise be going to re-tool American industries and upgrade city infrastructure.

"The infrastructure of the nation is as important to our security as military hardware," he told a December 1 NLC luncheon. The Administration, he said, seems to be "forgetting that government does play an important role in creating a sense of mutual obligations, respect, and social cohesion."

Hatfield said he opposed further urban program cuts, with the exception of general revenue sharing, which he said creates unhealthy state and local dependency on the federal Treasury. "I expect to see it whittled away over time," he said. Recently, Reagan assured the U.S. Conference of Mayors that revenue sharing would be preserved.

Hatfield also called for the transfer of some federal excise taxes, which are expected to top \$70 billion in fiscal 1982, to the states and cities to ease their fiscal burdens. "The recession is causing lower revenues and higher 'safety net' expenditures (Medicaid, welfare, veterans benefits, unemployment), thereby tightening the noose even further," he said.

INTERAGENCY TASK FORCE FINISHES WORK ON URBAN ENTERPRISE ZONES PACKAGE

A high-level interagency task force is about ready to present President Reagan with a set of options calling for the national introduction of so-called urban enterprise zones that are designed to stimulate business investment in depressed urban centers by offering targeted tax and regulatory breaks over the next 20 years.

Administration officials contacted by HDR said that as part of enterprise zone options to be sent Reagan by month's end, the task force will recommend that Congress enact wage tax credits of 10 percent and 15 percent for businesses and individuals, respectively, located in designated enterprise zones. The possibility of making part or all of these credits refundable also will be presented to the President, officials said.

Moreover, they stated, the offering of a 25-percent investment tax credit for businesses will be recommended, as well as a 50 percent interest exclusion on loans made to businesses located in the new zones, to defray startup costs and attract capital.

The elimination of all capital gains taxes will be offered, too, officials said, but there is strong opposition from the Treasury Department for this particular facet of the program.

A 50 percent wage credit to employers of workers hired under the Comprehensive Employment and Training Act (CETA) also is part of the expected package, sources said. These officials added, however, that the 50 percent wage credit would last only three years, after which it will be phased out at 10 percent a year.

Size of Program Uncertain

How much money will be involved or how large a national program will be proposed could not be learned immediately. However, officials indicated there is a line item in the draft fiscal 1983 budget calling for about \$100 million in federal outlays for the program. But, they added, the estimates for the new program have ranged from as low as \$30 million to as high as \$300 million annually and, as yet, have not been made final.

The task force recommendations on enterprise zones closely follow a set of proposals advanced by the Department of Housing and Urban Development weeks ago, but rejected by Treasury as too costly and cumbersome.

As a result of the squabble between HUD and Treasury, the task force was forced to miss a presidential deadline of November 18 to complete its work on the enterprise zones package. After a December 3 meeting, however, the task force finally agreed on its final recommendations to Reagan. (For background, see *Current Developments*, Vol. 9, p. 511.)

Essentially, task force members ended their discussions on the enterprise zones, which have lasted for months, much to the President's chagrin, by agreeing to a political rather than a pragmatic fiscal approach on how best to aid the nation's financially depressed cities. According to one Administration official, the key to ending the deadlock on the zones concept was a plan by the Office of Management and Budget to substantially curtail federal aid to the nation's urban areas and their inner city inhabitants. (See related report, p. 550.)

The general thinking at the December 3 meeting of the task force, according to one official, was that the President possibly could gain the substantial cuts OMB is proposing if he also proposed a far-reaching enterprise zone concept to take the place of the federal programs falling under the budget ax.

Treasury Objections

Officials noted, however, while a consensus has been reached on the overall package of options, the Treasury still objects to many provisions and is preparing a separate minority report for the President to read when the entire enterprise program is finally sent to the White House.

Two major Treasury objections are the cost of the new program and its potentially cumbersome administration, which will further stretch out the activities of the Internal Revenue Service. IRS will be the lead agency policing compliance with the enterprise zones program.

Other provisions in the enterprise zone package include:

- ▶ Substantial relaxation of both federal and state regulations, where possible, such as usury laws and occupational licensing requirements, except for medicine and pharmacology.

as secretary to Supreme Court Justice Oliver Wendell Holmes in 1928. Mr. Corcoran called the job "one of the greatest periods in my life. I learned more from him than any history book."

When the clerkship expired, he joined a New York law firm and specialized in corporate law, stock mergers, and issuances. In 1932, at the request of Federal Reserve Board governor Eugene Meyer, he returned to Washington as counsel to the newly created Reconstruction Finance Corporation.

There, he got involved in politics and worked on the Federal Housing Act. House Speaker, Sam Rayburn, then asked him for help with the Securities Act, which faced a tough congressional fight. It was through Rayburn that he met Ben Cohen.

Together, Mr. Corcoran and Cohen became known as "The Whiz Kids" and "The Gold Dust Twins."

They soon became part of FDR's "brain trust" and took on the majority of the President's tough jobs. Mr. Corcoran was the White House premier odd jobber, legman, expeditor, arm-twister and speechwriter.

Together, the "Twins" wrote and pushed through Congress the Stock Exchange Act, the Fair Labor Standards Act, the Securities and Exchange Act, the Public Utility Holding Act and others that completely transformed American life.

The turning point in Mr. Corcoran's White House career came when he sought the job of solicitor general. According to civil rights lawyer Joseph Rauh, he got four Supreme Court justices to sign a letter to Roosevelt urging the appointment.

Frankfurter, whom Mr. Corcoran had helped place on the court refused to sign. The appointment was never made. And the breach with Frankfurter never healed.

