[COMMITTEE PRINT]

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1st Session

VIEWS AND ESTIMATES OF THE COMMITTEE ON FINANCIAL SERVICES ON MATTERS TO BE SET FORTH IN THE CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2004

FEBRUARY , 2003.—Approved by the Committee on Financial Services.

Mr. OXLEY, from the Committee on Financial Services, submitted to the Committee on the Budget the following

R E P O R T

[together with

——————— Views]

Pursuant to clause 4(f) of rule X of the Rules of the House of Representatives for the 108th Congress and section 301(d) of the Congressional Budget Act of 1974, the Committee on Financial Services is transmitting herewith (1) its views and estimates on all matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2004 and (2) an estimate of the budgetary impact of all legislation which the Committee expects to consider during the coming session.

OVERVIEW

Just as last year, the Committee finds a strikingly different atmosphere in which the Congress and the President must establish budgetary priorities. Along with an economic slowdown resulting in reduced revenue to the Federal government and the States, the Nation is faced with continuing threats from terrorists, the looming prospect of war, and lingering questions about the integrity of our financial markets.

During both sessions of the 107th Congress, the Committee responded as required to the crises facing the Nation. Providing new tools to law enforcement to cut off the flow of terrorist funding through enactment of the USA PATRIOT Act, the Committee played a major role in improving homeland security. By responding quickly and decisively to the revelations that some on Wall Street and in the Nation's board rooms were undermining the capital markets by withholding and manipulating information to the detriment of investors, the Committee provided a firm foundation upon which investors can feel confident about their continued participation in the market through enactment of the Sarbanes-Oxley Act. And the Committee also acted to ensure that building and construction—one of the major sources of continued growth in the economy—could continue unimpeded by uncertainty in the insurance market about how to provide and price terrorist insurance coverage.

It is against this backdrop that the Committee makes its recommendations regarding the concurrent resolution on the budget for fiscal year 2004. The Committee believes that the budget should provide for improved economic growth, both through the reinforcement of existing sources of economic strength—such as the housing market—and the promotion of measures which grow the economy both here and abroad.

The Committee's legislative and oversight agenda for the coming year will look to those goals, while recognizing the Nation's current fiscal situation and the limited availability of Federal budgetary resources. However, by improving investor confidence in our markets, reducing transaction costs for consumers and businesses, fostering new trade relationships, and leveraging Federal investments in key sectors, such as housing, the Committee believes that it can make an important contribution to the Nation's economic recovery.

Details of the Committee's views and estimates on the fiscal year 2004 concurrent resolution on the budget follow.

Interest on Sterile Reserves

The Committee again intends to consider legislation authorizing the Federal Reserve to pay interest on so-called sterile reserves, which depository institutions are required to hold at Federal Reserve Banks against their customers' transaction accounts. For the reasons outlined below, the Committee expects the legislation to have little effect on the FY 2004 Federal budget.

Under the Federal Reserve Act, banks, thrifts and credit unions are required to maintain reserves at Federal Reserve banks based on the volume of transaction accounts that they hold. Because the Federal Reserve pays no interest on such reserves, they have come to be known as "sterile reserves," and depository institutions have developed techniques for minimizing their reserve requirements, chiefly through "sweep" programs that permit funds to be transferred out of reservable transaction accounts into non-reservable instruments, such as money market deposit accounts, at the end of each business day. As a result, reserve balances at the Federal Reserve banks have declined dramatically in recent years, falling from approximately $28 billion in 1993 to approximately $6 billion in 2000.

According to the Federal Reserve, the precipitous decline in reserves has potentially adverse consequences for its ability to conduct effective monetary policy, and the Fed has therefore strongly supported legislation to permit it to pay interest on reserves. Such legislation passed the House twice in the 107th Congress, but was never taken up in the Senate. In its analysis of that legislation—

which is substantially similar to the bill that the Committee intends to consider in this Congress—the Congressional Budget Office (CBO) estimated that the payment of interest on reserves would cost approximately $570 million over five years (FY 2002-2006). However, because the legislation offset the five-year cost by mandating the transfer of an equal amount of Federal Reserve surplus funds to the U.S. Treasury, CBO deemed the legislation to be effectively budget-neutral.

If budget offsets are not found for subsequent years (FY 2007-2011), CBO estimated that the legislation would result in a loss of revenues for that period of approximately $1.2 billion. The Committee notes that CBO's $1.2 billion cost estimate assumed a Federal funds rate of 5 percent, and further assumed that if the legislation were enacted, the Federal Reserve would pay interest on sterile reserves at a rate 10 to 15 basis points below this 5 percent benchmark. With the Federal funds rate currently targeted at 1¼ percent, an updated analysis would presumably yield a significantly lower cost estimate in the out years.

