

HUD'S FISCAL YEAR 2006 BUDGET

HEARING

BEFORE THE

SUBCOMMITTEE ON HOUSING AND TRANSPORTATION

OF THE

COMMITTEE ON

BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

ON

THE PRESIDENT'S PROPOSED BUDGET REQUEST FOR FISCAL YEAR 2006
FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

APRIL 21, 2005

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HUD'S FISCAL YEAR 2006 BUDGET

THURSDAY, APRIL 21, 2005

U.S. SENATE,
SUBCOMMITTEE ON HOUSING AND TRANSPORTATION,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Subcommittee met at 2:27 p.m., in room SD-538, Dirksen Senate Office Building, Senator Wayne Allard (Chairman of the Subcommittee) presiding.

OPENING STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. I am going to go ahead and call the Subcommittee on Housing and Transportation to order, and I know that we are starting here just a minute or two early. We are going to have some votes this afternoon, and they are anticipated, at least the last time I looked—to start about 2:15 or so, and I was hoping that what we could do is begin to get some testimony quickly, get some things put in the record. I am going to keep my comments very brief, and then hopefully we will give the minority an opportunity. I think they are on their way, and they can make a comment. If not, perhaps maybe the Secretary can make a few comments, and then when they show up, we will give them an opportunity to make some comments for the record.

If at all possible, I am going to try and get this hearing concluded around 2:55, and the reason for that is out of respect for the Secretary's time. I know he is a very busy person, and we are going to have at least 4 votes, maybe 5, and in my mind I am figure it is an hour and a half where everybody is going to just have to sit here in recess while we do all our work on the floor. And so I hate to have you wait here for an hour and a half.

That is the plan of action right now, and I just would like to welcome everyone to this hearing of the Subcommittee on Housing and Transportation, and today we will be discussing the FY2006 budget of the Department of Housing and Urban Development.

I just want to personally welcome you, Mr. Secretary, to the Subcommittee. We appreciate your making time in your busy schedule to be here with us today.

Secretary JACKSON. Thank you very much, Mr. Chairman.

Senator ALLARD. And so why don't I go ahead and recognize you. You can begin your testimony, and then when the minority shows up, I will give them an opportunity to make some comments for the record.

**STATEMENT OF ALPHONSO JACKSON, SECRETARY,
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Secretary JACKSON. Thank you, Chairman Allard, and also Ranking Member Reed. We will present the 2006 budget here, but to save time I will submit the full budget to you all.

Over the past 4 years, we have had a very unique experience in the Administration by promoting homeownership and increasing accessibility to housing and fighting housing discrimination. I will submit to you all a \$28.5 billion budget for HUD for 2006.

In June 2002, the President challenged us to create 5.5 million new minority homeowners. I can tell you today that when he challenged us to create 5.5 million new minority homeowners, he also said that we had to continue the strong housing market that we had. Since that time, we have created 2.2 million minority homeowners, which is 40 percent of our goal, and to date, 51 percent of those homeowners are minorities.

We have also had very strong evidence of the housing market, and it has been helped by the President's signing of the American Dream Downpayment Act, which we distributed \$160 million to over 400 State and local governments. But the most important part of that distribution is the \$40 million that we used for housing counseling. We have found that by counseling people, they take the responsibility and understand the necessity of what goes with owning a home.

The 2006 budget is the steward of the taxpayers. That is what we say. We have the Section 8 choice voucher, and we are pleased to tell you that Section 8, we funded it fully. But if we look at the history of Section 8, it has gone over the last 5 years from 43 percent of our budget to 57 percent in 2005. At this rate we cannot continue to fund the program without cutting other programs. So, therefore, we are asking the Congress to pass what we call the flexibility bill as it relates to voucher and to go back to a budget-based system.

Mr. Chairman and Mr. Ranking Member, but specifically Mr. Chairman, for your leadership in introducing S. 771, authorizing legislation to create flexible voucher, I would like to give my thanks and the thanks of the Department.

With that, Mr. Chairman, I am open to answer questions from and the Members of the Committee.

Senator ALLARD. Thank you, Mr. Secretary.

I know that Senator Reed has a rather lengthy statement that he wants to make. I said that is okay, we will give you a chance to do that. And like I say, this is a minute-by-minute thing, but my latest memo here shows that the votes have been pushed back a bit, so that will continue to help serve our needs this afternoon as we hopefully get adequate discussion on issues that your Department is facing. So, I want to thank you again for being here, and now I recognize Senator Reed.

STATEMENT OF SENATOR JACK REED

Senator REED. Thank you, Mr. Chairman for holding this very important hearing on the HUD budget for fiscal year 2006.

I would also like to thank, obviously, Secretary Jackson for appearing before us to testify on behalf of the Department.

Secretary JACKSON. Thank you.

Senator REED. The Administration's budget request for the Department of Housing and Urban Development for fiscal year 2006 is \$28.5 billion, a decrease of \$3.3 billion, or almost an 11-percent decrease from the fiscal year 2005 funding level of \$31.9 billion. However, this 11-percent cut does not fully reveal the true extent of the devastating cuts to HUD programs because the budget numbers are distorted through a budget rescission request of \$2.5 billion as well as by how FHA receipts are treated for purposes of this fiscal year 2006 budget.