Mr. Corcoran left the White House in 1941 to form China Defense Supplies; lend-lease to China and a thriving law practice. With Claire Chenault, he organized the Flying Tigers to keep the Chinese supplied until America entered the war.

His law practice grew and flourished. His dealings on behalf of large oil companies and pharmaceutical firms produced congressional wrath, and his law firm was investigated four times by Congress. Each time he emerged unscathed.

Mr. Corcoran is survived by four sons, Thomas Jr. of Washington; Dr. David of Bethesda, Md.; Howard of Potomac, Md., and Christopher of Newfoundland; a daughter, Cecily Kihn of Philadelphia, and six grandchildren.

Funeral arrangements are pending.

OMB'S HOUSING AND COMMUNITY DEVELOPMENT RECOMMENDATIONS

Mr. WILLIAMS. Mr. President, the Office of Management and Budget (OMB) has proposed a series of budget recommendations that can only be described as a near total abandonment of one of the Nation's most basic and long held commitments, that of decent, affordable homes and suitable living environments for our people.

The proposals would bring to a dead halt, almost immediately, any progress toward meeting the country's serious unmet housing and community development needs, at a time when vast segments of the economy are reeling from serious recession. Housing assistance programs, except for commitments in force, would terminate, while worthwhile, successful programs such as the

community development block grant program and the urban development action grant program would be crippled right away and snuffed out within two years.

And what bright hope would OMB offer to distressed cities and to needy citizens? Apparently, it would offer only the hope of private charity, self-help, and the President's economic recovery program. This is not hope.

It is a wild-eyed dream that in the real world of today, with a pervasive recession and an 8.4-percent unemployment rate, we could save money through adopting a housing policy that means the nightmare of continued joblessness, and wretched housing conditions for millions of people who have nowhere else to turn but to their Government.

Let me outline some of the recommendations that OMB would have the Congress implement:

First, no additional commitments of Federal housing assistance after fiscal year 1982.

Second, no funding for the modernization of public housing, beginning in fiscal year 1982, except that which can be recaptured from the rescission of funds for new public housing development.

Third, a slash of public housing operating subsidies by 60 percent, with the difference to be made up presumably through rent increases for tenants.

Fourth, no new funding for the troubled projects program, aimed at restoring troubled HUD-insured projects to economic stability.

Fifth, a dramatic cutback in the population served by the FHA insurance programs; with FHA commitments to total no more than \$20 billion by fiscal year 1984.

Sixth, the total elimination of the housing counseling program, which is designed to help prevent defaults on FHA-insured dwellings.

Seventh, the elimination of the section 202 housing loan program for the elderly and the handicapped, beginning with fiscal year 1983.

Eighth, the termination of GNMA tandem programs once fiscal year 1983 tandem activity is completed.

Ninth, the total phaseout of the GNMA mortgage-backed security program by 1987.

Tenth, the total phaseout of the community development block grant program by fiscal year 1984.

Eleventh, the total phaseout of the urban development action grant program by fiscal year 1984.

Mr. President, the outrage over the proposals is broad based. Republicans and Democrats alike have reacted with the deepest concern about the havoc that OMB's recommendations would wreak. In fact, the seriousness of the OMB proposals are reflected in the strong protest that the Department of Housing and Urban Development has lodged in an effort to overturn them.

I believe it would be useful for my colleagues to see in greater detail the depth and breadth of the OMB proposals, and learn the Department's strong objection to them. I think this would put

in proper perspective the enormous implications these proposals hold for the whole range of housing and community development concerns in this country.

To that end, I would like to submit for the Record a copy of a document I have obtained which details the OMB recommendations, characterized in the document as "decisions" and the draft language of HUD's appeal to these housing proposals.

It should be emphasized that while some of the strongest language was toned down in the final version of the Department's appeal, language in this document reveals the deep sense of outrage that these proposals have provoked in the Department, and should in turn engender in all truly concerned that this Nation keep its promise to improve housing opportunities and conditions in our urban and rural communities.

Mr. President, I ask unanimous consent that OMB's housing and community development proposals, and the draft HUD appeal be printed at this point in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, 1983 BUDGET—DEPARTMENTAL TOTALS

(In millions of dollars, FTE in units)

	1982	1983	1984
BA.....	-1,999.8	-7,425.6	-4,182.7
O.....	12,831.8	11,341.1	10,007.1
FTE.....	14,318	13,334	NA
	1985	1986	1987
BA.....	-1,506.5	30.7	2,930.7
O.....	8,784.9	8,825.9	9,457.5
FTE.....	NA	NA	NA

Note: Any appeal items must be submitted by noon Tuesday, Dec. 1. Specific appeal items must be ranked individually in priority order. Negative amounts of budget authority reflect planned rescission of deobligated multiyear subsidized housing commitments.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, 1983 BUDGET—1982 SUBSIDIZED HOUSING PROGRAM

	Units	Budget authority
Authority available:		
Permanent authority.....	NA	\$30,300,000
New authority.....	NA	17,373,528,048
1981 carryover.....	NA	2,468,479,561
Deobligations:	NA	
New construction units.....		6,586,000,000
Moderate rehabilitation units.....		2,397,000,000
Total available.....	NA	28,854,307,601
Use of authority: Public housing:		
Amendments.....	NA	450,000,000
Lease adjustments.....	NA	24,800,000
Modernization.....		1,793,000,000
Sec. 8: Existing: Conversions:		
Sec. 23.....	5,000	188,325,000
Rent supplement/RAP.....	172,300	6,489,679,500
Amendments:		
New/rehab.....		2,990,000,000
Loan management.....		150,000,000
Additional uses:		
Transfer to PH loan fund.....		-1,400,000,000
Rescission.....		-15,408,503,101
Rent supplement/RAP conversions:		
Rescission in 1982 amended budget.....		-1,037,000,000
Additional rescission.....		-4,420,000,000
Total, rent supplement/RAP rescission.....		-8,457,000,000
Total 1982 rescission for subsidized housing.....		-24,865,503,101

This recommendation has been incorporated into our computation of the voucher payment standard.

