

Honorable Rahm Emanuel
U.S. House of Representatives
Committee on Financial Services
Hearing on FY2004 HUD Budget
March 5, 2003

I'd like to thank Chairman Oxley for holding this important hearing on the Fiscal Year 2004 HUD budget. I also appreciate that our distinguished guest, HUD Secretary Mel Martinez, has taken the time to share his views with us on this topic.

Before my election to Congress, I was fortunate to serve as Vice-Chairman of the Chicago Housing Authority and as a Freddie Mac Board member. In those capacities, I saw firsthand the teamwork between public and private entities that's required to make affordable housing available to hardworking families. When a family is able to build equity in a home, they've taken the first step on the road to creating a solid financial foundation. My home city of Chicago has succeeded in developing affordable housing programs because of the commitment of the city government agencies, Mayor Daley's office, private sector entities like Fannie Mae and Freddie Mac, and many other state and local organizations. Programs like City Mortgage, New Homes for Chicago, HouseChicago and the Chicago Homeowners Assistance Program have been successful because of the commitment of public and private sector entities to community building. However, despite the successes we have had, much remains to be done, both in Chicago and around the country. That's why I'm so disappointed in the Administration's FY2004 budget proposal.

Although I disagree with many of Mr. Bush's proposals, I'm hopeful that this hearing will be the start of a productive dialogue on affordable housing issues. We Democrats are ready to work with the Administration; but at the same time, we won't stand idly by and allow President Bush to pull up the ladder of opportunity on our low-income families and their communities.

I'd now like to touch on a few specific concerns I have with the FY04 HUD budget:

The proposed HUD budget is inadequate, both in comparison to need and to historical standards. It makes deep cuts in public housing, block grants, and the Section 8 voucher program. The plan also completely abolishes important programs that have strong bipartisan support, such as the Hope VI program. It's wrong to cut HUD funding for those who need our help the most, while at the same time cutting taxes for the wealthy. These cuts will negatively impact thousands of public housing authorities and literally

millions of low-income families, seniors, and disabled individuals who rely on public housing for a roof over their heads. Additionally, Mr. Bush's Section 8 block-grant proposal will move administration of the program away from the families being served, and will reduce the number of families that housing authorities are currently authorized to offer vouchers to. Moreover, the proposal removes local flexibility to create hardship exemptions--replacing it with an unworkable, system whereby families would apply directly to the HUD Secretary for an exemption. President Kennedy once said that to govern is to choose, and Mr. Bush has made his choices.

I am also dismayed to hear that HUD continues to fund public housing at only 70% of its operating expenses. I've spoken to the leaders of several public housing agencies regarding this matter, and they told me this action will result in layoffs, cuts in services, and delays in the preparation of rental units for re-lease. I commend my colleagues, Mr. Frank and Ms. Waters, for their recent request of Secretary Martinez to honor HUD's commitment to raise the level of Operating Fund assistance for public housing authorities to at least 90%.

Perhaps the most egregious proposal in the HUD budget is the rent increase for our poorest families--public housing and Section 8 recipients. The Administration's proposal requires all public housing and Section 8 recipients to pay rent of at least \$50 a month. This means that our most destitute families face rent increases of \$600 or more per year. It's unconscionable for the Administration to crack down on the very poorest people in the United States while at the same time proposing huge tax cuts for those who need them the least.

Finally, the proposed HUD rule on "faith-based" organizations raises many more questions than it answers. The proposal confers special rights on religious organizations; namely, the right to engage in various forms of federally-funded employment discrimination that other HUD grantees can't do. The Administration has acknowledged that some forms of discrimination are allowed and implies that some other kinds would not be. Yet, they have refused to add explicit anti-discrimination clauses to the proposed rule. As a result, many of these issues will have to be litigated. In fact, the Justice Department is already on the case for the Administration, issuing interpretations stating that such discrimination is both permissible and constitutional. Aside from the issue of overt discrimination, the Administration hasn't addressed other key questions arising under the proposal. As we all know, Mr. Bush's budget proposals will stretch an underfunded HUD even thinner. So how does the Administration propose to fund this new

proposal? How will they monitor compliance? Won't this program take resources away from the administration and oversight of other HUD programs? These are just a few of the issues that have not been addressed.

Once again, I extend my thanks to Secretary Martinez for appearing before this Committee. I firmly believe that we can frankly state our differences and still have a constructive dialogue. I look forward to working with my colleagues and the Administration as we continue our efforts to make affordable housing a reality for our families and communities.