

**House Report 106-674 - DEPARTMENTS OF VETERANS AFFAIRS AND
HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES
APPROPRIATIONS BILL, 2001**

ADDITIONAL VIEWS

While the VA-HUD subcommittee and its Chairman have done the best they could within the budget limits imposed on the subcommittee, the resulting bill falls far short of what is needed to address national needs in most areas that it covers. As with other domestic appropriations bills considered this year, the Majority's insistence on using budget surpluses primarily to cut taxes for the well off have left this bill and its programs shortchanged.

The VA-HUD subcommittee made a number of laudable efforts to deal with various critical needs as best they could, given the inadequate resources available for this bill. However, that lack of resources has produced serious shortcomings in the bill:

The bill includes a substantial and welcome increase for veterans medical care, but fails to adequately provide for several other priorities for veterans. In particular, it freezes funding for veterans medical research, cuts grants for construction of state veterans homes \$30 million below the current year level, and provides \$56 million less than requested to improve processing of applications for benefits.

The bill once again seeks to completely eliminate the AmeriCorps national service program.

It appropriates no funds for the 120,000 new housing assistance vouchers proposed by the Administration. Rather, it allows no more than 20,000 new vouchers, to be provided only if extra recaptured funds become available in that program.

The bill cuts Community Development Block Grants \$276 million below the current year level, and \$395 million below the President's request. It also cuts public housing programs (including capital and operating grants and anti-drug programs) \$120 million below the current year and \$314 million below the request, and freezes funding for homeless assistance.

It completely rejects the President's proposal for \$50 million for EPA to begin a major effort to clean up the Great Lakes.

While the measure provides an increase for research at the National Science Foundation, it falls short of the President's request in this area by \$508 million.

The bill also underfunds the President's request for NASA science and technology programs by \$323 million.

Finally, it appropriates only \$300 million of the \$2.9 billion requested by the Administration for FEMA's Disaster Relief Fund, thereby jeopardizing FEMA's ability to respond quickly and adequately to natural disasters.

Although the official tables suggest that this bill contains a \$4.9 billion increase over the current fiscal year, that increase is illusory. Of the increase, \$4.2 billion results from an 'advance appropriation' for FY 2001 made last year--a device that simply shifted \$4.2 billion of FY 2000 costs to FY 2001. The advance appropriation helped fit last year's bill into that year's artificial budget constraints, but it leaves this year's bill with an automatic \$4.2 billion increase.

In fact, disregarding all of the offsets, timing shifts, and other budget gimmicks done this year or last, the actual programmatic increase provided by the FY 2001 bill totals just \$256 million--an increase of three-tenths of one percent. In the same programmatic terms, the bill is \$6.4 billion below the President's proposal for FY 2001.

Considering the very important needs covered by the VA-HUD bill--veterans health care, environmental protection, scientific research, housing assistance, and emergency preparedness and disaster relief--it is most unfortunate that all the Majority's budget plan could provide was a 0.3 percent increase for programs over the prior year. It is particularly ironic that this anemic funding comes not at a time of budget deficits and economic crisis, but rather at a time of rising budget surpluses and the strongest economy we've seen in decades. If at this time of great prosperity the Majority still insists that we cannot afford to increase our investment in

research or reduce unmet housing needs, when--if ever--do they believe we will be able to afford these things?

Despite rising surpluses, the Majority's budget plan does not allow any significant increases for domestic appropriations because the Majority's highest budget priority is tax cuts--targeted to the high end of the income scale. The shortcomings of this VA-HUD appropriations bill are one of the many direct consequences of those tax cuts. The alternative budget offered by Democrats in the House, like the President's budget, calls for considerably smaller tax cuts. With its smaller tax cuts, the Democratic budget would have allowed an additional \$20 billion in domestic appropriations for FY 2001. Had that budget been adopted, this would be a far better bill.

During committee consideration of this legislation, Democrats offered several amendments to alleviate its shortcomings in areas like veterans medical research, housing assistance, and science. All were defeated on party line votes, with the Majority insisting that, while increases might be desirable,

those increases simply could not be fit within Majority's budget plan. The debate graphically illustrates the fundamental problems with that budget plan and the upper-income tax cuts that drive it. All of the amendments offered to this bill by Democrats could readily be accommodated within the Democratic budget alternative with its smaller tax cuts, or within the President's budget totals.