Calculate the rent standard using the distribution of all non-newly constructed standard units (rather than only those units occupied by recent movers as it is currently

computed). This methodological change has been incorporated into our computation of the voucher payment standard.

Adopt HUD Recommendation (No. 8) to reduce the PHA's administrative fee for the non-voucher Section 8 existing program from 8.5 percent of contract rent to 6.0 percent.

Adopt HUD Recommendation (No. 11) for revising the Annual Automatic Adjustment Factors.

Adopt HUD Recommendation (No. 12) to use excess residual receipts from certain non-profit and limited dividend Section 8 projects to offset housing subsidy payments.

HUD SUBSIDIZED HOUSING INVENTORY—UNITS UNDER OCCUPANCY, PAYMENT

	Occupied Units, Sept. 30, 1981	OMB recommended levels					
		Fiscal year 1982		Fiscal year 1983		Fiscal year 1984	
		Change	New total	Change	New total	Change	New total
Sec. 8 new sub rehab.....	474,465	+108,356	582,821	+37,000	619,821	+26,015	645,836
Sec. 3 existing.....	843,757	+234,379	1,078,136	-211,936	866,200	-137,700	728,500
Voucher.....	0	.....	.....	+191,186	191,186	+13,700	334,886
Public housing.....	1,204,000	+21,315	1,225,315	+13,630	1,238,945	+14,630	1,253,575
Sec. 235.....	244,000	+23,600	267,600	-28,000	239,600	-22,000	217,600
Rent supplement.....	173,000	-158,600	14,300	.....	14,300	.....	14,300
Sec. 235.....	397,374	.....	397,374	-1,000	396,374	-1,000	395,374
RAP.....	34,000	-13,700	20,300	.....	20,300	.....	20,300
Subtotal.....	3,370,596	+214,750	3,585,346	880	3,586,226	23,645	3,609,871

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 1983 BUDGET

Program: Public Housing Production and Modernization.

Decision: No funds will be requested in FY 1983 and any FY 1982 funds appropriated will be proposed for rescission. However, PHA's will be permitted to use 50 percent of any funds now obligated in the public housing pre-construction pipeline for public housing modernization. It is expected that about 75 percent of the new construction pipeline will be deobligated and the 50/50 rule applied to these funds. The other 50 percent of the funds deobligated will be proposed for rescission. Regulations for public housing modernization will give priority on the use of funds to energy conservation. Regulations will also emphasize the need to assure the economic and social viability of projects being rehabilitated. Finally, regulations will permit the use of modernization funding for the demolition of projects. (Appropriations language will be proposed to permit the use of deobligated production funds for public housing modernization.)

BUDGETARY IMPLICATIONS (In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....	-793	-1,586	-1,586	-793	.....	.....
O.....	.....	.....	-3	-3	-3	-6

Rescissions of BA and associated outlay impacts net of new obligations for modernization.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 1983 BUDGET

Program: Indian Housing.

Decision: No additional funds will be requested in the 1983 budget for any Indian housing program pending completion of the interagency task force review. No further funds are being requested for the water and sanitation programs of the Indian Health Service. The Indian Housing construction pipeline is assumed to be completed. However, to the extent that added water and sewer facilities are needed to complete the current Indian housing pipeline, those funds will have to come from deobligations of Indian housing units.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 1983 BUDGET

Program: Payments for Operation of Low Income Housing Projects.

Decision: 1. The Administration will continue to oppose any add-ons to the 1982 appropriation

bill such as the \$148 million intended to apply retroactively to 1981 public housing operating subsidy requirements.

2. The 1982 proposed appropriation level of \$1,080 million will be retained based upon increased rental revenues resulting primarily from the elimination of all adjustments to income effective immediately (see Subsidized Housing Tenant Rent decision).

3. The 1983 program level assumes not only the full effect of the rent increase as discussed elsewhere, but also a one-time downward adjustment in PHA base utility consumption allowances of 20 percent, effective beginning in 1983.

4. Other sources of reduced operating subsidy requirements include:

A regulation change to preclude counting vacant or "deprogrammed" units in PUM totals for purposes of computing subsidy.

Regulation changes to permit PHA's to reduce tenant energy allowances and to revise lease and grievance procedures.

Reductions in the number of units under management attributable to (a) deobligations of units in the construction pipeline; and (b) a deliberate policy of closing down the most expensive projects.

BUDGETARY IMPLICATIONS (In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....	1,060	402	374	444	590	771
O.....	1,028	698	353	385	524	658

Expected effect of rent increase is shown below:

BA.....	-223	-703	-907	-895	-865	-907
O.....	-84	-490	-817	-900	-879	-888

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 1983 BUDGET

Program: Rental Rehabilitation Initiative.

Decision: The Rental Rehabilitation Initiative has been denied due to a lack of food analytical reasons to begin such a program especially in a very tight budget year.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 1983 BUDGET

Program: Troubled Projects Operating Subsidy.

Decision: Beginning in FY 1983, Troubled Projects will be funded solely from transfers from the Rental Housing Assistance Fund; Legislative proposal 97-108 should be changed accordingly. In addition, legislation should be proposed to redefine eligible housing projects such that only FHA-insured or Secretary-held projects will be eligible for

Troubled Projects assistance beginning in FY 1983. Legislative proposal 97-108 is disapproved.

