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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
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**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001**

MEMORANDUM FOR: Leon Panetta
Alice Rivlin
Mark Gearan
Michael McCurry
Kitty Higgins
George Stephanopoulos

FROM: Henry G. Cisneros *Henry Cisneros*

SUBJECT: Response to Anticipated Republican Proposals to Rescind
\$7.2 Billion in HUD Funding

The anticipated move by the House HUD/VA Appropriations Subcommittee to rescind \$7.2 billion of HUD's budget presents an opportunity to frame the domestic policy debate between the Administration and the Republican majority in Congress in clear, stark terms understandable to average Americans.

The anticipated, proposed rescissions can be forcefully opposed on the following points:

1. They will hurt communities and people.

Until now, there has been abstract talk about reducing government and cutting funding levels. Now, for the first time, we are seeing exactly where and how Republican priorities hit home. The GOP has given us a preview of how they plan to pick the pockets of distressed communities and poor people and low-income working families to pay for capital gains tax cuts for the wealthy and for other tax breaks that benefit upper-income people. These rescissions would mean that:

- More than 30,000 homeless families could be prevented from moving to transitional or permanent housing;
- 27,000 residents, many elderly, would be displaced as landlords convert affordable housing to luxury apartments; and
- Hundreds of communities will lose money that they have counted on for critical community needs like housing rehabilitation and social services for the elderly.

2. The rescissions reveal that the Republican majority, for all its talk about respect for local and state government, holds localities and states in contempt.

The Republicans tout their so-called "Contract with America," but with these rescissions, they would unilaterally abrogate the federal government's contracts with Americans -- the funding commitments already made to communities and individuals across the nation in the fiscal 1995 budget. They are proposing to rescind money that was awarded to hundreds of homeless providers who participated in nationwide competitions for funds. These and other funding commitments -- for CDBG, HOME, public housing operations and modernization, rental assistance to families, and so on -- represent legally valid contracts.

The Republican congressional leadership talks about partnerships with local governments, about devolution and respect for other levels of government. And yet, for example, in the case of CDBG, where communities have already been told how much money they can expect and have made plans accordingly, the Republican majority is proposing to suddenly cut their funds. This would force extraordinary cuts in localities' budgets. The Republican majority talks about federal-local partnership while launching a sneak attack on America's communities.

3. The Republican majority is using past abuses of GOP administrations which hurt the poor to justify draconian cuts that would further hurt them.

Those who would cut HUD programs cite previous departmental scandals to justify their actions. Yet all of these scandals occurred during Republican administrations and benefited high-ranking Republicans and their wealthy friends. Yesterday's indictment of former Reagan Interior Secretary and outspoken conservative James Watt for his alleged role in those events underscores how HUD's foes abused the Department during the 1980s. They gave huge contracts to hustlers who lined their pockets at the expense of poor people and distressed communities. Upper-income people benefited from those Republican-inspired abuses which hurt poor people. Now the Republican majority in Congress is using previous Republican mismanagement and abuse as an excuse to hurt poor people again. This is the ultimate in Orwellian doublethink and doublespeak.

4. The Republican majority's assault on existing federal funding commitments is unprecedented.

Even President Reagan and President Bush and their budget directors, David Stockman and Dick Darman, never advocated cuts on this scale in money that had already been obligated to local and state governments.

attachment



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

February 23, 1995

Honorable Jerry Lewis
Chairman
Subcommittee on VA-HUD and
Independent Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This letter is to express my deep concern over reports that you will be recommending rescissions totalling more than \$7 billion in HUD program funding at today's meeting of the VA-HUD Appropriations Subcommittee. I believe that these rescissions, vastly out of proportion to rescissions being made by other Subcommittees or for other agencies, will extract a substantial human cost and jeopardize our efforts to provide housing assistance to the most vulnerable members of our society.

First, it is my understanding that you will recommend rescinding a substantial portion of HUD's carryover balances. I believe such precipitous action ignores the reality of the way in which housing assistance is designed, competed for, awarded and actually contracted. This Department has made great strides in improving the timely commitment of funding, and further improvement continues; but the fact remains that committing housing funds is a process which cannot and should not be rushed. To penalize communities and individuals in need for the convenience of Congressional budget scorekeeping is illogical and unfair.

Second, I understand that funds appropriated for Fiscal Year 1995 will be significantly reduced -- funds that local communities have programmed for locally determined activities.

The impact will be immediate and stark:

- Over 30,000 homeless families could be prevented from moving to transitional or permanent housing;
- 27,000 residents, many elderly, will be displaced as owners convert affordable housing to luxury apartments; and
- hundreds of communities will lose money that they have counted on for critical community needs like housing

rehabilitation and social services for the elderly.

Let me share some specific examples of how such cuts will exact extreme human suffering and are especially ill-advised at a time when the Congress is considering a major reinvention of HUD programs.

Homeless Programs In December, 1994, HUD awarded over \$400 million for 500 housing and service projects in all 50 states, Puerto Rico and the District of Columbia. The funds were competitively awarded and projects are being implemented at this time. The actual obligation of funds often takes time. Sponsors such as Catholic Charities and the Salvation Army must assemble complicated financial packages and address community concerns with the project before taking control of sites. Rescinding carryover balances for the Supportive Housing Program and the Single Room Occupancy program will deprive 32,000 homeless men, women and children of transitional and permanent housing.

Community Development Block Grant Rescinding carryover balances for the Community Development Block Grant program will work particular hardship primarily on disaster stricken areas, where people are still in need of help from the California earthquakes and the Midwest and Georgia floods. Cutting this mainstay program of federal assistance to communities to benefit low and moderate income individuals in 1995, as well as expected cuts to the vital HOME program, will reduce the expected allotment of CDBG funds to more than 900 entitlement communities across the nation and funds to State governments to fund worthwhile projects in non-metropolitan areas.

Public Housing Development and Modernization Carryover balances for Public Housing Development represent funding for 967 units of replacement public housing, housing that must, by law, be provided when existing public housing developments are demolished. Rescinding these funds will slow down the great progress that has been made to eliminate the worst of our public housing projects. Rescinding Modernization funding will slow our efforts to continue addressing the still \$18 billion in public housing modernization needs.

Public Housing Operating Subsidies A cut of \$400 million in this year's Operating Subsidy for local Public Housing Agencies will automatically lead to reductions in building maintenance for our 1.2 million units of public housing. In fact, 1,768 local agencies will receive only about 62% of the operating subsidies that are due them. Moreover, due to the way in which Operating Subsidies are awarded, on a quarterly basis, some local housing agencies will receive a disproportionate cut of as much as fifty percent in the third and fourth quarters of the Fiscal Year, leading to layoffs and drastic reduction in maintenance services.

Preservation Rescinding carryover balances and funds provided in 1995 for this purpose will result in the displacement of

approximately 27,000 low income families as apartment owners take their projects out of our inventory of assisted housing projects.

Section 8 Rental Assistance The suggested reduction in incremental Section 8 rental assistance will represent the elimination of the opportunity for housing assistance for approximately 20,000 poor, homeless, disabled, and elderly people in the coming year.

Mr. Chairman, I know that you share my concern that housing and community assistance be dealt with fairly in these difficult budgetary times. I believe the cuts that are about to be proposed and adopted by your Subcommittee will represent a large step backward in the federal government's historic role to assist those in need of decent, safe, sanitary and affordable housing. I restate my commitment to work with you and the members of your subcommittee to work toward effective and rational savings measures so that we can together fulfill our responsibilities to help those in need and marshal our scarce federal resources most effectively.

Sincerely,


Henry G. Cisneros