

**WRITTEN TESTIMONY
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BEFORE THE
SENATE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN
DEVELOPMENT, AND RELATED AGENCIES
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Introduction

Chairman Collins, Ranking Member Reed, members of the Subcommittee — thank you for inviting me to discuss the Department of Housing and Urban Development’s (HUD’s) Proposed Budget for Fiscal Year (FY) 2018.

The first Secretary of HUD, Robert Weaver, said that we must look for “human solutions,” not just policies and programs. I want our efforts to assist those in need and to support a path to self-sufficiency. At the same time, we are keenly focused on efficiency throughout the agency with the mindset of doing more with less.

Of course, we continue our mission. The Budget reflects the President’s commitment to support HUD’s critical functions, such as providing rental assistance to low-income and vulnerable households; promoting decent, safe, and affordable housing for Americans; supporting access to homeownership; and helping work-able families achieve independence, freedom from regulations and bureaucracy, and the ability to govern themselves.

The President’s 2018 Budget requests \$40.7 billion in gross discretionary funding for HUD, a \$7.4 billion, or 15 percent decrease from the 2017 enacted level. The Budget request reflects the Administration’s commitment to fiscal responsibility, careful and prudent spending, targeted funding to continue HUD’s core support of our most vulnerable households, and cutting back on funding for programs that have not consistently demonstrated results or are ancillary to HUD’s core mission.

This Budget is aligned around three principles: First, serve the most vulnerable while expecting work from those able to work. Second, find the proper role for the federal government in housing and community development. Finally, operate efficiently and effectively without displacing families.

The President’s 2018 Budget continues to provide rental assistance for over 4.5 million households, while recognizing a greater role for State and local governments and the private sector to address community and economic development needs.

Through the Federal Housing Administration (FHA), we support borrowers on their path to homeownership. This support is very important for first-time home buyers and those on limited incomes. This is part of the path forward to wealth creation through investment, equity, and developing and maintaining sound household financial practices.

Rental Reform

An examination of the Budget demonstrates our important efforts at rental reform. Approximately 80 percent of HUD's budget authority is dedicated to rental assistance. We need to get rental assistance right. For years, we have heard our renters question aspects of the program. The time has come for all of us to take a hard look at how rental assistance is provided. We must ask ourselves: Does it help or hurt? In what situations? Is it fair? Is it well targeted to the most vulnerable? How much should the Federal government contribute versus State and local governments? Could we make the subsidy programs less complex? Can we make rent policies that encourage rather than discourage work? With this Budget, we are proposing greater tenant contributions and greater flexibility while we begin a discussion with Congress on these larger policy questions.

The Budget provides \$35.2 billion for HUD's rental assistance programs and proposes reforms that reduce costs while continuing to assist low-income households. These reforms cover Tenant-Based Rental Assistance, Public Housing Operating Fund, Public Housing Capital Fund, Project Based Rental Assistance, Housing for the Elderly (Sec. 202), and Housing for Persons with Disabilities (Sec. 811).

As we reduce costs, we continue to assist current residents, encourage work, and promote self-sufficiency. The Budget also seeks to provide administrative flexibilities, and to streamline the complex and administratively burdensome rent and income calculations. The Budget also asks tenants to contribute more for their housing. We look forward to working with the Congress on proposals to determine what is the fair and compassionate amount tenants should pay across its rental assistance programs.

Over the past several decades, program funds have not been sufficient to provide long-term sustainability. The Administration's 2018 Budget provides funding flexibilities and reduces the burden on PHAs administering the program. It encourages PHAs to seek private, state, and local partnerships to leverage opportunities for additional investment and to transition these properties to more sustainable funding platforms.

I am again reminded of a comment by Secretary Robert Weaver. He said we *must* find local solutions to local problems. Public/Private Partnerships can be extremely effective in addressing the complexity and variations of local needs. That is our measurement of policies: do they work?

So often there is too much bureaucracy, too many unhelpful hands, and too much unnecessary regulation, which drains our fiscal resources. The 2018 Budget includes general provisions that would provide administrative relief to PHAs, including waiver authority that would allow HUD and PHAs to reduce or eliminate annual requirements that are administratively burdensome. It also proposes flexibility in how PHAs can utilize their Capital and Operating Funds so that

PHAs could use their funds, regardless of funding account, for any eligible public housing purpose, and target those funds to their highest priorities.

HUD continues to support the Rental Assistance Demonstration (RAD) Program, which permits PHAs to transition public housing to a more sustainable funding and rational regulatory environment that permits debt and promotes other non-Federal leveraging. The RAD program relies on significant leverage of every dollar of HUD funding. It has leveraged more than \$4 billion in capital investment in order to make critical repairs and improvements to this segment of the nation's affordable housing stock.

Protecting Vulnerable Populations, and Promoting Healthy, Lead-Safe Homes

I am particularly interested in creating healthy homes. For example, as a doctor, I can tell you that lead exposure for children has serious effects and I know how important it is to prevent exposure and to act quickly once it has been identified. HUD issued a new rule to align its standards to the CDC's recommendation of response when a child has a blood-lead level of five micrograms per deciliter or more, in January 2017. This standard is beyond what most State and local health departments have implemented, and I am proud that HUD has now set a consistent Federal standard for requiring an environmental investigation for elevated blood lead levels in children living in its public and assisted housing.

The Budget promotes healthy and lead-safe homes by providing \$130 million for the mitigation of lead-based paint and other hazards in low-income homes, especially those in which children reside. We also fund enforcement, education, and research activities to further support this goal, all of which contribute to lower healthcare costs and increased productivity.