BUDGETARY IMPLICATIONS (In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....	4	0	0	0	0	0
O.....	115	35	0	0	0	0

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 1983 BUDGET

Program: Federal Housing Administration.

Decision: Beginning immediately, FHA insurance of unsubsidized single-family mortgages should be specifically targeted at only those homebuyers who are not adequately served by the private sector. FHA should not compete with or attempt to compete with the private sector. Instead, FHA should encourage the private mortgage insurance industry to handle as much of the market as possible. Thus, the role for FHA should be a residual one: FHA should provide mortgage insurance only to the extent that the private sector is not capable of responding to market demands.

FHA should begin in FY 1982 to collect the discounted present value of premiums at the time mortgages are initially insured. The discount rate used should be based on the Administration's current economic assumptions; the discount period used should be the full term of each mortgage. In addition, FHA should eliminate cross-subsidization by charging higher premiums to those homebuyers who are in higher risk categories (i.e., low downpayment homebuyers). Note that the sum of the mortgage plus the discounted present value of premiums should not be allowed to exceed current maximum mortgage amounts (i.e., 97 percent of the first \$25,000 of value, and 95 percent of the value above \$25,000). Coincident with these changes, FHA should eliminate the mutuality provisions of the Mutual Mortgage Insurance Fund. If necessary, legislation should be proposed to accomplish this change.

Consistent with the retargeting of FHA stated above, the following changes should be implemented:

Instead of legislative proposals 97-225 and 810, legislation should be proposed to repeal the maximum interest rates charged on FHA insured mortgages and loans. In addition, the restrictions on the number of points that may be paid by homebuyers should be eliminated.

The maximum mortgage limitations currently in place should not be increased.

BUDGETARY IMPLICATIONS

(In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....	300	150				
O.....	593	620	470	180	69	

Program: Rehabilitation loan fund.

Decision: If the sec. 312 program is not terminated in 1982, its termination will be proposed for 1983 with all assets, obligations, and income being transferred to the revolving fund (liquidating programs). However, for as long as the program continues, its activity will be exclusively used for multifamily rental rehabilitation. Revised regulations should be promulgated as soon as possible increasing the interest rate to the maximum allowable by law and making the interest rates dependent upon landlord's (not tenants') incomes.

BUDGETARY IMPLICATIONS

(In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....						
O.....	-28.2	-57	-59	-63	-66	-69
1982 program:						
O.....	+26	+33	-4	-4	-4	-4

Program: Urban homesteading.

Decision: The urban homesteading program will continue in 1983 without any modifications, funded at \$9,000,000 (a level felt sufficient for anticipated program demand).

BUDGETARY IMPLICATIONS

(In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....		9	9	9	9	9
O.....	16	9	9	9	9	9

Program: Sec. 108 loan guarantees.

Decision: No new sec. 108 loan guarantee commitments will be made effective immediately. The program is being terminated.

	1982	1983	1984	1985	1986	1987
BA.....						
O.....	\$0	\$0	\$0	\$0	\$0	\$0

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—NEW COMMUNITIES DEVELOPMENT CORPORATION, 1983 BUDGET

Program: New Communities Development Corporation.
Decision: Asset sales will be planned as shown in the Secretary's Nov. 6, 1981, letter to achieve additional outlay savings of \$6,400,000 in 1983 and \$13,700,000 in 1984.

BUDGETARY IMPLICATIONS

(In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....	33.1	34.2	34.1	52.2	57.5	62.1
O.....	34.4	35.2	34.9	52.2	57.5	62.1

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—FAIR HOUSING AND EQUAL OPPORTUNITY, 1983 BUDGET

Program: Community housing resource boards.
Decision: No funding will be requested for community housing resource boards (CHRB's). Fiscal years 1981 and 1982 for CHRB's will be rescinded. In addition, outlays for fair housing assistance grants have been revised to reflect reestimates.

BUDGETARY IMPLICATIONS

(In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....	1.7	3.7	3.7	3.7	3.7	3.7
O.....	4.4	5.1	3.2	7.0	3.7	3.7

¹ Includes rescission of \$2,000,000 in 1981 BA and \$2,000,000 in 1982 BA.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—POLICY DEVELOPMENT AND RESEARCH, 1983 BUDGET

Program: Research and technology.
Decision: Research and technology will be funded at \$20,000,000 in 1983.

BUDGETARY IMPLICATIONS

(In millions of dollars)

	1982	1983	1984	1985	1986	1987
BA.....	20	20	20	20	20	20
O.....	33	26	20	20	20	20

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—STAFFING 1983 BUDGET

Based on the program decisions for 1982 and 1983, 14,593 staff-years will be allocated for 1982 and 13,609 staff-years for 1983 (excluding staff-years for terminal leave). The FTE equivalents are as follows:

	Total	FTE
1982 FTE's.....	14,318	13,864
1983 FTE's.....	13,334	12,911

On a decision unit basis, the following staff-years were decided upon for 1982 and 1983.

