

Fiscal Year 2016 HUD Budget

Subcommittee on Transportation and Housing & Urban Development
Committee on Appropriations
U. S. House of Representatives

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Prepared by Tambala Strategy, LLC

Witness

The Honorable Julián Castro
Secretary
U.S. Department of Housing & Urban Development

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Opening Statements*

Chairman Mario Diaz-Balart (R-FL)

The HUD budget request includes a 9 percent increase, which is unrealistic. FHA receipts are projected to fall and these receipts help fund this bill. Further, the projections on FHA receipts are likely off. In reality, we are looking at a \$2 billion shortfall in the bill right from the start under the current spending caps and that is just to keep the current level of services.

Additionally, I am concerned that HUD has problems managing its own resources and programs. There are numerous HUD IG reports that document mismanagement. We need to straighten this department out. If the depth of dysfunction is so deep at HUD, how can we expect more from HUD stakeholders?

Ranking Member David Price (D-NC)

We need to put the HUD budget in perspective. The FY2016 request is actually lower than prior enacted levels and it is important to state that sequestration wasn't supposed to happen. Taking money from discretionary accounts doesn't leave much cash to fund our programs. We are neglecting the housing infrastructure of our nation.

The receipts from FHA and Ginnie Mae are essential to making the bill work. With declining revenues from these sources, CDBG and other programs don't get sufficient funds.

On a personal front, I am frustrated that authorizers have not updated the formula for HOPWA. This is a priority for me and I want to know how we will amend the allocation formula this year.

Witness Oral Testimony

Secretary Julián Castro

We need to invest in the middle class and that's what this budget request does. For example, we invest in vouchers, which is important because many low income families spend more than 50 percent of income on rent. We also need to tackle homeless assistance.

We need to eliminate the cap on the Rental Assistance Demonstration program which limits the number of housing units that can be rehabilitated under the program. This will bring in billions of private dollars to address housing needs. We also need to continue to invest in the Choice Neighborhoods program.

Questions and Answers

Chairman Diaz-Balart

I want to focus on accountability. The HUD IG has issued a report concerning improper lobbying activities by public housing authorities. What are you doing to address this issue?

* NOTE: This document is not a transcript of remarks and should not be relied upon as an official record of proceedings.

Secretary Castro

Soon after I was confirmed I signed a joint letter with the HUD IG underscoring the importance of cooperating with the IG. On the issue you mentioned, we are working with the IG on the issue of PHAs and members of the HUD staff on improper lobbying. There is new employee training on these topics and we will get back with you on any policy changes.

Chairman Diaz-Balart

Do you believe the violations were the result of willful disregard or was this a misunderstanding of the law?

Secretary Castro

You find a mix. Training is sometimes inadequate which is why we have that as a focus. There is also a need to maintain a close relationship with the PHAs. We have asked for additional funding to help with understaffing. With training and appropriate staffing we can address these issues.

Ranking Member Price

The administration has asked for an increase in housing vouchers which would only restore the level of vouchers before there were cuts. But now the administration proposes to target some of the vouchers for victims of domestic violence, homeless veterans, and other groups. Why target the vouchers rather than allocate vouchers by formula? How will you award these targeted vouchers and what administrative burdens will there be with this approach?

Secretary Castro

We want to work with you on the best way to implement the targets. We have good relationships with the continuum of care community to address the needs. We have seen some progress with this approach concerning homeless veterans. On administrative concerns, we've seen where Section 8 vouchers have been declined due to administrative burdens. We are going to work to avoid that type of outcome.

Ranking Member Price

Veterans homelessness is a good example of steady progress and I can see why you lead with that. That said, we can create problems if we have too many different types of categories. I'm asking you to reflect to see if the veterans homelessness outcome is applicable across the board.

Rep. Kevin Yoder (R-KS)

You have a request for \$30 million in new FHA fees. What bang do we get for that buck and how will the fee be administered—for example, which lenders will get taxed, how will funds be allocated? Is this a prospective fee or is it perpetual? How can we justify raising fees on customers?

Secretary Castro

FHA is a success story over the past few years, but we have headwinds regarding administration of information technology and risk management. This prospective fee on lenders is to help with quality assurance and provide greater business certainty for our stakeholders. The fee sets FHA on stronger footing going forward. This is not the first time we've asked for this 4 basis points fee and will work with you on this but see a strong need on information technology.

Rep. Yoder

There are currently many restrictions on condominiums—limitations on owner occupancy standards, project certification, limits on commercial space. Will HUD relax restrictions on condos?

Secretary Castro

We have heard a lot on the condominium issue and are working on it. The condo issue is on the radar screen.

Rep. Mike Quigley (D-IL)

You made a recent announcement on housing equality for the LGBT community and I commend you for this. However, some suggest more can be done.

Secretary Castro

The announcement was in the context of shelters and we are looking at a rule on this. We believe all persons should have access to shelters. Also, we have noted that a large percentage of homeless teenagers identify as part of the LGBTQ community and we need to address this issue so these children have access to these programs.

Rep. Quigley

Will you discuss the administration's plans for the Moving to Work program?

Secretary Castro

This is a popular program and we want to expand MTW by 15 agencies for a total of 54 PHAs. We have seen it work.

Rep. David Valadao (R-CA)

We often overlook rural housing needs. What are you doing to ensure that the housing needs of rural America are considered and addressed?