Financial Services Regulatory Relief

The Committee expects to consider legislation to give banks, thrifts, and credit unions relief from outdated and unnecessary regulatory burdens, as a way of improving the productivity of the financial services sector and counter-balancing the significant new regulatory burdens imposed upon depository institutions as part of the global effort to combat terrorist financing. Although the legislation has not yet been introduced, it is likely to be substantially similar to H.R. 3951, the Financial Services Regulatory Relief Act of 2002, which the Committee approved in the 107th Congress but was never taken up by the House. The Congressional Budget Office estimated that enactment of H.R. 3951 would have reduced Federal revenues by a total of $72 million over the 2003-2012 period, and that direct spending would increase by a total of $22 million over the same period.

Financial Crimes Enforcement Network and Office of Foreign Assets Control

The Committee commends the President for increasing the budget of the Financial Crimes Enforcement Network (FinCEN) by $7.1 million over the FY 2003 request, to $57.6 million in FY 2004. The increase reflects expanded duties assigned to the Government's central clearinghouse for a broad array of information on both money laundering and terrorist financing in the anti-money laundering title of the USA PATRIOT Act (Public law 107-56), of which the Committee was the lead author.

The increase continues efforts begun in the FY 2003 budget cycle in response to the PATRIOT Act's elevation of FinCEN to bureau status in the Department of Treasury, reflecting the Committee's longstanding view of the importance of its efforts. The Committee applauds the proposed budget increase for FinCEN, an increasingly important tool to help Federal, State and local enforcement agencies combat money laundering and terrorist financing. Appropriately, the FY 2004 budget request emphasizes FinCEN's intent to continue upgrading the "Gateway" program through which State and local law enforcement contacts the Bureau, with a goal that eventually the program would be the single contact portal for all law enforcement with respect to financial crimes.

The Committee also notes that the scope of FinCEN activities is so broad, and the success of FinCEN so central to the success of efforts to stop terrorism and money laundering, that the need for resources—and the wise use of those resources—continues to be paramount. The Committee thus views the addition of 10 new full-time staff and the reprogramming of 13 other full-time equivalent (FTE) personnel slots as appropriate to accomplish new oversight tasks, but will examine whether FinCEN will require additional budgetary resources to fulfill its enhanced mandates once the new positions have been integrated.

The Committee further notes that the transfer of much of Treasury's enforcement function to the new Department of Homeland Security has made the future organizational position of FinCEN and its sister bureau, the Office of Foreign Assets Control, somewhat murky and hopes that their management will be undertaken by the Deputy Secretary with adequate assets to ensure appropriate management and responsibility for and attention to these important assets.

Finally, the Committee notes with dismay the rescission from interagency-agreed compacts of Plan Colombia funding that would have funded important anti-money laundering and anti-terrorist financing efforts in that country by FinCEN and the Customs Service, and believes efforts should be made to restore that funding in the appropriate part of the FY 2004 budget. In the case of the Customs Service, the funding was to be used for port security that could stop money laundering, the shipment of counterfeit U.S. currency or the transportation of weapons of mass destruction. In the case of FinCEN, the Bureau was to design, erect, and train staff for a Financial Intelligence Unit, similar to FinCEN, in Colombia. With the obvious benefits of an FIU, and with the planning of the system complete, the $2-3 million needed to complete the effort would be, in the Committee's view, a bargain.

The Committee notes the near-level funding of the Office of Foreign Assets Control and will continue to monitor it for any extra needs as well in its important mission.

Treasury Inspector General

The Committee notes that within the next two months, the Treasury Inspector General's staff will be reduced from 282 FTEs to 87 FTEs, with 155 FTEs moving to the Department of Homeland Security (DHS) as the Customs Service, Secret Service, and other entities move to the new department. Another 40 FTEs will move to DOJ as the Bureau of Alcohol, Tobacco and Firearms moves to DHS. The Committee notes that the Treasury IG will remain responsible for auditing the financial statements for the departing entities for FY 2003, meaning that many of the auditors remaining at Treasury will be unable to conduct program reviews on such important topics as PATRIOT Act compliance. The Committee recommends that the departing IG employees audit the financial statements of the departing entities. The Committee further recommends that close oversight be kept of the reconstituted Treasury IG to ensure that proper programmatic as well as financial audits can be conducted on Treasury Department functions, particularly those associated with the PATRIOT Act. Further, the Committee recommends that consideration be given to combining the Treasury IG program with the IG office at the Internal Revenue Service, and that in any event proper funding be given for the office, or offices, to conduct their duties effectively.