Following are additional details regarding the shortcomings of this VA-HUD appropriations bill and Democratic efforts to improve the bill.

DEPARTMENT OF VETERANS AFFAIRS

The Chairman is to be commended for making veterans programs a priority within a budget allocation which many members on both sides of the aisle find inadequate. In particular, approval of the President's \$1.4 billion increase for the Medical Care account is a significant move towards addressing the essential health care needs of the growing population of older, disabled and indigent veterans. This includes fully funding the expanded long term care and emergency services authorized last year under the Veterans Millenium Health Care Act. Beyond providing for medical care, however, we believe there are several weaknesses that Congress still must address before this bill can be described as adequate in terms of providing for veterans.

First, we believe that failing to increase funding for medical research, which is frozen in the bill at \$321 million, is a missed opportunity to invest in high quality research at a time when Congress appears to recognize the potential of such investments in other agencies such as the National Institutes of Health. This research encourages top medical schools to work with the VA and attracts leading physicians to VA hospitals to help care for veterans with state-of-the-art medical science. Research at these institutions, whether on diseases of great urgency for veterans such as Alzheimer's disease, diabetes or substance abuse, or on health outcomes/services improvements such as its medical errors initiative, benefit not only veterans but the general public. Unfortunately the amendment offered by Rep. Price to increase funding for VA medical research was not adopted (see roll call number 1).

Second, we believe that the reduction of \$30 million in grants to States for construction of extended care facilities is short sighted and ignores the high demand for such services, especially among the WW II generation of veterans. As a minimum \$90 million, the same amount as provided this year, should be allocated in fiscal year 2001.

Third, we regret that funding for general operations expenses was reduced by \$56 million below the request. The increase requested by the Administration is targeted at reducing the unacceptable delays in processing initial benefit applications as well as in resolving appeals. Currently it takes

approximately 160 days to process an initial claim and close to two years for an appeal. These delays are not acceptable. While the Majority attempted to partially fund these initiatives, we believe the full amount requested by the President should have been approved.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

In this bill most HUD programs are either frozen at the FY 2000 level, with no increases for inflation or anything else, or are actually cut below FY 2000. Shortages of affordable housing are reaching crisis proportions in some areas of the country, but the bill makes no new commitments and provides no additional resources toward addressing those problems. Compared to the President's request, the bill makes cuts totaling between \$2.2 and 2.5 billion (with the exact figure depending on whether offsets are counted or disregarded).

While the bill appears to provide a \$4.1 billion increase for HUD programs, as with the bill as a whole the increases are largely illusory. The illusion of increases results from peculiarities of accounting for the cost of the section 8 housing assistance program, and from the subcommittee's inability to repeat some one-time offsets used to reduce the apparent cost of last year's bill. The 'increases' in the bill do not translate into housing assistance for more families or more resources for housing providers. In programmatic terms, the bill mainly produces small cuts, not increases.

One reason for the apparent year-to-year increase is that last year's bill rescinded \$2.3 billion in balances of budget authority at HUD that were not expected to be needed in FY 2000. For FY 2001, however, the subcommittee was able to identify only about \$275 million to rescind. Because rescissions are counted as offsets to the appropriations made by the bill (i.e., they count as 'negative spending'), this \$2 billion decrease in rescissions makes it appear that appropriations have gone up by the same amount. However, these rescissions have no effect on actual spending for HUD programs--at least not in the year they are made.

The second major reason for the apparent increase in HUD appropriations is the \$2.5 billion increase provided for the section 8 housing assistance program (which provides subsidies to landlords or vouchers to tenants to help low-income people afford to rent housing on the private market). During the 1970s and 1980s, section 8 housing assistance was provided under long-term contracts (often 20 or 30 years in duration), funded in advance through appropriations made before the contracts were entered into. While these long-term contracts are in effect, no additional appropriations are usually needed. However, the old long-term contracts have been expiring, and new appropriations are needed to renew them. (Budget constraints have recently limited these renewals to one year at a time). Thus, as old long-term

contracts expire and more units are added to the annual renewal pool each year, the amount of appropriations needed for section 8 assistance goes up. However, these renewals just provide the same assistance under essentially the same terms to roughly the same number of people.