	1982	1983
Total	14,318	13,609

Housing:

Headquarters.....	876	823
Sec. 8.....	812	650
Public housing.....	500	403
Public housing modernization.....	157	144
Other field.....	667	639
FHA—mortgage insurance.....	1,612	1,282
FHA—all other.....	2,099	2,096
Nonprofit sponsor.....	1	1
Housing payments.....	859	859
Revolving fund.....	15	15
Community disposal.....	1	1
Congregate services.....	4	4
Regulatory functions.....	40	40
Less shortfall.....	-277	0
Total.....	7,366	6,957

GNMA.....	57	52
Solar bank.....	0	0

CPD:

Headquarters.....	346	300
Enterprise zones.....	0	0
CDBG.....	600	500
UDAG.....	120	90
Planning grants.....	5	0
Rehabilitation loans.....	30	0
Urban homesteading.....	10	10
Other field.....	330	270
Total.....	1,435	1,170

NCDC.....	55	50
PD & R.....	210	200
FM & EO.....	592	592
Departmental management.....	170	150
General counsel.....	225	225
Field legal.....	320	320
Inspector General.....	483	483
A & SS.....	1,410	1,300
WCF.....	380	350
FD & OS.....	620	560
Field administration.....	1,270	1,200
Total.....	14,593	13,609

From these totals, 200 overtime staff-years and 75 noncharging staff-years were subtracted in order to achieve the FTE numbers.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—SALARIES AND EXPENSES, 1983 BUDGET

The following table summarizes the S & E mark for 1983 (dollars in thousands). Amounts, where appropriate, are based on 1983 staffing recommendations. Staff will gladly provide details.

Personnel services.....	\$394,622
Travel.....	15,800
Transportation.....	800
Rents, communications, and utilities:	
Space rental.....	40,000
FTS.....	8,300
Penalty mail.....	10,500
Other communications.....	8,300
Equipment rental.....	6,700
All other.....	100
Total.....	73,900
Printing and reproduction.....	7,500

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—SALARIES AND EXPENSES, 1983 BUDGET

Other services:

ADP.....	31,500
Special contracts.....	2,714
Training contracts.....	1,000
Property protection.....	100
Regulatory analysis.....	100
All other.....	9,000
Total.....	44,414
Supplies.....	4,000
Furniture and equipment.....	1,500
Indemnities.....	45
Total.....	542,581

The approximate distribution of these obligations between budget authority and transfers is as follows (dollars in thousands):

Budget authority.....	294,744
FHA transfer.....	236,450
Other transfers.....	11,387
Total.....	542,581

Due to the apparent tightness of the 1982 situation, a partial waiver has been granted to the 50 percent absorption of the pay raise. HUD will only be required to absorb 50 percent of the budget authority, not the FHA transfer. With an increase in 1982 pay costs of \$19.334 million (excluding working capital fund), it is assumed that about 45 percent would normally come from increased FHA transfers, or about \$8.700 million. In order to absorb half the remainder, supplemental appropriations of \$5.317 million would be permitted. It is believed that with this waiver and with other non-personnel cost reductions (such as in ADP and travel), more than sufficient funds should be available so as not to force a reduction in personnel below the recommended 1982 staffing level and to pay for any necessary severance costs.

BUDGET APPEALS—HOUSING: SUBSIDIZED HOUSING LEVELS FOR FISCAL YEAR 1982

	HUD request	OMB mark	Real impact of OMB mark
Public housing.....	\$17,000		—\$26,000
Sec. 8:			
New/sub rehab.....	44,842		—\$8,000
Existing/mod rehab.....	64,769		—40,000
Conversions.....	35,000	\$177,300	177,300
	144,611	177,300	79,300
Total.....	161,611	177,300	53,300
Proposed funding:			
Sec. 8 and public housing.....	17,374	595	595
Rent supplement.....	-1,037	-9,457	-9,457
Total.....	16,337	-8,862	-8,862

¹ Revised to reflect the President's 12-percent cut in appropriations.

OMB Mark:
The revised FY 1982 Budget requested an appropriation of \$17.4 billion to fund the approval of 161,611 units under the Section 8 and Public Housing programs. The OMB mark proposes a rescission of \$15.4 billion and the transfer of \$1.4 billion to the Federal Financing Bank.

The OMB anticipates the availability of \$11.8 billion in deobligations, carryover and permanent authority for a total gross program level of \$12.0 billion for Section 8 and Public Housing (See attached computer printout). No new approvals are proposed for FY 1982. The only activities to be funded are amendments to ongoing projects and modernization of Public Housing projects (both from deobligations) and the conversion of projects now being funded under older subsidy mechanisms to funding under Section 8.

Impact:
HUD had proposed a gradual phase-out of subsidies for new construction in favor of less expensive subsidies for existing housing. At the same time, the Department proposed to meet the need for new rental housing construction after 1982 through the use of tax-exempt financing; a less costly, and administratively simpler device which places greater reliance on the private entrepreneur and market demand.

Funding is proposed as:

	Units
For tenants of new or sub rehab projects where the owner drops out of the program.....	20,000
For tenants of Public Housing projects sold or demolished (3 vouchers for each 4 units eliminated).....	3,750
Phase-out of current Section 8 certificates (full phase-out in 4 years).....	191,186
Total.....	214,936

The subsidy will average \$1,800 per year for 5 years—with no increase for inflation over the term. The excess BA from the phase-out of the Section 8 program will be rescinded. Recaptures from new construction projects will be used to fund the 23,750 "incremental" units approved for 1983. Because of a higher level of existing housing cancellations in 1983, however, the OMB projects a net decline in existing/voucher units under payment of 20,750 units in 1983.

PHAs will continue to make payments directly to landlords.

The Housing Bounty demonstration and the Rental Rehab Initiative were rejected.

HUD's outlay savings proposals on rolling back the existing FMRs, on reducing PHA fees, and on revising the Annual Adjustment Factor were accepted.

The OMB conditions its support for a revised Section 8 existing program on the

enactment of legislation to speed up rent increases and the achievement of higher obligations under Section 8.

IMPACT

Last year, the Department was able to achieve passage of higher tenant rents only by promising to carefully limit the adverse impact on current tenants. The OMB Mark would require us to violate every agreement made as part of last year's package. Not only will this proposal not pass the Congress, it will totally destroy any remaining semblance of credibility the Administration has with the Hill.