United States Secret Service

The Committee notes and supports the budget increase for the United States Secret Service as it moves to the Department of Homeland Security to carry out its important missions. However, the Committee is dismayed by omissions from the budget request for funding that would allow expansion of the Service's foreign field offices and for expansion of its cyber crime task force concept. The foreign field offices are a vital part of the Service's effort, and expansion—particularly in South America where the Service has been extraordinarily successful in combating the counterfeiting of U.S. currency, and in Beijing—is a priority. The cyber crime task forces, which aid in combating a wide swath of criminal acts—from child abuse to identity theft—are models of public-private cooperation, and highly successful. Modest funding for task force equipment and training is, in the Committee's view, a worthy investment. The Committee's support for both efforts is longstanding. The Committee further believes that the move to the Homeland Security Department should in no way be allowed to diminish the Service's investigative interest, role, or responsibilities in the area of either electronic crimes or counterfeit currency investigations, and believes that any well-intentioned reorganization should leave individually identifiable divisions at the Service to handle those missions, in part to send a strong National and international message of the U.S. interest in these areas. Finally, as the Service moves to the Homeland Security Department, the Committee reiterates its long-held view that the Service—in part because of its protective work, which require seamless interfaces with law enforcement at all levels all over the world—is the only logical place in the executive branch to perform the important national security mission of protecting the Nation's currency and coinage against counterfeiting.

Securities and Exchange Commission

The Committee commends the President for his commitment to adequately fund the Securities and Exchange Commission (SEC). The SEC's mission to protect investors and promote competition, efficiency, and capital formation is critical to restoring investor confidence and promoting the Nation's economic interests. The Committee has long supported increased funding for the SEC, and lauds the President's proposed budget of $842 million for the agency, nearly double the 2002 level.

The Committee believes it is vitally important that the Commission use this funding to hire not only more attorneys, but also more accountants, economists, and examiners to implement the important changes effectuated by the Sarbanes-Oxley Act of 2002, root out fraud, instill corporate responsibility, and foster the economic benefits to investors that stem from healthy competition in our capital markets. The Committee intends to take up legislation designed to facilitate the Commission's hiring of such professionals so that accountants, economists, and examiners can be added to the Commission staff as quickly as attorneys can now be hired by the Commission.

This funding is also important to the Commission's work to ensure the integrity and improve the regulation of the Nation's mutual funds, so that the over 95 million Americans who invest in these vehicles can better benefit from competition, transparency, and rigorous oversight by regulators and independent fund directors.

EXPORT-IMPORT BANK

In the 107th Congress, the Committee reauthorized the Export-Import Bank for 4 years (Public Law 107-189) and views this agency as an important tool in facilitating the export of U.S. goods to foreign markets. The authorization mandated, among other things, that Ex-Im increase its level of small business transactions and invest in technology improvements in order to facilitate access to the Bank's products. The Committee supports the Administration's proposed increase in the Bank's administrative budget, and believes that the Bank should continue fulfilling its commitment to upgrade its technological capabilities and improve outreach to small businesses. Additionally, the authorization created an office of Inspector General within the Ex-Im Bank in order to comply with its legislative and regulatory mandates. The Administration has requested $1.18 million to fund the Inspector General and the Committee strongly approves of this funding decision.

The Committee is concerned that the Administration has not funded Ex-Im's loan subsidy for FY 2004, but has requested an appropriation of over $541 million in FY 2003 for this account. Ex-Im is statutorily permitted to carry over excess loan subsidies and funds from cancelled transactions for four years; however this is the first time that the utilization of this carryover authority has resulted in no budget request for Ex-Im's loan subsidy account in a future fiscal year. According to the Bank, it is projected to have more than $800 million in the loan subsidy account for FY 2004 from carried over funds and cancelled transactions. The Committee wishes to promote the most prudent use of taxpayer funds, while at the same time ensuring a consistent appropriation request for Ex-Im. The Committee questions whether it might better serve the interests of taxpayers to request a lower appropriation for FY 2003, which would result in a lower carryover and require some level of FY 2004 appropriation.