In fact, the overall funding for HUD programs is far much less than the Administration has indicated. Proposed reductions to individual HUD programs include, among others, some \$4.6 billion from Community Development Block Grant funding, \$118 million from housing for persons with disabilities, \$14 million from housing for persons with AIDS, \$24 million from rural housing and economic development, \$24 million from brownfields, almost \$286 million from HOPE IV, \$226 million from Section 8 project-based assistance, and \$252 million from the public housing capital fund.

I am also especially troubled by this proposed \$2.5 billion rescission for which neither HUD nor OMB has been able or willing to identify the source of funding for this rescission.

Let me say a little more about some of these cuts. First, the Administration's proposal to dismantle the CDBG program along with 17 other community development programs and these programs with a new program at the Department of Commerce is a terrible idea. The Administration proposal to fund this new initiative at \$3.7 billion is a 34-percent overall reduction for all these programs from the fiscal year 2005 level of almost \$2 billion.

Basically, this proposal will eliminate one of our most important and successful Federal community development programs—the Community Development Block Grant program, CDBG—and replace it with a program that will provide fewer resources to fewer people. CDBG was established in 1974 to provide Federal funding directly to local communities for housing rehabilitation, job creation, and infrastructure projects for low- and moderate-income families and neighborhoods. Over the past 30 years, CDBG has become the glue that holds together other Federal and local programs serving low-income people.

Although the Administration is pretending otherwise, the real issue with Federal community development assistance is not the current structure of the existing programs, but the desire to cut back domestic spending.

I am also very concerned over the Administration's approach to public housing. The Administration is seeking to eliminate the HOPE VI program as well as rescind the HOPE VI fiscal year 2005 funding of \$143 million. The Administration has also broken a promise to develop a new operating fund formula through a negotiated rulemaking process. Equally troubling, HUD's fiscal year 2006 budget request includes a \$252 million reduction in the public housing capital fund despite an estimated \$20 billion backlog in modernization needs.

Finally, I am concerned about the Administration's \$46.6 million cut in funding for HUD's Office of Lead Hazard Control. As you are

probably aware, this cut would eliminate the Lead Demonstration Program that I created, along with Senators Mikulski and Bond, to provide targeted funding to communities with the highest incidence of lead-poisoned children in the country. Your rationale that areas with high incidences of lead poisoning have now “developed greater capacity and can compete for money in the regular grant program” is a deep misunderstanding or misrepresentation of our demonstration program. In fact, our program only provides money to communities with a demonstrated need. It targets funding to communities with the worst problems. This HUD cut, which will harm children, is especially troublesome.

Given the Nation’s current fiscal problems, I am not expecting a big increase in the HUD budget. However, I think the Administration’s proposals will hurt some of the most vulnerable people in our Nation—children, the elderly, the disabled, and those with AIDS—and I think you have a lot of explaining to do, Secretary Jackson, in your testimony. I look forward to your testimony.

Just a final point. Everywhere I go in Rhode Island, in fact, around the country, one of the great needs is for housing for all of our citizens. You know, you do not have to go far. It is not an urban problem. It is a rural problem. It is not a Northeast problem. It is a Southwest problem. It is a West Coast problem. It is a problem across this country. And to cut the budget for the agency whose task is to assist local communities with their housing needs by such a significant amount flies in the face of the reality that faces this country and faces families across this country. And I find it, to be kind, problematic.

Thank you.

Senator ALLARD. Thank you very much for your statement, Senator Reed, and I thought we would proceed right on to questions.

First of all, I would just like to take this opportunity to raise a concern that I think is going to affect HUD’s ability to operate effectively and efficiently, and that is, the Department currently faces staffing vacancies.

Secretary JACKSON. Yes.

Senator ALLARD. And of the 11 Assistant Secretary level positions at the Department, 8 are or will very shortly be vacant, and that includes a number of critical positions, as I see them. There is the General Counsel and Chief Financial Officer.

Additionally, half the regional director positions are vacant, and I think that these vacancies seriously inhibit your help that you badly need in running the Department, Mr. Secretary.

Now, I know that we have a real need there, but I also realize that you are not the one that does the nominating and whatnot. I assume that you are communicating with the President your open vacancies that you have in the Department so he is well aware of what your situation is. Is that correct?

Secretary JACKSON. Yes, Mr. Chairman, we are. And we are moving expeditiously on many of those. They are going through the clearing process with the FBI.

Senator ALLARD. Okay. And now, the budget assumes a staffing level of 9,900, and that is a reduction of 123 FTE’s. Most of the reduction comes from the assumed elimination of OFHEO’s 225 FTE’s.

Secretary JACKSON. Yes.

Senator ALLARD. And given these reductions in staff levels, you are requesting an increase of \$34 million for salaries and expenses. Would you explain that ambiguity, if you would, please?