I also want to thank you for your continued support for this program to help us mitigate the risk and support healthy, lead-free housing for our most vulnerable. The additional grant funds provided in FY 2017 for the Office of Lead Hazard Control and Healthy Homes will be put toward the elimination of lead-based paint hazards and protect the health in unassisted, low-income homes.

Also, we look forward to implementing and evaluating the results of the \$25 million provided for competitive grants to address lead-based hazards in public housing.

I now turn to the Budget's funding for homeless citizens. This is where our humanity must be evident and our commitment steadfast. Our programs must reach out; so must our hearts. We must be compassionate, yet wise. HUD's homeless assistance grants serve vulnerable individuals and families who are homeless or at-risk of homelessness through a wide variety of service and housing interventions. These include homelessness prevention, emergency shelter, rapid re-housing, transitional housing, and permanent supportive housing.

These programs are the vehicle used by HUD to promote evidence-based approaches, leading to a more effective use of resources. The Budget would provide \$2.25 billion for Homeless Assistance Grants, and supports the renewal of over 240,000 beds. HUD will continue to work closely with our State, local, and non-profit partners who are close to this issue to help continue

to find efficiencies, and work to address homelessness. I am particularly anxious that we continue to make progress in eliminating chronic homelessness.

Last year's changes to the formula for Housing Opportunities for Persons with AIDS (HOPWA) was a great step towards efficiency, shifting funding to areas with higher numbers of HIV/AIDS cases, rather than historical incidents. This is the kind of targeted efficiency that will help us do the most with limited Federal resources. We provide a phased-in approach to the new formula to provide communities time to adjust. The additional funding in 2017 also will help provide communities more time to adjust to the new formula. The 2018 Budget provides \$330 million for HOPWA.

Homeownership

Stability in the American housing market is important. Federal Housing Administration mortgage insurance programs, along with the mortgage-backed security guarantee of Ginnie Mae, will continue as a path for responsible homebuyers to have access to credit so they can build wealth through homeownership. The Budget includes \$400 billion in loan guarantee authority for the FHA Mutual Mortgage Insurance programs, and \$500 billion in authority for Ginnie Mae secondary market guarantees. These programs will generate approximately \$9.5 billion in receipts in 2018.

The Mutual Mortgage Insurance program plays a critical role in supporting homeownership—serving over 3.3 million families over the past three fiscal years. There is over \$1.1 trillion in outstanding loan guarantees, which are subject to economic risk and uncertainty. I take the responsibility for financial stewardship seriously. This is one of the reasons the Administration decided to halt the proposed reduction in insurance premiums earlier this year in order to assess the current conditions and risk management needs.

I look forward to bringing on an FHA Commissioner to get their perspective on the state of the Fund. Additional actions may be warranted so that we can put households on a path to success and provide upward mobility for borrowers.

Program Eliminations

The Administration's Budget reflects tough choices—eliminating or reducing funding for certain programs, and applying funds to other priorities. However, HUD's overarching mission remains the same: that all Americans have access to decent and safe housing. We will use lessons learned from eliminated programs and look to work with State and local governments and other partners to further economic development goals and support households on their path to sustainability.

The Budget does not include new funding for the Community Development Block Grant (CDBG) or HOME programs in 2018. The CDBG program is not well-targeted to the poorest populations and has not demonstrated a measurable impact on communities. While the HOME program has played a part in affordable housing production, the Budget recognizes a greater role for State and local governments. The Department is committed to making the most of existing funding, consistent with the goals of these two programs.

The Budget also does not include funding for the Housing Trust Fund, Choice Neighborhoods, the Self-Help Homeownership Opportunity Program, or Capacity Building (also known as Section 4). The Department looks forward to working with our State, local, and private partners to support them in playing a greater role in local community and economic development.

Efficient and Effective Operations

The Department has had public management challenges over the years that make it difficult to make the most of our resources and deliver on our mission in a transparent manner. The Budget recognizes that strong operations play a critical role in effective program delivery, with some initial steps to generate efficiencies in operations as we work towards the longer-term plan under the Administration's Executive Orders designed to streamline regulations and restructure agencies.

There are several current managerial and operational issues that our Inspector General and the Government Accountability Office have identified, as well as opportunities for efficiencies found in our own internal reviews. We are aware that these important issues need to be addressed and we are undertaking steps to lay out a path to address them. Many of the findings cannot be corrected by simply putting them into operational, financial and technological categories, but instead each requires an integrated solution to ensure that we are implementing the fix that is most efficient and effective, and avoids recurrence of the same problem.

I am building a leadership team with financial, operational and technological expertise that will work collaboratively to solve tough problems. I believe this integrated approach will put the Agency on a strong managerial and operational track. The 2018 request will support the agency's modernization and restructuring to align our core mission and policy priorities.

Modernizing the Department's IT is critical to finding efficiencies that will allow us to more effectively deliver on our mission and we need to take steps towards replacing legacy systems with secure and reliable functionality. Achieving these efficiencies is about more than just the IT platform. We also need to transform service delivery and retool the HUD workforce to support these modernization efforts. To that end, the Budget includes the Working Capital Fund fee-for-service model that was fully enacted this year. The Budget also requests administrative flexibilities, so that we can target funding to the right blend of IT systems, human capital, and business processes to achieve our goals.

Summary

In summary, the President's Budget is fiscally responsible and reflects a commitment to supporting critical functions. It also administers programs to help low-income and vulnerable households. Further, this Budget incentivizes work-able families to achieve self-sufficiency and supports a path for borrowers to upward mobility. I look forward to working with this Committee to build programs to support these goals.

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