MILLENNIUM CHALLENGE ACCOUNT

President Bush has committed to change the way the United States provides development assistance to poor countries by seeking to assure accountability and measurable results. The FY 2004 budget requests $1.3 billion for the creation of a Millennium Challenge Account to be administered by a new government corporation. This corporation will be headed by a Cabinet-level board of directors chaired by the Secretary of State and will include the Secretary of the Treasury. The Committee strongly supports the President's efforts to ensure that development assistance is steered to nations that govern justly, invest in their people, and encourage economic freedom. As the primary Committee of jurisdiction for multilateral development assistance, the Financial Services Committee has a significant interest in innovations in U.S. development assistance policies and looks forward to working with the Administration in the implementation of the Millennium Challenge Account.

DEBT RELIEF

The Committee commends the President's intention to provide $75 million for the Trust Fund for the Highly Indebted Poor Countries (HIPC). These funds would fulfill the President's commitment made at the G-8 Summit in Kananaskis, Canada to contribute to the U.S. share of the projected HIPC Trust Fund financing gap. The Committee views multilateral debt relief as necessary to promote the long-term debt sustainability of developing countries.

The Committee notes that there may be some debate about the exact amount of the HIPC financing gap. The Committee looks forward to the Administration's explanation of how the United States' proposed $75 million share in the HIPC financing gap was calculated.

WORLD BANK TRUSTEE ROLE IN THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA

The Global AIDS and Tuberculosis Relief Act of 2000 was signed into law (Public Law 106-264) in August 2000. This legislation included provisions supporting the creation of a World Bank AIDS Trust Fund.

These initial steps by Congress were instrumental in establishing the Global Fund to Fight AIDS, Tuberculosis, and Malaria. The United States was the first country to contribute to the Fund and leads the world in having committed $500 million, 23 percent of total fund pledges to date.

Section 10 of the Framework Document for the Global Fund establishes the World Bank, an agency within the jurisdiction of the Committee on Financial Services, as the trustee for the Fund.

In his 2003 State of the Union address to Congress, President Bush announced his Emergency Plan for AIDS Relief, asking for $15 billion over five years for the fight against HIV/AIDS. The $15 billion includes nearly $10 billion in new money, which roughly triples outlays over projected levels. Of the new money, $1 billion is proposed for the Global Fund over five years. The Administration is requesting $200 million for the Global Fund in FY 2004.

The Committee looks forward to working with the Administration to maintain the effectiveness and accountability of the Global Fund.

HOUSING AND COMMUNITY OPPORTUNITY

The Administration proposes $31.3 billion in FY 2004 budget authority for the Department of Housing and Urban Development (HUD). The Committee is cognizant that HUD faces many budget and management challenges. The Section 8 rental housing assistance program now accounts for more than one-half of the HUD budget. Over the past few years, this Committee has considerd issues having to do with underused vouchers, the allocation of vouchers for public housing authorities (PHAs) and the general management of the program. In addition, there are about 1.25 million units of public housing with a backlog of about $20 billion in capital repairs. The Committee, therefore, appreciates that the Administration has proposed several new initiatives and reforms designed to address these critical issues that are important to needy families.

The Committee is pleased that the proposed budget offers new opportunities for low and moderate-income families and individuals seeking to achieve the dream of homeownership. Clearly, the benefits of homeownership for families, communities and the Nation as a whole are profound. When our citizens own homes, they establish roots and therefore have a greater stake in their communities' growth, safety, and development.

While the national homeownership rate has steadily risen and is at an all-time high of 68 percent, there are sectors of the population for whom homeownership remains unattainable. In fact, the homeownership rate for African-Americans and Hispanics is less than 50 percent. Clearly, more can and should be done to help all of the Nation's citizens realize the dream of owning a home. In June 2002, President Bush announced an aggressive homeownership agenda to increase the number of minority homeowners by at least 5.5 million by the end of this decade. The Committee looks forward to working with the Administration to achieve this aggressive agenda and is pleased to see that the FY 2004 HUD budget includes several proposals designed to remove the barriers to homeownership by providing downpayment assistance, and increasing the availability and production of affordable homes for many Americans.

Downpayment Assistance Initiative. The Committee is pleased that the Administration is again proposing $200 million to fund the "Down Payment Assistance Initiative" to help approximately 40,000 low-income families with the downpayment on their first home.

Housing Counseling. Counseling is an important component of a successful homeownership process. The Committee applauds the Administration's increase for counseling services from $35 million in the last year's proposal to $45 million in FY 2004. This increase will provide 550,000 families with home purchase and homeownership counseling and approximately 250,000 families with rental counseling.