Secretary Castro

HUD addresses these issues through two main legacy programs, CDBG and HOME. Both programs set aside funds for non-entitlement communities and a large percentage of this set aside goes to rural communities. By this HUD invests significant dollars in rural communities.

Rep. Valadao

A February report found that HUD was providing housing subsidies to individuals and families that do not meet program requirements. How do you intend to address this?

Secretary Castro

This was the outcome of a HUD IG report and we are working on a plan to address this. HUD needs better monitoring of and guidance to the PHAs. We need that administrative fee that was discussed earlier to help us with the monitoring.

Rep. Henry Cuellar (D-TX)

Please discuss the administration's recent announcement on colonias. Also, I am interested in performance based reviews and metrics on HUD programs.

Secretary Castro

The recent action on colonias is aimed at the four states with these very impoverished communities that often lack access to basic modern services such as running water. We are allowing states to spend up to 15 percent of the CDBG allocation in these communities. This is voluntary on the part of the states. These are impoverished communities and the dollars could help.

Rep. David Jolly (R-FL)

We have transitional care providers in my district who are concerned about the housing first strategy for delivering assistance to families and individuals over transitional care policies. What is your position?

Secretary Castro

There is value in different approaches, but we have found that the housing first strategy is effective. There have been studies and experiences that show this works. New Orleans and others have been successful in implementing a housing first strategy.

Rep. Jolly

I have seen remarkable success in the transitional housing model, especially in my community. If HUD moves forward with the housing first strategy the committee will need to take a hard look at that.

Rep. Tim Ryan (D-OH)

Research shows stable, safe, quality housing is important to healthy children. The environment is important, too, as we know that exposure to pollutants impair children. We should make strategic investments in these areas. Housing that is lead free and pollutant free keeps children safe and saves billions of dollars.

In this context I have two questions. First, how are we addressing these issues in CDBG and second, how is the government approaching the need to ensure that communities in the urban core have access to fresh food supplies?

Secretary Castro

One of the administration's lasting legacies will be getting agencies out of silos. When I was mayor of San Antonio we were awarded a Choice Neighborhoods grant. We are getting word out that access to good food is part of Choice Neighborhoods. Regarding lead paint and other health and environment hazards, the silo busting is helping this as well. We see value in housing that is in environmentally safe areas and we look at that in awarding Choice Neighborhood grants.

Chairman Diaz-Balart

You want to increase MTW by 15 agencies yet there are reports of problems at the existing MTW agencies. Do you have resources to monitor more agencies? How can we expand the MTW program if there are problems with the 39 currently participating in the program?

Secretary Castro

Our experience with MTW is that the program has been a success. We have had some issues, but overall it has been successful. Keep in mind that higher performing PHAs participate in MTW. We are currently in a period of contract renegotiation, which provides the opportunity to address some of the issues you raised.

Chairman Diaz-Balart

Let's look at the Philadelphia PHA, which is in receivership—it's hard to be in worse shape than that. Yet, this PHA is a MTW agency. If receivership doesn't disqualify a PHA, what does?

Secretary Castro

We are addressing issues through better communication and the contract renegotiation.

Chairman Diaz-Balart

GAO says HUD doesn't have the ability to evaluate the MTW program. When will HUD get this?

Secretary Castro

We are working toward improving our evaluations capability right now. The MTW agencies understand there will be new expectations.

Ranking Member Price

The method for allocating HOPWA program funds needs to be changed. You have included changes in the budget, but this is not enough. What are you doing to actually get the funding allocation changed?

Secretary Castro

We agree with you and want to change the formula so funding goes to actual need. We want to be active partners. HUD has advocated for this in the past and I will, too.

Ranking Member Price

Are you working on what an equitable HOPWA allocation formula would look like?

Secretary Castro

There has been some work done, but I don't want to overstate the amount of work. We will work with you to address the allocation issue.

Rep. John Culberson (R-TX)

We are in a challenging budget year, yet the *Washington Post* reported this week that HUD is giving housing subsidies to people not eligible to receive them. What are you doing to implement the HUD IG recommendations to correct this problem?

Secretary Castro

I testified earlier that HUD needs a heavier emphasis on ethics and accountability and we are working with the IG on that. On the public housing side that you raised, if we get better staffing levels and if the administrative fee I mentioned earlier is adopted, that will help. However, we are we are working with the IG.

Rep. Culberson

We were surprised to get a reprogramming request from HUD so the department could afford to pay rent. How are you working to prevent this in the future?

Secretary Castro

We have two significant long-term challenges at HUD. One is information technology and we are seeking developmental IT money. The other is personnel—we believe with IT money and proper staffing these issues can be managed.

Rep. Cuellar

Can you elaborate on the Jobs Plus program?

Secretary Castro

I am excited about Jobs Plus because this helps people move up and out of public housing. This program connects people with resources and puts them in a position to be successful. The effect is that more families move up and out. This is important because we have thousands of families on waiting lists for housing assistance. Each time there is a success we can help another family. Jobs Plus is a key component of this.

Rep. Cuellar

Last year we added public private partnership on bridges and are looking at the same on public buildings. Any thoughts on this for us on housing given that public dollars are in short supply?

Secretary Castro

The RAD program has been great success. We have a \$26 billion backlog on maintenance which cannot be addressed through the Capital Fund. Every year we lose public housing units from disrepair. A great example of RAD is Baltimore, which used RAD to do 80 years' worth of renovations in one year. We are asking for the RAD cap to be lifted.

The hearing was adjourned.