NATIONAL TAXPAYERS UNION

To: Members of the House Financial Services Committee Memo
From: National Taxpayers Union
Date: September 13, 2021
Subject: Taxpayer considerations and amendment proposals for the Committee's reconciliation bill

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I. Introduction and Key Taxpayer Considerations for the Reconciliation Bill

National Taxpayers Union (NTU) is the nation's oldest taxpayer advocacy organization. For more than fifty years, NTU has worked tirelessly to advance pro-taxpayer policies that lower tax burdens, promote free enterprise, and limit the size and scope of government. Our dedication to fighting for taxpayers on a wide variety of issues has enabled NTU to build a strong reputation on Capitol Hill, both among Democrats and Republicans. The current prospect of Congress passing, and the president signing, a $3.5 trillion tax and spend bill has prompted NTU to continue the fight on behalf of taxpayers. The proposed $3.5 trillion reconciliation bill raises federal spending to historic heights, levies new and punitive taxes on American businesses and families, and raises existing taxes to levels that will harm the country's economic recovery from the COVID-19 crisis. With the nation $28 trillion in debt and counting, and projected to run trillion-dollar deficits for the next decade, Congress must urgently direct its attention instead to debt and deficit reduction.

To this end, as the Committee marks up its $330 billion portion of the $3.5 trillion reconciliation package, it is clear that this flawed bill runs counter to our aforementioned core principles that have guided NTU's history. As a result, we believe the bill that the Committee will mark up would increase the federal debt, lead to wasted tax dollars, and distort key aspects of the economy. We strongly urge all committee members to reject passage of this section of the budget reconciliation package.

Broadly speaking, we wish to share some of our topline considerations for taxpayers regarding this bill. They are:

- Increases spending by hundreds of billions of dollars on duplicative or wasteful federal programs;
- Cancels debts to broken programs without important taxpayer reforms; and
- Grows the number of Americans who will be dependent on government services.

Notwithstanding the concerns outlined above, and detailed in the sections below, there are provisions in this legislation worth supporting, either on their own or with modifications. For example, NTU is encouraged to see some provisions that note the significant challenges of restrictive land use and zoning laws. While the solution is still problematic, we appreciate that the majority's bill recognizes the urgent need for local communities to commit to zoning liberalization.

II. Amendments That Could Improve the Committee's Reconciliation Bill

Though we strongly urge all committee members to oppose the bill, NTU still offers suggestions on constructive amendment ideas that would, on net, improve the bill. They are:

Subtitle A - Creating, Preserving, and Greening Affordable Housing
Section 40001
This section authorizes $80 billion for the preservation or improvement of the country's public housing stock. Specifically, $66.5 billion is allocated to "priority investments," as determined by the HUD secretary, to repair, replace, or construct public housing; $10 billion is allocated for the Public Housing Capital Fund; and nearly $3 billion in grants is allocated for resident and community services. Additionally, the entirety of these funds are exempted from the Faircloth amendment, which limits any net increase in the number of public housing units owned by a public housing agency. If the history of public housing is any guide, these funds are likely to increase the reliance on government services without making a significant dent into poverty rates. Instead, it will leave taxpayers to foot the cost of this significant new spending.

Recommended Changes
Strike the entirety of this section.

Section 40002
This section would authorize $72 billion for the Housing Trust Fund (HTF) and the HOME Investment Partnership Program. Specifically, $37 billion is allocated to the HTF and $35 billion for the HOME Investment Partnership Program. This funding is a significant increase above annual budgets of the HTF, which typically amounts in the hundreds of millions of dollars annually. This enormous increase could flood HUD with HTF dollars, potentially increasing the likelihood of waste, fraud, or abuse. Further, evidence is unclear whether the HTF is effective and a worthwhile program. In fact, the Senate Budget Committee recommends that these two programs should no longer operate as separate programs. According to the Committee's 2020 housing report, "two block grant programs, the Housing Trust Fund and the HOME Investment Partnerships Program, are identical in many respects and should be consolidated or streamlined. They are the same in terms of their allocation, administrative funds, fund commitment and expenditure deadlines, and overall goal of affordable housing." Streamlining the system and merging overlapping programs would ease administration, reduce bureaucratic overhead, and save taxpayer dollars by reducing waste.

Recommended Changes
Strike the entirety of this section.

Section 40003
This section of the bill creates a "Housing Investment Fund (HIF)" within the Community Development Financial Institutions (CDFI) Fund and authorizes nearly $10 billion in spending. The purpose of this fund would be to increase access to affordable housing. While well-intentioned, it would simply add to the duplicative and complex web of housing programs that already exist. Congress needs to clean up the dozens of housing programs that currently exist, not add more issues.

Recommended Changes
Strike the entirety of this section.

Section 40006
This section authorizes $6 billion to fund loans and grants for Green New Deal-style programs at HUD properties that accept Project-Based Rental Assistance. Specifically, the loans and grants would be used to improve energy or water efficiency, implement green features, including clean energy generation or building electrification, electric car charging station installations, or address climate resilience.

Recommended Changes
Strike the entirety of this section.