Self-Help Homeownership Opportunity Program. The Committee fully supports the Self-Help Homeownership Opportunity Program (SHOP) program and believes it is an important component to achieving the goal of producing new homes for very low-income families. The Committee supports the $65 million request included in the President's budget and will work to see that this level of funding is achieved.

New FHA Mortgage Product. The Committee looks forward to receiving legislation from HUD for a new sub-prime loan product that will provide FHA insurance to families that, due to poor credit histories, may either be eligible for credit only at higher rates or not at all. Under this new initiative, borrowers will be offered FHA loan insurance that will allow them to maintain their home or to purchase a new home.

RESPA Reform and Predatory Lending. The Committee applauds the Administration's efforts to simplify the home buying process and to make it less expensive to consumers. We look forward to working with the Secretary of HUD to craft a final rule that will be both fair and provide consumers with better opportunities to shop for low-cost mortgages. In addition, the Committee believes that the financial regulators and HUD can do a better job in tracking down unscrupulous lenders and stopping predatory practices. The Committee appreciates HUD's emphasis on this issue and looks forward to working with them to assure that HUD has the tools necessary to fight abusive lending practices.

Section 8 Rental Assistance Programs. The Committee commends the Administration for proposing a different approach to address long-standing concerns with the Section 8 tenant-based voucher program that is operated by over 2600 PHAs. "Housing Assistance for Needy Families" (HANF) would move this program to a State-run block grant model over a two year period while requiring each state to provide vouchers to at least the same number of families as currently receiving support. The Committee is aware of the importance of the Section 8 program and intends to be active in continuing the dialogue on issues that need to be addressed to ensure that the ultimate cost-effective solution will improve the services provided, increase the number of families participating in the program, and improve the management of the program. The other Section 8 rental assistance program is project-based.

For FY 2002, the total budget authority was $18.146 billion with a $1.738 billion unobligated balance carried into the next year; for FY 2004 the HANF is $12.535 billion and the project-based is $4.823 billion for a total of $17.378 billion with no unused balance anticipated to be carried into the next year. The Committee plans to hold hearings on this proposal. In addition, the Committee intends to work with HUD to develop legislative changes that could enhance the operation of existing government housing programs so that more families can be served.

Public Housing Other than Rental Assisted under Section 8. Over 3,000 PHAs receive funds from the Public Housing Operating Fund (operating subsidies) and the Public Housing Capital Fund (for modernization and repairs). Each fund uses a formula to allocate money to both the Operating and Capital Funds. These formulas are key to making funding estimates, which means it is imperative that appropriate factors and the best available data are used. However, in the most recent years, it appears that the data and the formula, at least in the Operating Fund, caused many disruptions throughout the 3,000 PHAs. The Committee is very concerned that no consensus has yet been reached to provide a new Operating Fund formula that meets fair and accurate assessments of the needs of the PHAs. Moreover, the Committee is concerned that the formula should address the needs of PHAs that may not have been a factor in the old system. The Committee will not only hold hearings to assess the progress in this area, but will also scrutinize the investments in information technology to determine where HUD could and should be doing better.

At the same time, the Committee is concerned that both HUD and the PHAs have failed to develop a system that could provide the best and most reliable information to alleviate the current problems and practices where future appropriations were committed or used to cover-up deficiencies in past funding.

HOPE VI. The Administration is committed to encouraging public-private partnerships. In that regard, it is proposing a new program, the "Public Housing Reinvestment Initiative" (PHRI). This new program would allow PHAs to use Operating Fund and Capital Fund grants to facilitate the private financing of capital improvements while encouraging development-based financial management and accountability. This is accomplished by guaranteeing up to 80 percent of the principal of loans made to provide capital to the PHRI (estimating $1.715 billion loan cap). In addition it will permit case-by-case conversion of public housing developments into the project-based voucher program.

At the same time, the Administration proposes to discontinue the HOPE VI program. The success of the original ten-year program is laudable, but also muted because of the many management challenges—as well as policy questions—related to displacement of as many as 75 percent of the original public housing tenants in some areas and that only a select group of PHAs received HOPE VI grants. The Committee agrees that changes are warranted in the HOPE VI program. Last year, the Committee approved H.R. 3995, which included significant reforms to the HOPE VI program designed to allow eligibility for small PHAs along with accountability and management improvements. While H.R. 3995 was not considered by the House, it did unanimously approve H.R. 5499, which included the changes to HOPE VI incorporated in H.R. 3995 with the recognition that more improvements would be forthcoming.