Secretary JACKSON. We are not hiring new persons. What we are requiring is to meet the pay raise that was mandated, and we are asking for the extra money just to meet the pay raise so that we will make sure that our employees get what is due them and are pleased to get it.

Senator ALLARD. Okay.

Secretary JACKSON. So we are not asking for any new employees.

Senator ALLARD. Good. And then on the staffing decisions, how are those being made? And how are you assuring that we get the right people and the right programs to administer?

Secretary JACKSON. I will tell you that we have been in constant contact with personnel from the White House, and myself, the Deputy Secretary, and the Chief of Staff, we have interviewed a number of persons for the Assistant Secretary level, the General Deputy Assistant Secretary level. And we are looking at, I think, a tremendous crop of people who are willing to leave the private sector and come and work with us. I am just pleased, as an example, with the core people who want to be General Counsel for HUD. I think we are very fortunate to have the quality of people that are willing to do that for the salary that it pays.

Senator ALLARD. Thank you.

Now, I want to talk about the FHA zero downpayment proposal. As part of the budget, the Department proposed or repropose the FHA zero downpayment legislation. As you know, I am a strong supporter of homeownership opportunities and have worked closely with you on the American Dream Downpayment Act.

Secretary JACKSON. Yes.

Senator ALLARD. And various other proposals to promote ownership. However, I am concerned about this proposal here. First, what assurances do we have that such a program would create sustainable ownership?

Secretary JACKSON. We believe that the most difficult problem that low- and moderate-income people face is the downpayment and closing costs. It is not the sustainability of the rent. We believe that if we can go to the zero downpayment, we will encourage and increase homeownership at a faster rate.

Will we have defaults? Yes. I cannot sit here and say we will not have defaults. But we will work with those persons who want to go, and we are not going to change or let down the standards any.

What we are saying is that after a period of time—and I cannot remember that, I think it is 4 years—we will reduce the rate. But we believe deeply that, if given the opportunity, they will sustain themselves. And we have been able to see it. Even with the American Dream Downpayment Act, those persons who get into a home stay. And a lot of times you have persons who are paying 40, 45 percent of their income for rent. In most homes that are owned by Americans, it is either 30 or 31 or 32 percent. So they will be saving money that can be used to help their children, their children's education, or do other things with it.

Senator ALLARD. Thank you very much for your responses. I see that my time has expired. I am going to hold the Members on the Committee to a pretty strict 5-minute time limit because of our limited time that we are going to be in session. Then we will give plenty of time to keep gumming around as long as we have time here in the Committee. So, I will recognize you first, Senator Reed, and then Senator Corzine.

Senator REED. Thank you very much, Mr. Chairman.

Mr. Secretary, let me follow up on some of the comments I made in my opening statement. As you know, I am particularly concerned about the cuts to the lead control program. It is effectively going to eliminate about 30 percent of the resources that are going into that program. An underlying assumption is that we are committed as a Nation and you are committed as an administration to eliminating lead poisoning by the year 2010.

According to the Federal Strategy to Eliminate Childhood Lead Poisoning by 2010, of which HUD was the key author, an average of 230,000 units need to be evaluated and identified lead paint hazards controlled each year. Last year, HUD created approximately 8,800 lead-safe units through its lead program, and that Federal strategy report recommended increasing Federal funding of the lead hazard control program.

How will a \$47.6 million cut in the HUD demonstration program enable the Department to do its part to end this program and achieve the goal by 2010?

Secretary JACKSON. Senator Reed, we believe that we have made great strides based on the demonstration program that you authored. We feel that now we have eliminated a lot of lead hazard problems that exist in this country, and we believe that within this budget that we have, we can continue to address those issues.

But let me say something else to you that I think is very important. I understand the question that you asked, but I was presented with a very difficult circumstance. We have an expanding Section 8 budget, and I had to prioritize and look across every program that we had and decide how we best could serve the needs without putting persons out on the streets. And we made priorities.

Was it easy? No, sir, it was not. Did I relish that? No, I did not. But choices has to be made, and we made the choices, and we felt that we had done quite a bit in the lead base program and that we could still present and command a program that would address the needs of those most vulnerable to lead.

Senator REED. There are other choices that you could have made, Mr. Secretary, and that would be to raise the top line on your budget, to have the President say that he is committed to ending lead in 2010, not just rhetorically but actually, to say he is committed to keeping people in homes. That choice was ignored.

Secretary JACKSON. No, I would disagree with you. We are committed—

Senator REED. So you have as much money as you need to eliminate childhood lead poisoning by 2010.

Secretary JACKSON. Yes, it is still our goal to do it.

Senator REED. It is your goal. Will you do it with this funding?

Secretary JACKSON. You know, I cannot tell you we will do it. We are going to make every effort to do it, and I believe we can do it with this funding.

Senator REED. Well, you are not making every effort, Mr. Secretary, when you cut \$47 million out of the program.

What you are doing is—

Secretary JACKSON. I understand what you are saying, but I would say I think we have enough to administer the program in a very formidable way.

