You all have heard that Gramm-Rudman was recently declared unconstitutional. The Supreme Court will be reviewing this case in a short while. I'd like you to know that if this law is declared invalid, I will be back at the drawing board the next day to try to solve whatever defects the Court has found.

I can tell you this, however. On March 1, the law made an additional $11.4 billion cut in government spending, and we're already starting to see signs of the markets responding favorably to this new discipline.

But in the meanwhile, the President has proposed his first budget under the new deficit constraints. If Congress and the President reach an agreement on a budget that reduces the deficit by $40 billion, the Gramm-Rudman sledgehammer will never fall. But if we reach an impasse, government spending will be automatically cut by 20% on October 1.

When you examine the President's budget, and get a good idea of where <u>his</u> priorities are, you can begin to appreciate how difficult this task will be:

He thinks we can afford Star Wars, when the ability of our military forces to fight a conventional war are being severely restricted;

He thinks we can afford additional foreign aid, when thousands of Americans still wander our streets at night;

He thinks we can afford to build a new supersonic transport that will get us to Tokyo in two hours, when our highways are in desperate need of repair.

But let me give you a better example of what I refer to as the "Head in the Sand" approach to economic development.

The Federal Housing Administration loan program has always been an important tool to the U.S. housing industry. Thousands and thousands of young people have realized the American dream of owning a home because of these low-interest mortgage programs.

But, while Oregon's housing industry is still struggling, while the timber industry is laying off more and more people, and while the number of housing starts is no where near where it should be, what does the President propose?

He proposes to make it harder to get FHA loans.

That's right. In his proposed budget, the President has suggested that we:

1) limit FHA loans to families that make less than $40,000;

2) increase the FHA user fee from 3.8% to 5%; AND

3) require the fee to be paid up front at closing!

In other words, he proposes to make it more difficult to buy a house. And that's exactly what is going to happen. In fact, on a typical FHA home worth $59,000 the required down-payment will more than double if the President's proposal is accepted.

Unless this proposal is rejected, young families from this point on will raise their children in rented apartments. The dream of home ownership will be a dream of the past, not of the future.

Listen to this:

In 1974 in the Pacific Northwest, we had 70,000 manufactured homes placed for use.
In 1983 there were 35,000.

In 1979 in Oregon there were 75,000 workers in the lumber industry.
In 1985 there were 65,000.

In 1980 Oregon had 46,000 construction workers.
In 1985 we had 34,000.

The President might think it's morning in America, but he doesn't realize that morning comes a little later out here in Oregon.

That is why I am organizing opposition to the President's FHA proposal. The first step is a letter to the President and the Budget Committee that I've drafted which states our opposition to this ill-conceived proposal. In fact, if you have the time it would be helpful if you contacted the other members of the Oregon House delegation and asked them to join me in my efforts.

This is typical of the sort of battles those of us who believe in affordable housing go through every year with the President. It's frustrating when we're asked to cut back on housing, child nutrition, Medicare and other essential programs when the the Pentagon continues to use the federal blank check to buy $700 toilet seat covers.

As a member of the House Appropriations Committee - the committee that actually writes the final budget - I'm in a unique position to help reshape these priorities.

My goal this year is to craft a budget that eliminates the excesses, reduces the deficit and provides for both our national and economic security.

There's another major issue on Capitol Hill today, and that's the tax bill.

In December the House of Representatives passed the Tax Reform Act of 1985 and sent it to the Senate, where it is currently under consideration by the Senate Finance Committee.

I voted against the tax bill for a variety of reasons. My basic objection was that it did nothing to encourage economic development in Oregon. It would have dealt a death blow to our struggling timber industry. It did nothing to encourage people to save money - and savings is important to those financial institutions that want to make home mortgage loans. The bill would have done nothing to help erase our $148.5 billion trade deficit.

Probably the most damaging aspect of the tax bill is the effective date.

Only now are people beginning to realize that most of the changes made by the bill will go into effect retroactively.

You can understand the chaos this is creating in the financial markets and with individual taxpayers who are trying to make their plans for the 1987 tax year.

There's enough confusion in the tax code as it is. I don't think we need to make things more confusing by making people have to play guessing games.

To address this problem, I introduced House Resolution 470 in January. It states that the tax bill - should it become law - will take effect on January 1, 1987, rather than retroactively to last January. This is a common-sense approach to law-making that I hope Chairman Dan Rostenkowski and Chairman Bob Packwood will accept.

If we can control the deficit, keep interest rates heading down and do right by the tax code, then I sincerely believe we are on the right course for bringing Oregon into the recovery that the rest of the country is experiencing. I believe we all share the same vision of Oregon: flourishing main street businesses, new industries and manufacturers; a stable tax base and a diverse economic base.

As long as I am in Congress, this vision will guide me.

Again I'm sorry that I couldn't make your meeting. I hope the rest of the evening goes well. And I'm <u>really</u> sorry I missed the magician.

Thank you.