There was general agreement that the HOPE VI program is in need of review and reform. The Committee acknowledges that the rehabilitation or construction of affordable housing, and the economic development generated through jobs and the creation of vibrant new neighborhoods is essential. Efforts should be made to continue that effort. In that regard, the Committee will hold hearings on HOPE VI reauthorization and on how best to serve distressed communities.

Empowerment Zones. The Committee recognizes the contributions made by Empowerment Zone initiatives that help revitalize neighborhoods by attracting business development and providing jobs. The Committee is pleased to see that Round II urban Empowerment Zones were funded through 2002 at $330 million. No additional funds were requested in 2003 because sufficient carryover balances were available and no funds are requested for 2004.

Section 108 and Brownfields. The Committee notes with concern the elimination of funding for the Brownfields Economic Development Initiative (BEDI) and would like funding restored for the program. While the Environmental Protection Agency (EPA) administers programs to revitalize brownfields, HUD should not vacate its own role in cleaning up these blighted sites. HUD should follow through on its proposal in the FY 2003 budget to decouple the BEDI program from the Section 108 loan program to attract more participants. The BEDI program can be a powerful tool for communities interested in brownfields redevelopment. Fostering a partnership with the EPA will be helpful for both agencies and for the Nation's urban areas.

National Flood Insurance Program. Despite its move to the Department of Homeland Security, the Committee maintains jurisdiction over the Federal Emergency Management Agency's National Flood Insurance Program (NFIP). During the last Congress, the Committee held a hearing on the problem of repetitive loss properties (buildings that flood regularly because of their location) and the threat those properties pose to the ability of the NFIP to meet obligations to policy holders without drawing on taxpayer funds. Repetitive loss properties cost the NFIP approximately $250 million each year. The Committee commends the Administration's efforts to address this issue in the FY 2004 budget by proposing $200 million for the significant revisions necessary for the Nation's out-of-date flood insurance rate maps.

Rural Housing Service. The Administration proposes to increase program spending levels in the agency specifically designated to meet the housing needs of rural areas, typically at or below populations of 20,000. In 2004, the Rural Housing Service budget will increase program levels by $1.3 billion. Notably important, the Administration increases the Section 502 single family direct loan program by over $400 million from FY 2003 levels. This initiative will increase homeownership estimated up to 49,000 for very-low income families, most notably minorities. The Committee supports that initiative as well as the efforts to leverage private sector investments with an increase in single family loan guarantee program levels to $2.5 billion.

The Committee continues to be concerned that the Rural Housing Service has not met the multifamily housing needs of rural America. Since 1994, successive Administrations have continued to propose reductions in funding the Section 515 multifamily direct loan program. At the same time, in an effort to develop public and private partnerships to leverage private capital, the Committee spearheaded an effort to create the Section 538 multifamily loan guarantee program. In FY 2001 it was unclear how successful the agency had been in providing new housing in desperately low-income rural communities, with as few as one development guaranteed and no new construction direct loans. The Committee does not yet have data available to assess whether the agency made improvements in FY 2002. However, the Committee will hold hearings and make recommendations to ensure that multifamily rural housing needs are considered and receive attention.

Homelessness. The Committee supports the Administration's efforts to eliminate chronic homelessness within the next 10 years. The Administration's first step in that effort was to reactivate the U.S. Interagency Council on Homelessness, which had been dormant since at least 1996. While this is an extremely difficult area because of the confluence of physical (housing) and medical (health, drug and alcohol dependencies) needs, the Committee applauds the Administration's attempt to propose new ideas. For example, the Samaritan Initiative would provide $50 million to assist Americans living on the streets with combined outreach and services between the Departments of HUD, Health and Human Services and the Veterans Administration. The Administration also proposes to transfer the Emergency Food and Shelter Program from FEMA

(Federal Emergency Management Agency) to HUD. The Committee has been pleased with the level of efficiency in distributing emergency funds when natural disaster and other events warranted Federal assistance to families who needed emergency food and shelter. In light of HUD's track record in taking as long as one year to disperse homeless assistance grants, the Committee is concerned that the level of efficiency in the Emergency Food and Shelter program would be compromised.

Finally, the Administration proposes to consolidate all homeless assistance programs. While the proposal has few legislative details, the Committee generally supports efforts to streamline and consolidate programs that will improve efficiency, reduce administrative costs, and provide assistance to individuals and families with housing needs. The Committee will hold hearings on this initiative, upon receipt of the proposal, and will ensure the participation of state and local governments, non-profit organizations and faith-based groups to ensure that all perspectives are considered.