Senator REED. Let me tell you, last year approximately 9 percent of children in St. Louis—that is about 1,100 children—were poisoned by lead. In my home city of Providence, about 9.5 percent of the children in the city were poisoned. That is about 831 people. In some school districts in Rochester, New York, one out of every three children is poisoned.

This is a completely avoidable but very dangerous childhood disease that has irreparable damage to children, and, you know, I do not think it is a choice between putting people on the street and letting children be poisoned. I think it is a choice between getting more resources into your Department and other Federal priorities of this Administration, principally the tax cuts.

Let us go to CDBG. In 2004, Secretary Bernardi, who is sitting there, who is the distinguished former Mayor of Syracuse, New York, said this: “HUD has a long history of being there and providing help for people, particularly those with the greatest needs, our lower-income constituents. CDBG has certainly been there during boom years and, most importantly, in times of tightening budgets, which place greater demands on existing services. We must continue to support and build upon programs that work, those that have a proven record of flexibility and the ability to fit in with local determined needs. CDBG is such a program. It ranks among our Nation’s oldest and most successful programs. It continues to set the standard for all our block grant programs.”

What has happened in a year that would cause you to reduce CDBG funding significantly, on the order of 30 percent, if it has been such a successful program that is flexible, that works, and, in fact, you propose to restructure the program almost completely?

Secretary JACKSON. Mr. Ranking Member, I will not sit here and tell you that the Community Development Block Grant program is not a success. If I did that, I would be pretty hypocritical, having been chairman of two community development agencies, one in DC and one in St. Louis.

What we did is zeroed out \$4.5 billion out of our budget. It was going to Commerce. We made a logical argument that we felt that all of the economic development programs should be consolidated at HUD.

Senator REED. Commerce you mean, Mr. Secretary.

Secretary JACKSON. No, we made initially the argument that it should be at HUD, and the decision was made to send it to Commerce, and we did what was asked of us. We zeroed out \$4.5 billion. But I will not sit here and tell you that the community development program has not been a very active and stabilizing program.

Senator REED. I respect your stating what you and your Deputy Secretary have made clear, that this is a successful program. I think anybody who has been in local government, as you have and as the mayor has, understands that this is a program that not only provides resources but also flexibility. That is why the Secretary said it. It is a model of Federal-city relationships. And to cut it—and your rationale now is you were just told to do it and you are carrying out your orders. But that is not a good justification for—

Secretary JACKSON. No, we did not cut the program. What we did is zeroed out of our budget \$4.5 billion to be—

Senator REED. Transferred over to Commerce.

Secretary JACKSON. To Commerce. So our position is that the program—

Senator REED. I do not want to use up my time, but I want to understand the bookkeeping here. The money that will be sent over to Commerce is significantly less than what you spent last year on the program. Is that correct?

Secretary JACKSON. You know, Senator, I really cannot answer that question for you because I really do not know.

Senator REED. Well, if you do not know, Mr. Secretary, then—

Secretary JACKSON. I just know we zeroed out \$4.5 billion out of our budget. Now, how they are going to use it at Commerce, I cannot tell you.

Senator REED. Thank you, Mr. Secretary.

Senator ALLARD. Senator Corzine.

STATEMENT OF SENATOR JON S. CORZINE

Senator CORZINE. Thank you, Mr. Chairman. I have a formal statement for the record.

Senator ALLARD. We will make that a part of the record, Senator.

Senator CORZINE. I did not hear Senator Reed's statement, but I am sure I will echo a lot of the same themes. I am troubled with the decline in budget top-line numbers for HUD, and I am particularly troubled with the CDBG efforts. And I must tell you that hardly anything is bringing more rants and raves from State and local communities than the CDBG cuts. I am very troubled with a number of the changes in the public housing operating fund, basically a reduction to 89 cents for every dollar needed to cover basic housing operation costs.

Our local authorities are going to have to turn to the State. I am a little more interested in the State now than maybe even I was prior to recent days.

[Laughter.]

Somebody is going to have to make up the differences. You know, devolution of responsibility when a State is already running a \$4 or \$5 billion budget deficit is hard to understand. HOPE VI, which has been an extraordinarily successful, leverageable program in New Jersey, is zeroed out in the budget. I do not know where to start. I also have the same issues on lead. I know the Administration has a very laudable goal of ending homelessness in America. I think the steps that we are taking with respect to a lot of the issues, acknowledging we have serious budget problems—Senator Allard and I sit on the Budget Committee, and we heard more than enough to scare people on both sides of the aisle about where we

are going. But these budget problems are not going to go away. They are just going to go either to the State government or to the local government. And I do not understand actually why we are pulling so fundamentally away from providing support for housing.

I guess my question is: What is the philosophical thrust of this? We have an affordable housing gap in this country. We have talked about that under the context of the GSE's. What is driving this push-away from HOPE VI, the changes in operating rules that reduce Section 8 housing subsidies for these homes? What is the philosophy? Is it just simply budget?