These two factors more than account for the entire increase provided for HUD under this bill. Leaving aside the decrease in rescissions and the increased appropriations needed for section 8 contract renewals, everything else in HUD is either flat or reduced below FY 2000. In several cases, appropriations are actually lower than they were six years ago.

This is unfortunate, because needs for federal housing assistance are growing, not shrinking. While the economy may be booming and employment and incomes rising, in many areas rents are rising even faster. Finding a place to live is a growing problem for many working families with modest incomes or elderly people trying to live on Social Security and small pensions. HUD's latest report on housing conditions tells us that there are 5.4 million very low-income households with 'worst case' housing needs-- that is, households with incomes below 50 percent of the local median who are paying more than half of their income for rent and receiving no housing assistance whatsoever. The fastest growing segment of that group is people working full time.

One thing that would help meet affordable housing needs is to increase the number of families and individuals receiving section 8 housing assistance vouchers. Last year, 60,000 'incremental' (i.e., additional) vouchers were funded. This year, the Administration proposed 120,000 incremental vouchers. The bill, however, provides no appropriation at all for additional vouchers. All it does is allow HUD to provide up to 20,000 new vouchers from any extra amounts that become available from recaptures of previously awarded funds. However, HUD does not believe there will be any recaptures beyond those already built into their budget request.

There is also an urgent need for further assistance to help foster production of housing that can be afforded by low-income families. In fact, in some areas people are having real difficulty using vouchers because they can't find any apartments to rent that are affordable even with a voucher. However, the Federal Government currently does relatively little to assist with production of new low income housing, and this bill reduces that commitment a little further.

For example, the bill freezes appropriations for development of housing for low-income elderly and disabled people (the section 202 and 811 programs), providing no increases to cover rising costs or to increase the number of units produced. The FY 2001 appropriation of \$911 million represents a 45 percent cut from the \$1.7 billion appropriated for FY 1995 (the last appropriation enacted while Democrats held a majority in Congress). A second example is the HOME program, which is a flexible block grant

program used by local governments to expand the supply of low-income housing. Instead of an increase for HOME to at least cover rising costs, the bill actually cuts HOME \$15 million below FY 2000 (and \$65 million below the President's request). To give another example, this year the Administration proposed to combine 10,000 new vouchers with the low-income housing tax credit program, in order to provide a subsidy sufficient to produce housing affordable at low income levels. As already noted, this bill fails to provide appropriations for new vouchers, including these 'housing production' vouchers.

Another major element of the federal housing strategy is public housing--that is, financial support for low-income housing owned and operated by local housing authorities. This bill cuts capital grants for public housing \$100 million below the current year level, freezes operating assistance (thus providing no increases to cover higher costs for salaries, utilities, or anything else), and cuts drug elimination grants and 'HOPE VI' grants for revitalization of severely distressed public housing by \$10 million each below FY 2000. Appropriations for these four accounts together are \$314 million below the President's request.

The bill also cuts Community Development Block Grants by \$276 million below the current year's level and \$395 million below the request. The bill's \$4.505 billion appropriation for CDBG is actually \$95 million less than the dollar level appropriated for FY 1995. In terms of purchasing power, CDBG will have lost roughly 15 percent since that time.

For Homeless Assistance Grants, the bill freezes appropriations at the FY 2000 level of \$1.02 billion, rejecting the \$120 million increase proposed by the President. This is yet another area where appropriations have declined in actual dollar terms over the past six years--the bill's level for homeless assistance is \$100 million less than appropriated in FY 1995.

There are several other areas of concern in the HUD title of the bill. For example, the bill freezes funding for Housing Opportunities for People with AIDS (HOPWA), rather than providing the \$28 million increase proposed by the President. It cuts the HUD rural housing program \$5 million below last year and also cuts brownfields redevelopment \$5 million. It provides no funding for the America's Private Investment Companies (APIC) initiative, despite the agreement between President Clinton and Speaker Hastert to fund this item. And it provides none of the increases requested by the President for fair housing programs, and in fact actually cuts one of these programs--the Fair Housing Initiatives Program--\$2 million below FY 2000.