As part of its recent outlay reduction exercise with the OMB, the Department examined and specifically rejected the changes to tenants rents now being proposed by OMB. The reasons for rejection, which were discussed in detail in the Secretary's November 8th letter, included political impracticality, the danger of higher vacancies, rent strikes, massive evictions, project defaults, higher outlays, political and social unrest, and likely litigation.

The estimate of 20,000 new/rehab units dropping out of the Section 8 program is too high and cannot be supported under any basis.

The estimated turnover of the entire Section 8 existing inventory in 4 years is simply unrealistic—moreover, it ignores the fact that HUD has valid contracts with local housing agencies to administer the current program for the next 5 years.

The \$1,800 estimate is probably too low a figure for 1983—it is clearly too low for 1987. By refusing to allow for any increase in the subsidy, the OMB is assuring that tenants will bear a significant hardship—and by doing so is losing sight of our mutual goal. HUD proposed the shift to vouchers and the roll-back in FMRs in part as a way to save money and thereby help more families. By being too niggardly, the OMB has made the voucher program unacceptable to those groups whose support we will need if we are to convince the Hill to enact vouchers in lieu of the current existing housing program.

The OMB's clumsy threat to deny support for vouchers if it doesn't get its way on tenant rents and obligations is not only offensive and juvenile—it ignores the fact that both HUD and OMB have agreed that vouchers are a better, less expensive and philosophically more defensible program than the current Section 8 mechanism. Which is why HUD proposed it and why the OMB should endorse vouchers without reservation and stop playing games with themselves.

The denial of the Rental Rehab Initiative and the Housing Bounty demonstration merely prove that the technicians at OMB would rather criticize old programs than examine new ideas. Their argument that a "tight budget year" is the wrong time for innovative ideas shows a good deal about the OMB mentality and the intellectual level of their analysis.

MANUAL CONTRIBUTIONS FOR ASSISTED HOUSING, FISCAL YEAR 1983

	Units	Cost	Contract authority	Term	Budget authority
Authority available:					
Recaptures.....	NA	NA	1,115,000,000	NA	15,918,621,000
Permanent authority.....	NA	NA	24,800,000	NA	24,800,000
New authority.....	NA	NA	0	NA	0
Total available.....	NA	NA	1,139,800,000	NA	15,943,421,000
Use of authority:					
Public housing:					
New.....	0	4,100	0	30	0
Rehab.....	0	4,100	0	30	0
Amendments.....	NA	NA	8,000,000	NA	250,000,000
Lease adjustments.....	NA	NA	23,800,000	1	23,800,000
Modernization.....	NA	NA	79,282,500	20	1,585,650,000
Subtotal.....	0	0	111,082,500	0	1,839,450,000
Section 8:					
New construction: subtotal.....	0	0	0	0	0
Sub rehab: subtotal.....	0	0	0	0	0
Existing:					
Regular.....	196,399	1,800	353,517,400	5	1,767,587,000
Subtotal.....	196,399	1,800	353,517,400	5	1,767,587,000

	Units	Cost	Contract authority	Term	Budget authority
Amendments:					
New/rehab.....	NA	NA	45,650,000	23	1,050,000,000
Existing.....	NA	NA	0	9	0
Loan management.....	NA	NA	15,000,000	10	150,000,000
Subtotal.....	NA	NA	60,650,000	0	1,200,000,000
Total, sec. 8.....	196,399	1,800	414,167,400	23	2,967,587,000
Total, all programs.....	196,399	1,800	525,249,900	5	4,827,037,000
FFB Transfer:					
Rescission.....					1,400,000,000
Total new.....	0	0	0	0	1,400,000,000
Total rehab.....	0	0	0	0	9,716,384,000
Total exist.....	196,399	1,800	525,249,900	5	4,827,037,000
Total, all units.....	196,399	1,800	525,249,900	5	4,827,037,000
Option 2: Preset CA limit					
Friday Nov. 27, 1981, 20:					
02:52:30, Mar. 3					

BUDGET APPEALS

Topic:
Federal Housing Administration.
HUD Request:

Consistent with the HUD-OMB agreement last year, the Department proposed maintaining FHA insurance activity at the \$35 billion level for FY 1983. Within the agreed upon limit, HUD proposed a number of innovations aimed at improving the opportunities of first time homebuyers and at encouraging the construction of badly needed unsubsidized rental housing throughout the country.

OMB Mark:

All proposed innovations were denied. In addition, the level of FHA commitments would be reduced to \$24 billion in 1983 and \$20 billion in subsequent years. Insurance activity would be targeted only to those buyers not served by the private insurance industry.

The HUD proposal to collect the discounted insurance premium at time of mortgage insurance was approved—to begin in FY 1982. Under the OMB Mark, the discount is to cover the full mortgage term, and no increase in current mortgage limits was allowed. These two provisions will have the effect of making the HUD proposal unworkable.

The OMB also proposed higher premiums as well as the end to insurance mutuality under the MMI Fund.

Legislation would be proposed to eliminate FHA interest ceilings and the limitation on points paid by buyers.

The Mark also directs repeal of Section 518, which provides remedies for purchasers of FHA insured homes with major structural defects that should have been noticed under normal inspections.

Repeal of Section 203 of the HCD Act of 1978 (covering the sale of formerly subsidized HUD properties) is also mandated, and the estimate of HUD sales receipts in 1983 is increased by \$37 million.

The use of purchase money mortgages is decreased to 7,000 units in 1982 and 2,500 units in 1983. The estimated proceeds from the sale of assets (including PMMs) was also increased by \$50 million each year.