Secretary JACKSON. Let me say this: The philosophy that the President and I have is that we are going to do everything in our power to serve the needs of those most in need. And I believe that, clearly, when we talk about a number of programs—and let me use the HOPE VI as an example. The HOPE VI program has been, in certain places, an excellent program.

Senator CORZINE. Extraordinary.

Secretary JACKSON. No, I would not say extraordinary, Senator. I would say that of the 200 or so awards that we have made, we have only finished, in the last 12 years, 33 of them. We are standing with \$3 billion outstanding that is over 5 years old. So it is not extraordinarily successful. And when we dreamed up the HOPE VI program, I was one of the committee who—

Senator CORZINE. My point was it is extraordinary in those communities where it has been properly executed and changed, and one wonders why we do not use the example of those places that have been successful to try to get this program to be a driver of economic renewal in our communities as opposed to zeroing it out because there have been flaws in how the money has flowed.

Secretary JACKSON. I do not think it is just flaws. I think that the program from its inception has not operated as the people who were writing the legislation—and a number of Members are still in the House—thought it would be. It has not worked as well as we thought, and the key to it is we still have over \$3 billion outstanding.

I believe also that it is my responsibility to make sure the Section 8 program works, and I have been very honest with the Committee, and I will be very honest today. It is eroding the budget. Just 5 years ago, it was 43 percent of our budget. Today, it is 57 percent of our budget. I had to make very difficult choices in order to make sure that the Section 8 voucher program was funded fully.

Senator CORZINE. Just so you know, make sure that you recognize that the growth in that budget is absolutely indicative of the demand for affordable housing in this society, which we are not providing enough of. I mean, it is indicative of a demand.

Secretary JACKSON. No, it is—

Senator CORZINE. The lines for people who want to sign up for Section 8 vouchers and/or housing rental units is extraordinary in my State. Maybe it is different in other places.

Secretary JACKSON. No. It is extraordinary. But I think the real issue is what has happened to the program since 1998. We made a decision to serve 75 percent of the vouchers to 30 percent or less than median in this country, where before it was 50 percent of median, and the average stay on the program was just a little over

3 years, where the average stay today is almost 8 years. So we are increasing budgets, but more people are not being served, and that is the thing that disturbs me tremendously.

In your part of the country, in Senator Reed's part of the country, it is very difficult to really use a Section 8 certificate or voucher. We know that. But in the Southwest and the Southeast, it is not that difficult. But the prices the landlords are getting for these vouchers are exorbitant. They should not be there.

So if we can have the flexible voucher program and give the flexibilities to the housing authorities to use, I think we will see more people being housed quicker and less people staying longer on the program. And I know some people will say that is not true. Well, you know, I have the dubious distinction of being the only Secretary of HUD that has ever run a housing authority. I ran three of them. And I had a budget that they gave me, and I housed people on Section 8. I do not see a problem going back to budget base and flexibility. If given flexibility, you know what you have to do with those vouchers. And I believe that that is the way we are going to stop the exponential growth of this program. Otherwise, it is going to eat away at our budget continually.

And let me say this when you say there is a need. I do not see that we have an affordable housing problem in the United States. I think we have it by regions. If you are talking about your part of the country, we have a serious problem. If you are talking about Rhode Island, we have a serious problem. But if you are talking about Dallas, if you are talking about Fort Worth, if you are talking about Chicago, no, it is not a serious problem like you will see in New Hampshire, Maine, and other places.

Senator ALLARD. Senator Corzine, thank you, and you and Senator Sarbanes came in after I explained where we are on this Committee. I am going to try to keep the 5-minute rule as strict as I can because we have about four or five votes that are going to be coming on the floor. They have been delayed, so it is going to help us out this afternoon to manage it. And that takes up nearly all of our hearing time that we had set aside.

We are on the first round of questioning, so I want to give Senator Sarbanes an opportunity to make an opening statement and to go ahead and ask questions if he would like. Myself, Secretary Jackson, and Senator Reed have taken our full statements and put them in the record, and we will put your full statement in the record, Senator Corzine, and then I will call on Senator Sarbanes.

Senator Sarbanes, we are in the first round, and you are up.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you, Mr. Chairman.

Mr. Secretary, I guess I am wondering what happened to the HUD budget on the way to the Congress.

[Laughter.]

It must have gotten waylaid somewhere. One hopes it was not like this when it came out of the Department, but who knows, and maybe we might examine that here today.

My reading is that the overall funding levels have been cut about 12 percent from fiscal year 2005 to fiscal year 2006. Do you disagree with that?

Secretary JACKSON. I cannot tell you that they have been cut. We shifted \$4.5 billion out of our budget to go to Commerce.

Senator SARBANES. Yes, that is interesting. Was that your idea to send it over there to Commerce?

Secretary JACKSON. I think just before you came in, Senator, I said to Senator Reed that I think that HUD made a logical argument that economic development should, with the community development program, stay at HUD. The argument we felt was very strong. But the decision was made to consolidate, and I totally support consolidating the programs. They should be consolidated because the way they are piecemeal today is not good, because a lot of times we do not know what economic development—

Senator SARBANES. Now, the consolidation I think was about \$4.7 billion out of the HUD budget?

