

EXTENSIONS OF REMARKS

THE LOW-INCOME HOUSING PRESERVATION ACT

HON. JIM McCRERY

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, February 14, 1995

Mr. McCRERY. Mr. Speaker, I rise today to join with Mr. JEFFERSON in introducing legislation to address the preservation needs of low-income housing. I am doing so because I believe that the Low-Income Housing Preservation Act is the kind of innovative, market-oriented approach that we, in Congress, must follow in the future to solve many of our Nation's housing problems.

The Low-Income Housing Preservation Act will encourage the investment of additional private capital in a large category of privately owned projects that provide housing at reduced rents to low-income tenants. It does so by eliminating some of the disincentives now in the Tax Code which have denied new investors virtually any incentive to invest in these affordable housing projects. As a result, the current owners are trapped in the projects without the ability to sell the projects to new investors with capital, or the ability to raise new capital for the projects themselves. In the meantime, the projects fall further and further behind in performing the rehab needed. The bill provides an effective and cost-efficient way to meet the increasingly serious needs of these projects for capital improvements by providing the benefits of a shortened depreciation schedule and limited relief from the passive loss rules for investors who agree to buy the projects, fix them up, and maintain them for low-income tenants.

This is the direction we must be going, as we attempt to reinvent Government. In the housing area in particular we need to find new solutions that rely less on bureaucratic programs run directly by HUD, and more on programs that harness the energy of the free enterprise system, while restricting the Government's role to a minimum. Government can provide a helping hand, but it is the private sector that must take the lead. That is what the Low-Income Housing Preservation Act would do. The bill would encourage the investment of new private capital in the projects, but only so long as the projects continue to serve low-income tenants. HUD would have a role in ensuring that the projects are maintained properly for these tenants, but it would do so without HUD playing the kind of direct programmatic role it has played in the case of some programs in the past.

At the same time that this bill will help solve a problem without more Government, it is fiscally responsible. Because of the way the bill is drafted, the estimate by the Joint Tax Committee indicates that the cost to the Federal Government over 5 years will be very low. But more importantly, it negates the need for alternative preservation programs at HUD that would cost much more, and require the involvement of large staffs just when we are trying to reduce the size of HUD and the Federal

Government generally. Immediately upon passage, the legislation will enable HUD to sell at a higher price the mortgages on projects which they already hold because the owner has defaulted on the loan. This will reduce the loss to HUD from these defaults, and save the taxpayer money. Doing nothing, and allowing these projects to deteriorate beyond physical and financial help, would in the end cost the taxpayer much more because the Government would then have to fund the considerable expense of constructing new affordable housing projects that will be needed to replace the existing projects lost. I have no doubt that as a practical matter the legislation will save the taxpayer in the end far more than it will cost.

Historically, the country has placed considerable reliance on privately owned housing to provide affordable housing to low-income tenants. I think this is a wise policy, but to make it work we cannot deny all financial incentives to private investors to purchase and maintain these projects. The Ways and Means Committee recognized this in 1986 when it adopted the low-income housing tax credit. Before it is too late Congress must recognize the same for the stock of existing but aging low-income housing that has not been able to take advantage of the tax credit.

I urge my colleagues to join me in supporting this legislation.

PROPOSING A BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

SPEECH OF

HON. BRIAN P. BILBRAY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 25, 1995

The House in Committee of the Whole House on the State of the Union had under consideration the joint resolution (H.J. Res. 1) proposing a balanced budget amendment to the Constitution of the United States.

Mr. BILBRAY. Mr. Chairman, as my California colleagues in the Senate continue to grapple whether or not to pass a balanced budget amendment I wish to insert an editorial published in the San Diego Union Tribune into the CONGRESSIONAL RECORD.

I commend it to my California colleagues BOXER and FEINSTEIN, and urge them to support the balanced budget amendment.

[From the San Diego Union-Tribune, Jan. 26, 1995]

DISSECTING THE PROPOSED BALANCED BUDGET AMENDMENT

(By Brian Bilbray)

The balanced budget amendment to the Constitution, as proposed in the Republican's "Contract with America," and developed into legislation with members of both parties, will accomplish a simple thing: It will set up a spending structure based upon priorities. The reason that we now have a \$4.06 trillion debt is the result of a process without priorities.

And yet those who still do not get it—liberal Democrats in Congress and the White House—recently mounted a systematic campaign against the balanced budget amendment, which is scheduled to be voted on in the House of Representatives today. The so-called "right to know" provision announced two weeks ago by Sen. Tom Daschle—in consultation with President Clinton—illustrates the state of deep denial that exists inside the Washington Beltway.

The liberals' strategy is to discredit the amendment. They seek to accomplish this by scaring the American people, telling them that passage of a balanced budget amendment threatens Social Security, Medicare, agriculture supports and veterans benefits. However, opponents of the balanced budget amendment have made a tactical error.

Eighty percent of the American people support a balanced budget amendment. They know it will force the same fiscal discipline on the federal government that they live with every day. The biggest spenders in Congress are the most ardent foes of the amendment because it hampers their ability to deliver to the special interests. These big spenders' so-called "right to know" amendment is really just obstructionism masquerading as principled scrutiny. Their amendment would require Republicans to provide a seven-year budget detailing what cuts they plan to make in order to get a zero budget deficit.

When President Clinton presented his five-year budget in 1993, Democrats did not demand that he spell out where future cuts would be made. And yet they demand it from the Republican leadership.

The very nature of their demand underscores the depth of their misunderstanding of the issue: A balanced budget amendment is not about programmatic changes to a \$1.6 trillion federal budget. It is about fundamentally altering the process of allocating taxpayers' dollars to these programs. It is about setting spending limits and priorities.

Which brings us to the best illustration of the fundamental differences between supporters of the amendment and its opponents: No one denies that a balanced budget amendment will force us to bite the bullet—the difference between Republicans and the liberals in Congress is who chews the lead.

The big spenders in Congress and the White House are opposed to a provision in one form of the balanced budget legislation to require a three-fifths "supermajority" vote in order to pass an income tax increase. Clearly, as has been demonstrated by 40 years of a Democrat-controlled Congress, their systemic bias is to raise taxes instead of reducing expenditures. Who takes the hit? The taxpayers.

From my perspective, spending cuts, not increased taxes, are the way to reduce the deficit. Thirty-one million Californians have lived with a balanced budget amendment for nearly 20 years. There is no reason why we cannot impose the same discipline at the federal level.

The three-fifths vote requirement provides a safeguard for American taxpayers who have heard too many times that higher taxes will result in deficit reduction. Historically, higher taxes have in fact resulted in higher spending. The requirement of a supermajority vote will address our problem

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