Impact:

The proposed decrease in FHA insurance activity will give a clear signal that this Administration intends to abandon the housing industry and ignore the plight of young home buyers.

Last year the OMB failed in its attempt to eliminate the FHA directly, so this year it has altered its approach slightly. Instead of

taking the issue on directly, it has chosen to propose changes to the fee structure, the mortgage limits, the mutuality provisions, and the provisions which protect home buyers. The net effect of all these changes would be to make FHA insurance no longer attractive to those who traditionally rely on our programs. The refusal to approve the various innovations proposed as part of this year's legislative package is also an indication of OMB's desire to achieve indirectly the abolition of FHA—despite repeated support within the Administration for the goals of the FHA programs.

Since legislation will be required before the advance collection of FHA premiums can be implemented, there is no way that the OMB proposal can be effective in 1982.

The Department considered proposing the elimination of Section 203 and rejected the idea as politically infeasible. We have instead proposed a more moderate revision to the basic provisions. The OMB seems to prefer a more extreme stand even if it is never enacted to the HUD proposal which has a chance of passage.

The OMB proposal to eliminate mutuality can only be applied prospectively—and will therefore have little if any effect on outlays in the foreseeable future—except perhaps to

Sell all Section 202 loans in the HUD portfolio with coupon rates above 6 percent.

Impact:

The political fallout of making this proposal in an election year will be astronomical. There will be no outlay savings from killing the Section 202 program until 1985 at the earliest, but the cost of even making this suggestion will be felt—and felt strongly—in November of 1982.

Section 202 loans are not insured by HUD, and there is simply no way of predicting what the proceeds of the proposed sale may be. However, it is sane to assume that these loans will only sell at a substantial discount and loss to the Treasury. No provision has been made in the OMB estimates to reflect the impact on HUD outlays of the cost of financing this loss in future years.

**BUDGET APPEALS
HOUSING**

Topic:

Housing Counseling Assistance.

HUD Request:

The Department proposed a program level of \$5 million for 1983 to fund cost-effective default counseling.

OMB Mark:

Terminate the program after 1982 because of budget constraints and because of the availability of local funding.

Impact:

This program has been repeatedly proven to be cost-effective in preventing FHA insurance claims. Failure to fund the program will mean higher outlays.

The argument that localities will pick up the shortfall in Federal funding ignores the fact that they already provide considerable support for counseling programs—and that the greatest interest in preventing defaults and FHA insurance claims lies not with local governments but with the Federal Treasury.

The program is politically very popular with Congress and there is little likelihood that the proposed cut will be enacted.

**BUDGET APPEALS
HOUSING**

Topic:

Section 202 and Section 106 Loans.

HUD Request:

The Department proposed to reduce the level of Section 202 loans from \$830 million in 1982 (17,200 units) to \$423 million in 1983 (only 10,000 units). This program is one of the most popular programs in Congress, and is the only new construction program proposed for funding by HUD for 1983—specifically because of the strong support on the Hill and among the elderly lobby.

HUD also proposed the use of \$1.8 million under the companion program, Section 106 loans for nonprofit sponsors. This program, which requires no appropriation, provides start-up funds for minority and other small, inexperienced sponsors of Section 202 projects.

OMB Mark:

Rescind the authority provided for both Section 202 and Section 106 and terminate both programs.

Sell all Section 202 loans in the HUD portfolio with coupon rates above 6 percent.

Impact:

The political fallout of making this proposal in an election year will be astronomical. There will be no outlay savings from killing the Section 202 program until 1985 at the earliest, but the cost of even making this suggestion will be felt—and felt strongly—in November of 1982.

Section 202 loans are not insured by HUD, and there is simply no way of predicting what the proceeds of the proposed sale may be. However, it is safe to assume that these loans will only sell at a substantial discount and loss to the Treasury. No provision has been made in the OMB estimates to reflect

the impact on HUD outlays of the cost of financing this loss in future years.

Mr. BAKER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXECUTIVE SESSION

Mr. BAKER. Mr. President, one item has been brought to my attention that can be transacted, I believe, this evening. Our executive calendar shows that the nomination of Charles Timothy Hagel, of the District of Columbia, to be Deputy Administrator of Veterans' Affairs is cleared. May I inquire of the minority leader if that is cleared on his side?

Mr. ROBERT C. BYRD. Mr. President, that item on the executive calendar has been cleared on this side.

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate go into executive session at this time for the purpose of considering that nomination.

There being no objection, the Senate proceeded to the consideration of executive business.

The PRESIDING OFFICER. The nomination will be stated.

VETERANS' ADMINISTRATION

The legislative clerk read the nomination of Charles Timothy Hagel, of the District of Columbia, to be Deputy Administrator of Veterans' Affairs.

The PRESIDING OFFICER. Without objection, the nomination is considered and confirmed.

Mr. BAKER. I move to reconsider the vote by which the nomination was confirmed.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of the nomination.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate return to legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. I yield the floor, Mr. President.

40 YEARS AND COUNTING

Mr. MATHIAS. Mr. President, as we all know, today is the 40th anniversary of the attack on Pearl Harbor. This historic and tragic event is the subject of an editorial in today's issue of the Christian

Science Monitor, an editorial entitled "40 Years and Counting." The editors of the Christian Science Monitor comment that if the people devote themselves as single-mindedly to winning the peace as they did 40 years ago to winning the war, then the great-great-grandchildren of World War II veterans will read in their history books that it really was the last one.

This is a challenge to our generation. It is a challenge that I hope we will accept and that we will succeed in meeting.