Secretary JACKSON. It was \$4.5 billion out of our budget.

Senator SARBANES. Yes, and it was consolidated into an agency over at Commerce?

Secretary JACKSON. Yes.

Senator SARBANES. And was their budget about \$370 million?

Secretary JACKSON. Yes, their economic development program was about \$370 million.

Senator SARBANES. \$370 million.

Secretary JACKSON. Yes.

Senator SARBANES. And you sent over there \$4.5 billion.

Secretary JACKSON. We zeroed \$4.5 billion out of our budget.

Senator SARBANES. Boy, that is the tail wagging the dog, is it not? So it seems to me. Public housing has been cut. You are talking about eliminating the HOPE VI program. Actually, are you also talking about rescinding what the Congress appropriated this year for HOPE VI?

Secretary JACKSON. No. We have the HOPE VI NOFA on the street. We have not rescinded it.

Senator SARBANES. \$143 million that we appropriated for the current fiscal year, you are not proposing to rescind it?

Secretary JACKSON. We had proposed, but it was told to us that we move forward with it, and we have.

Senator SARBANES. Oh, good. Who told you that?

Secretary JACKSON. Senator Bond, for one.

Senator SARBANES. Oh, good.

[Laughter.]

Senator CORZINE. You should ask him how many Missouri projects are in HOPE VI.

Senator SARBANES. I am going to get to that one.

[Laughter.]

I understand the disabled housing program, Section 811, is being cut 50 percent and further being restricted to voucher assistance only. Is that correct?

Secretary JACKSON. It is not—yes, it is. What we did is we were still under all of the outstanding vouchers, but we are not building 1,500 new units.

Senator SARBANES. The experts tell us that for the disabled though you need—they need the services to go along with the housing. I am quite interested in this subject because I just introduced legislation to encourage providing services for the elderly as well.

What the experts are telling us is that just the housing alone is not enough to meet the problem. You need the services to go with the housing, both for the elderly, but even more so for the disabled.

Secretary JACKSON. Yes.

Senator SARBANES. But you are not going to continue the program of constructing housing specifically designed for the disabled; is that correct?

Secretary JACKSON. Yes. We did not put in for 1,500 new units, but we will continue to fund the 40,000 units we have out there and provide the assistance.

Senator SARBANES. Mr. Chairman, I would like to put in the record two letters of opposition to the block granting of the Section 8 voucher program and the eliminating of the various protections that have ensured that it provides affordable housing, first and foremost, to those who need it most.

Senator ALLARD. We will be glad to put that in the record, and would you like to put your full statement in the record, Senator Sarbanes?

Senator SARBANES. I am almost at the end of it here.

[Laughter.]

Senator ALLARD. Okay.

Senator SARBANES. One is signed by 39 organizations that says that the Administration's proposal represents a seismic shift in national housing policy. "The program changes proposed would be devastating to those current participating in HUD affordable housing programs, as well as the millions in need of such assistance." And it is signed by, amongst others, the Low Income Housing Coalition, Catholic Charities, Jesuit Conference USA, Enterprise, Lutheran Services in America, United Cerebral Palsy, and the Volunteers of America.

The second letter sent by the National Alliance to End Homelessness explains, "Section 8 is particularly important in providing supportive housing, the key to meeting the goal set by President Bush in 2002, of ending chronic homelessness in this country in 10 years."

Mr. Chairman, in closing, because I see I have used up my first round here, I just want to quote Senator Bond, our colleague, to whom you made reference earlier, Chairman of the Appropriations Subcommittee with jurisdiction over HUD. Senator Bond said to you, Mr. Secretary, at your last appearance before him. Senator Bond said, "I believe that the President has been getting some very bad advice about the housing and community development needs of the Nation."

Now, are you the one who gives him advice, the President, about housing and community development needs, or has that advice been coming from somebody else?

Secretary JACKSON. No. I give advice to the President about housing needs, especially as it relates to HUD.

Senator SARBANES. And do you think Senator Bond was referring to you when he said that, or maybe some other advisers that the President was hearing from?

Secretary JACKSON. I think you would probably have to ask the Senator that.

Senator SARBANES. Okay, thank you.

Thank you, Mr. Chairman.

Senator ALLARD. Thank you, Senator Sarbanes.

Senator Schumer, we are in a first round of questioning, and if you can possibly put your full statement in the record, it would help us, and we have four, maybe five pending votes on the floor, so I am trying to move things along.

STATEMENT OF SENATOR CHARLES E. SCHUMER

Senator SCHUMER. I will be quick.

Senator ALLARD. And would like to give you your full 5 minutes, and if we have time I would like to go through a second round of questioning. Just before I recognize you, I would like to—again, we have heard some dismal stories here, but there is a good story out there in that homeownership is at an all-time high in this country, and so housing programs have been working.

Senator Schumer.

Senator SCHUMER. Wait till we undo Fannie and Freddie, and then we will undo that one good point too.

[Laughter.]