During consideration of the bill by the Appropriations Committee, Rep. Mollohan offered an amendment to increase funding for ten housing programs by a total of \$1.834 billion. The Mollohan amendment would have funded 102,000 incremental section 8 housing vouchers, and provided increases (relative to amounts in the bill) for public housing capital grants

(+\$200 million), public housing operating subsidies (+\$127 million), Native American Housing Block Grants (+\$30 million), Housing Opportunities for People with AIDS (+\$43 million), CDBG (+\$395 million), HOME (+\$215 million), Homeless Assistance Grants (+\$80 million), and Housing for the Elderly and Disabled (+\$114 million). Finally, it would have funded APIC at the President's request of \$37 million. The amendment was defeated on a party-line vote, however (roll call number 5).

After defeat of the Mollohan amendment, Rep. Obey offered a more limited amendment in which the proposed additions were fully offset by other savings (since one of the Majority's main stated objections to the Mollohan amendment was that it did not contain offsets). The Obey

amendment would have added \$78 million to Housing for the Elderly and Disabled (to bring it up to the President's request), \$20 million for Homeless Assistance Grants, and \$9 million for HOPWA. These increases were offset by provisions taken from a House-passed authorization bill (H.R. 1776) which expanded FHA lending activity and thereby produced increases in receipts from FHA loan guarantee fees. This amendment, too, was defeated on a party-line vote (roll call number 6).

ENVIRONMENTAL PROTECTION AGENCY

While the Committee's total allocation to the Environmental Protection Agency (EPA) is essentially at the level requested by the President, the allocation of funds among programs includes specific reductions that we believe will hamper the Agency's ability to protect the public health and the environment as well as the ability of local communities to address critical water and sewage facility problems. The 10% reduction in the request for the Agency's Operating Program, which funds the Agency's basic environmental and public health programs, will affect millions of Americans--the air they breathe, the water they drink, the quality of their lives. The Committee's cut to the Agency's enforcement programs will escalate the level of non-compliance with environmental laws, thus exacerbating the problems many Americans face from increased pollution. No funds have been provided to address the hundreds of requests from members for specific grants for water and sewer repair and upgrades in communities in their districts.

In addition, severe reductions to other targeted programs continue to restrict EPA's ability to fulfill its mandates. The Committee's action to reduce the Superfund program by \$66 million below last year's level will eliminate many new construction starts next year. Important Administration initiatives have been totally eliminated. The Great Lakes grant program, which would have addressed contaminated `areas of concern' in the crown jewels of our nation's waterways, and the Integrated Information Initiative, which would have moved environmental information management to a new plane, have been totally eliminated.

Finally, the bill includes legislative riders which would impede the Agency's ability to meet its legal requirements. For example, Committee report language directs, for the first time, severe restrictions on the clean up of contaminated sediments in scores of water bodies nationwide. In addition the Majority has included new report language related to the Kyoto Protocol and its impact on EPA's activities under existing environmental laws. While the bill language is identical to previous years, this new report language goes beyond a conference agreement which was carefully negotiated in 1998, a compromise which should not be modified through a report which the House is not able to vote on.

It is time for the Committee to provide EPA with sufficient resources to enforce the environmental laws passed by Congress. Congress must also stop efforts to change these laws through the appropriations process and to allow the Agency to fulfill its promise to the American people of a safe, clean environment for all Americans.

NATIONAL SCIENCE FOUNDATION

In the past decade, research by the National Science Foundation (NSF) has helped fuel the growth of the economy including two of its most vital sectors: information technology and biotechnology. Yet, at a critical juncture for these burgeoning industries and other NSF-supported areas, the committee has cut \$508 million from the President's requested budget. While the committee's effort to add \$167 million in total funding over FY 2000 levels is laudable, the shortfall from the proposed budget represents a crucial missed opportunity to invigorate and enhance the nation's technological capacity. The NSF's track record in stimulating new technology is impressive. Fifteen years ago, NSF funds created the Internet backbone, which later became the cornerstone of today's \$16 billion online retail industry. At the same time, NSF researchers made the key discovery that helped launch the biotechnology revolution, creating new drugs and techniques like DNA fingerprinting. How many scientific and economic breakthroughs will be lost in the coming years if needed funding is diminished?