Section 40007
This section authorizes billions of dollars to preserve distressed properties under HUD's Project-Based Rental Assistance program. Specifically, the legislation offers $4 billion to subsidize loans at below market interest rates to help with physical improvements at HUD housing projects. Most concerningly, the HUD Secretary has the unilateral authority to cancel the loans at will, for any reason. This could, in effect, change this loan program into a grant program that would leave taxpayers footing the bill.

Recommended Changes
Strike the entirety of this section or, at a minimum, remove provisions relating to loan forgiveness.

Section 40010
This section would authorize $75 billion for the broken Housing Choice Voucher (HCV) Program. According to the legislation, this money would be used for outreach, retention, and incentives to recruit new landlords in lower-poverty areas to participate in the program and to ensure existing owners continue to participate. $25 billion would be set aside to provide rental assistance for households experiencing or at risk of homelessness. Effectively, tens of billions of dollars for the HCV program would turn existing housing assistance programs into an expensive, unsustainable entitlement program that taxpayers can ill afford given our country's fiscal realities. For example, expanding housing vouchers to millions more people will exacerbate the affordable housing crisis, not alleviate it. As such, creating a housing voucher entitlement program may simply put more low-income households in competition with each other for few available units without expanding the availability of supply. Further, a coalition of a dozen taxpayer and limited government advocacy organizations recently urged Congress to reform, not expand government housing programs.

Recommended Changes
Strike the entirety of this section.

Section 40011
This section would authorize another $15 billion for Project-Based Rental Assistance Programs. Much like the HCV program, this money will increase deficits without making a meaningful difference on the overall poverty rate.

Recommended Changes
Strike the entirety of this section.

Subtitle B—21st Century Sustainable and Equitable Communities

Section 40104

This section would authorize $4.5 billion for a new HUD-administered Unlocking Possibilities Program. This new program is designed to provide planning and implementation grants to help communities improve housing strategies, reform zoning, streamline local regulations, and address sustainability and fair housing. It is imperative that the Congress, in conjunction with state and local governments, address the root causes of expensive housing costs - tariffs, restrictive zoning, and other government-imposed burdens. In fact, we view restrictive local land use and zoning laws in high density areas as the primary reason for skyrocketing housing costs, which disproportionately impact lower-income residents. However, the solution is not more federal spending, but instead linking existing funding to local land use reforms.

Recommended Changes
Strike the entirety of this section and replace it with the bipartisan “Yes In My Backyard Act.”

Section 40105
This section would cancel all $20.5 billion of debt the National Flood Insurance Program (NFIP) currently owes to the U.S. Treasury and taxpayers. It is unacceptable and irresponsible to forgive, for the second time in four years, debt held by this structurally broken federal program. Labeled as “High Risk” by the Government Accountability Office Report every year since 2006, the NFIP has a $20.5 billion debt to taxpayers and serious structural deficiencies. As it stands, the federal government issues virtually all primary flood insurance for homeowners and businesses, often at below-market premium rates. Without adjustments to risk-based pricing, removal of barriers to private market innovation, investments into risk mapping, and other reforms, it is unlikely that the NFIP will achieve fiscal sustainability. Instead, the NFIP invites a moral hazard by subsidizing homeowners to live and build in flood-prone, often ecologically sensitive areas, and by discouraging mitigation efforts. If the Committee and congressional leaders want to write off the NFIP's debt it should be paid for and tied with actual reforms so taxpayers never foot the bill for another bailout of the NFIP again.

Recommended Changes
- Strike the entirety of this section.
- Enact reforms contained in the 21st Century Flood Reform Act (2017) or reforms offered by former OMB-Director Mick Mulvaney.

Section 40106
This section would authorize $7.5 billion for a new HUD-administered Community Restoration and Revitalization Fund. This significant funding provision would be used to finance grants for community-led projects that create “civic infrastructure to support a community’s social, economic, and civic fabric, create fair, affordable and accessible housing opportunities.” In our view, this would be an unnecessary slush fund.

Recommended changes
Strike the entirety of this section.

Section 40201
This section authorizes $10 billion for a new First Generation Down-Payment Assistance Fund. While saving for a down payment can be a significant hurdle for many homebuyers, particularly for first-generation buyers, there are already numerous state and local programs that accomplish the aims of this federal program. Instead of federal taxpayers footing the bill for this new program, it should be left to state and local governments to choose whether they want a similar program. Further, there are significant oversight concerns with this fund to ensure the funds actually go to first-time homeowners.

Recommended changes
Strike the entirety of this section.

III. NTU's Thinking on the Combined Reconciliation Package

As the authorizing committees in Congress work on separate reconciliation bills, NTU wishes to inform Members and their staff that we have several significant concerns with the current framework of the overall reconciliation effort. This proposed legislation would spend a staggering $3.5 trillion -- likely adding trillions to the national debt and severely harming the economic recovery effort. If the combined reconciliation bill came to the House or Senate floor today, we would advise Members to vote **"NO"** on the legislation. The bill would be **heavily weighted** in NTU's annual rating of Congress.

IV. Contact Information

Should you have any questions about the recommendations in this memo, please do not hesitate to reach out to Thomas Aiello and Thomas.Aiello@ntu.org

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