But in any case, I want to thank you, Mr. Chairman, for holding this hearing. I will be quick with my questions because I know we have to move along.

The first issue—and this is also good news—smaller but very consequential. We have in New York City an epidemic of distressed HUD housing facing enforcement action, and if we do nothing, particularly when the leases expire, they will just be put on the market. New York City, even in the poorest neighborhoods property values are way up, so that you could profitably just have these rents float to market. It would just throw 17,000 people out of housing with nowhere to go. Our real estate market is tight.

And the Secretary has been very helpful. We have already solved the problem of Logan Gardens. We are about to solve at Adventist Francis and Gates Patchen, so we are working our way through them. And I wanted to thank the Secretary for that. He is working.

Secretary JACKSON. Thank you.

Senator SCHUMER. With the cooperation of yourself and New York City's HPD Commissioner, Sean Donovan. So that is the good news front. And I take it we will continue to work in that direction as we work through those projects.

Secretary JACKSON. We surely will.

Senator SCHUMER. Great. Now, the bad news is operating subsidies. We have in New York City 600,000 people in public housing. When I was in the House we already crossed the bridge that we were not going to build new public housing, and the amount of money to build new public housing is minimal. In some years it has been zero, and it was very expensive to build public housing, and there were better ways. The 80/20 does a very good job, in my opinion, at least in high cost areas like New York, of providing affordable housing, so I was not wed to that.

On the other hand it has been immutable that operating subsidies would continue to come through. You have a huge investment. New York's 600,000 people is more than all but 8 or 9 cities in the United States. New York City happens to have a well-regarded housing authority and it maintains the housing quite well.

Most of the projects have been federalized over the last 20 years. How can we cut the operating subsidies the way we are? I mean everywhere we look Section 8, which was regarded as a good healthy program, we are not getting—and a free market program, or at least as free market as when the Government gets involved in housing as you could, is going down. And now these operating subsidies.

The housing authorities were promised that their loss would not exceed 5 percent. They were promised that. Every one of them thinks it. Now we are seeing that they are losing huge amounts of money. I think in Niagara Falls it was 47 percent. New York City would lose \$185 million. It makes no sense to cut the operating subsidy. If you want to say, oh, the locality should pick these things up, well, you could say that about everything, and frankly, the localities have less money than the Federal Government. So you are just going to take this wonderful grand investment that has housed so many poor people, and basically put it on the road to poor housing, which it is not now. Can you please explain to me first what made HUD change its mind with the 5 percent, getting away from the 5 percent cut, but the overall rationale of cutting operating subsidies which means it is like not maintaining your car, or it is like a private homeowner not maintaining their home.

Secretary JACKSON. Mr. Senator, I cannot talk to you about 5 percent. I am not sure about where you got the 5 percent from, but I can talk to you about the negotiated rulemaking that we had with the industry. And what we said is that if the housing authorities are going to be able to sustain themselves is that we must look at better ways of managing those authorities. And you talk about housing authorities, about 70 percent of them benefit from the negotiated rulemaking that we did. There are some that will suffer, there is no question about it.

But let me say this to you. You know, when I ran housing authorities in St. Louis, Dallas, and in Washington, DC, the operating subsidy was never more than 92 percent. We were funding it at 90 percent. It has been and will still be, I think, at a level that the housing authorities will be able to carry out their mission.

Are we asking them to manage better? Yes. But I had to manage three housing authorities with never having 100 percent of subsidy.

Senator SCHUMER. Let me give you one example. Is New York City not managed well?

Secretary JACKSON. I think New York is managed well.

Senator SCHUMER. How do they deal with \$185 million cut?

Secretary JACKSON. Well, I cannot specifically speak to what their cuts are today.

Senator SCHUMER. There are people in this audience who were part of the negotiation.

Secretary JACKSON. Yes.

Senator SCHUMER. Well, I will take a liberty here. How many of you were told that 5 percent would be the limit of the cut by HUD? Raise your hands. There are a few hands there. There were.

So we should go back. I would ask you to go back and reexamine that issue. I understand you are part of the Administration and doing your job for the man who appointed you, the President. But a Housing Secretary has some obligation to fight for the constitu-

ency, which is housing, and nowhere, not Ronald Reagan, not George Bush the first, has done this kind of cut to operating subsidies that we have seen here.

Secretary JACKSON. Senator, I would disagree. I have operated three housing authorities. I know what I have been funded at, and I was never funded at 100 percent. I think only once in the 8 or 9 years I ran a housing authority I was funded at 95 percent, but most of the time I was funded at 90 to 92 percent.

Senator SCHUMER. Can you cite for me a year where the cuts in operating subsidies have been greater than this budget?

Secretary JACKSON. I am not sure when you say "the cut" because right now New York City has over \$400 million in reserve, and we just permitted them to issue a \$600 million bond issue that will be used for renovation of their housing authority buildings.

So, I think that with us doing that, we put them in a very unique position where other housing authorities wish they were.

Senator SCHUMER. But that is, I am told here, some are going to be funded at 50 percent. That is a big difference than 90 percent.