This editorial is so thoughtful and so challenging that I believe that all Senators will wish to read it. I ask unanimous consent that it be printed in the Record at this point.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

40 YEARS AND COUNTING

It is an opportune moment for Americans to pause and take stock. Millions of the new generation will not remember that dark event 40 years ago today when the Japanese struck at Pearl Harbor and plunged the United States into a war in Asia and Europe. But no one can be unmindful of the awesome military power unleashed in World War II and the challenge which the growth of that power poses for humanity.

There is much to be thankful for in this intervening period. By the reckoning of history, forty years is a long time for global peace. In that period the national wounds of war have been healed. Japan—democratic and prosperous—has become a constructive partner of the West. The influence and honor it failed to win by military means, it has won through technological prowess and economic dynamism. Here, surely, is a pointed example for all.

Pearl Harbor drove home the need for a strong national defense. The geopolitical situation that evolved after World War II—with the expansion of the Soviet empire and a communist ideology hostile to the West—only confirmed the truism that the price of freedom is unceasing vigilance. The American people have willingly accepted that price. Yet in 1981 they cannot but flinch as they read that their Congress has approved the largest peacetime military budget in history—\$207 billion—and at a time when so much else needs doing.

Indeed the overkill of weaponry worldwide is staggering. The global arms budget of all countries now exceeds \$500 billion a year, including about \$100 billion for nuclear weapons, according to Ruth Leger Sivard's "World Military and Social Expenditures." This is estimated to equal the entire annual income of the poorest half of the world's population. The nuclear buildup almost defies comprehension. Today the U.S. has some 10,000 atomic warheads and the Soviet Union 8,000—each of which has three times the explosive power of the atomic bomb dropped on Hiroshima. Would a visitor from outer space think the planet Earth had gone berserk?

Ironically, this insane pile-up of weaponry comes at a time when military power seems less and less capable of achieving desired ends. It could not win a war in Vietnam in the face of determined nationalism. It could not prevent a sweeping religious revolution in Iran or be used to rescue American hostages. Nor has it proved an unmitigated boon to the Soviet Union, which is unable to conquer the people of Afghanistan or to put down the popular movement for democracy in Poland. The fact is, it is not arms but political and economic strength and above all moral and spiritual vision which provide true security. Without these, weapons in the end will prove of no value.

CALL TO ACTION

December 9, 1981

from the

National Low Income Housing Coalition

215 EIGHTH STREET, N.E., WASHINGTON, DC 20002 (202) 544-2544

OMB DOES IT AGAIN -- ONLY WORSE: NO ADDITIONAL LOW INCOME HOUSING, NOT EVEN VOUCHERS; ALL 1982 NEW CONSTRUCTION/SUBSTANTIAL REHABILITATION FUNDS TO BE RESCINDED; SECTION 8 EXISTING, RENT SUPPLEMENTS, AND OTHER CONTRACTS TO BE CONVERTED TO SHORT-TERM VOUCHERS; AND THAT'S NOT ALL.

Within the next three weeks, President Reagan will decide whether or not to accept OMB's recommendations on HUD's budget. HUD's request -- for only 100,000 additional units and very little new construction -- were bad enough. OMB's response, if put into effect, will make the 1973 moratorium look like a teaparty. Not only will no additional units be provided, but HUD would have to try to recapture some existing subsidies and raise rents on all remaining subsidized housing.

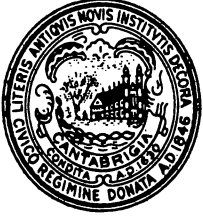
The press reports you may have seen don't tell the full scope of the disaster. OMB's "decisions" (and a draft of HUD's appeal) have leaked and appear in the December 7 Congressional Record, (pages S14640-48). See excerpts on next page.

TIMETABLE FOR DECISION: Secretary Pierce is appealing the low income housing and CDBG recommendations. He is scheduled to meet with a "review board" (OMB Director David Stockman, Presidential Counselor Edwin Meese, and Chief of Staff James Baker -- perhaps some other top White House people) on Friday, December 11. Probably some time during the week of December 14, he will meet with the President. President Reagan is expected to have made all major budget decisions by Christmas.

ONLY A MASSIVE OUTCRY BY PEOPLE WHO CARE ABOUT OR NEED LOW INCOME HOUSING WILL HELP SAVE IT. WIRE OR PHONE THE PRESIDENT NOW. URGE YOUR SENATORS AND REPRESENTATIVES TO JOIN THE PROTEST.

AS ONE WAY TO DEMONSTRATE THE BREADTH OF CONCERN ABOUT LOW INCOME HOUSING NEEDS, WE ARE ORGANIZING A SIGN-ON LETTER. WE NEED YOUR HELP IN GETTING AS MANY GROUPS AS POSSIBLE IN YOUR COMMUNITY TO SIGN THE LETTER. (IT'S VERY SHORT, SO YOU CAN READ IT TO PEOPLE ON THE PHONE.) THE LETTER WILL BE DELIVERED TO THE WHITE HOUSE NO LATER THAN FRIDAY, DECEMBER 18.

That's not much time, but it's all we have. Two years ago, we got over 100 national and 400 local organizations, from all 50 states. We need to do at least that again.



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

December 21, 1981

To the Honorable, the City Council:

Enclosed please find copy of Cambridge's protest of the proposed cutbacks in housing and community development programs by the Office of Management and Budget.

Very truly yours,

Robert W. Healy
City Manager

RWH/mbf
Enc.

Re: protest by the City of Cambridge as to the proposed cutbacks in housing and development programs by the Office of Management and Budget.

In City Council,

December 21, 1981

12/21/81

-Placed

on

File-