The recommended \$90 million reduction in Computer and Information Science and Engineering will seriously hinder the NSF's

cutting-edge initiative in information technology. Ongoing work of this kind could be vital to the future of computing and the Internet. The reduction of \$30 million in Undergraduate Education is tremendously shortsighted at a time when the nation is starved for high-skill technical workers and Congress is considering increased immigration to bring in skilled workers from abroad. Moreover, while the Committee is `concerned with the lack of research addressing linkages between human health and the world's oceans,' and urges new initiatives in this area, the recommended appropriation in Geosciences for FY 2001 is \$59.2 million below the President's request--

hardly an impetus for new or expanded initiatives. Overall, the committee's funding reduction will mean that 4000 less grants will be funded involving 18,000 researchers and science educators. We believe this is a short sighted recommendation at a time when our economy, and our country, needs them most. Unfortunately the amendment proposed by Rep. Obey to restore funding for NSF to the level requested by the President was rejected by the Committee (roll call number 9).

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

While two of NASA's three main accounts are funded at the President's request, once again the bill provides less than requested for the other account, which funds scientific research and technology development programs at NASA. Under the bill, this Science, Aeronautics, and Technology account receives a very small (one half of one percent) increase over the current fiscal year, but \$323 million less than requested by the President.

In particular, the measure provides none of the \$20 million requested for 'Living with a Star'--a new NASA initiative (building on existing programs) to improve understanding of the Sun and its impact on the Earth's environment, and to help provide early warning against solar events that can damage communications and power systems on earth and in space.

Further, the bill provides none of the \$290 million requested for the Space Launch Initiative, which is NASA's program to develop the next generation of reusable launch vehicles--i.e., the vehicles that would replace or augment the Space Shuttle. By doing so, it eliminates all funding for advanced technology research, on-going work on two experimental vehicles (the X-34 and X-37), and the 'alternate access to the space station' initiative which is intended to help stimulate development of launch vehicles by small and emerging companies.

The bill also greatly reduces appropriations for on-going research and development to improve air traffic control and traffic management and reduce airport and airspace congestion. The President requested \$59.2 million for this 'Aviation Systems Capacity' program, but the bill provides just \$10.1 million.

During committee consideration of the bill, Rep. Mollohan offered an amendment to add \$322.7 million to the Science, Aeronautics and Technology account, to bring the level in the bill up to the amount requested by the President. That amendment, however, was defeated on a party-line vote (roll call number 8).

FEDERAL EMERGENCY MANAGEMENT AGENCY

The bill provides only \$300 million of the \$2.9 billion requested by the President to replenish FEMA's Disaster Relief Fund. The President's request was intended just to cover the cost of an 'average' year of natural disasters. (Specifically, the request is based--as is the usual practice--on the average cost of disaster assistance over the preceding five years, excluding the unusually high costs associated with the Northridge Earthquake.) It is necessary to maintain adequate balances in the Disaster Relief Fund so that FEMA can respond quickly to needs resulting from hurricanes, tornadoes, floods, earthquakes, and other disasters, rather than having to wait many months until Congress is able to provide supplemental appropriations. If Congress were to adjourn without having provided any funding beyond the \$300 million in this bill, FEMA's ability to meet emergency needs would be placed at risk.

During committee consideration of the bill, Rep. Boyd offered an amendment to provide an additional \$2.6 billion in emergency appropriations for FEMA Disaster Relief, in order to fully fund the President's request. The amendment was defeated on a party line vote (roll call number 10).

CONCLUSION

Thus, the bill falls short of what is needed in a wide range of areas. It represents a series of missed opportunities to take action to alleviate affordable housing shortages, expand scientific research, meet needs of veterans, and prepare for natural disasters.

In saying this, we mean no criticism of the Chairman of the VA-HUD subcommittee or anyone else who was involved in putting together this bill. On the contrary, they did the best they could with the allocation they were given. In several cases, they did some useful and creative things to stretch dollars as far as possible and improve programs.

The fundamental problem, however, is the Majority party's overall budget strategy, which seeks to actually shrink domestic appropriations in order to finance their agenda of tax cuts targeted to the well off. This bill with all its shortcomings is a direct consequence of that budget strategy.

Alan B. Mollohan.
Dave Obey.