Secretary JACKSON. I do not know of any housing authority that is going to be funded at 50 percent.

Senator SCHUMER. Can you guarantee to us that every housing authority will be funded at 90 percent?

Secretary JACKSON. I cannot make a guarantee that every housing authority will be funded, but I am saying—

Senator SCHUMER. You just said that it was going to be 90—

Secretary JACKSON. I think we are funding most housing authorities at 90 percent.

Senator SCHUMER. Well, maybe most. I do not know ever if that is true, but I would urge you to submit to me in writing the percentage that each city, each of the 100 largest housing authorities is funded at under your proposal, okay?

Secretary JACKSON. Sure, I will be happy to.

Senator SCHUMER. Thanks.

Senator ALLARD. I would like to also now recognize Senator Martinez. We are in the first round of questioning. If you have an opening statement, you can put that in the record, and we are trying to control the time here to 5 minutes. We have obviously gone over that a number of times, but we are expecting some votes here on the floor and there will be about four or five of them. So proceed, please.

STATEMENT OF SENATOR MEL MARTINEZ

Senator MARTINEZ. Rather than an opening statement, I simply wanted to give a warm welcome to my colleague and dear friend, Secretary Jackson.

Secretary JACKSON. Thank you.

Senator MARTINEZ. Secretary, that little seat looks so lonely from over here.

[Laughter.]

I used to sit over there a time or two and I want to welcome the other good friends from HUD who I had the privilege of working with, and helping to do a lot of the things that I think made America a better place in terms of housing.

I want to ask you in two specific areas. One is one of my passions that I know you share was the issue of homeownership. Would you review for us—and if it has been already done I do not suppose you will mind doing it again—the successes we have had in the recent past in terms of homeownership rates, how that has been accomplished and what you foresee in the future in terms of homeownership?

Secretary JACKSON. Back in June 2002, as you were Secretary then, President Bush challenged you and myself to increase minority homeownership by closing the gap that exists between blacks, hispanics, and white Americans. And he challenged us to create 5.5 million new minority homeowners by 2010. As of today, we have created 2.2 million new minority homeowners, specifically black and hispanic, so I think we are about 42 percent in a positive role, and I believe that we will get there before 2010.

Many of the homeowners that we have created have come out of public housing and Section 8, because not only did we create the homeownership for them, but we also created counseling for them. We went from \$8 million a year in counseling when we first walked in, to over \$40 million, and we can help some 800,000 people a year. And on a number of occasions I have been with the President where we have seen people graduate from public housing, from Section 8, and become homeowners. And I am extremely pleased, even though I realize that everyone immediately will not own a home. But we have been very successful.

Senator MARTINEZ. In this budget what is the funding for the American Dream Downpayment Initiative?

Secretary JACKSON. \$200 million, which will help an additional 40,000 families.

Senator MARTINEZ. Good. One other thing that I know you and I worked an awful lot on was on the issue of chronic homelessness. I know that your commitment continues. Can you review for us what this budget will do in terms of homeless Americans and the chronic particularly?

Secretary JACKSON. We are making every effort with the Samaritan Program to meet the needs of the chronic homelessness, and not in a sense where we address one portion of it. The President has insisted that we address the whole perspective of a person. And I had a chance to see how our money was working just about 5 weeks ago when I went out to Los Angeles with Governor Schwarzenegger to visit Path, and that is a center where a person comes in off the streets, has been there more than 90 days. First, they address the mental and physical part of the person. Then they talk to the person, trying to find out what they really want to do, and help them find jobs and security, and then help them find housing.

So the program we are putting in place now is quite different than those piecemeal programs that had existed over the last 12 or 13 years. We are trying to address the whole person because we realize right now that about 80 percent of our budget is taken care of by less than 10 percent of the chronic homeless people. So unless we get them off the street and keep them off the street, we are not going to be very successful.

Senator MARTINEZ. Mr. Chairman, I do not know how much time I have. I just want one quick comment.

Senator ALLARD. You have two minutes.

Senator MARTINEZ. Mr. Secretary. I know you and I have discussed the issue of CDBG, where we have a difference of opinion in terms of the propriety of moving this program, frankly, and even diminishing the funding of it. I hold the view very strongly that CDBG belongs at HUD, that it is a program that has worked well at HUD, it should continue to be at HUD. While I have great faith in the Secretary of Commerce, who also is a friend, I just do not believe that the nexus that exists between cities and HUD is something that can be replicated by another department.

The continuity in issues of community development and housing that exists between HUD and communities is unique. And I think for that reason it is very unwise to move a very successful program. And the criticisms I have heard of it, I just do not think are well thought out, out of HUD and to the Department of Commerce. I think that CDBG has worked well, and you know the old adage, "If it ain't broke, don't fix it." I do not think CDBG is broke.

With that I would just like to ask you about the Section 8 program in the budget. How much of your budget is Section 8? I used to worry greatly about what someone described to me—I believe it was maybe Senator Bond—the Pac Man of the HUD budget being Section 8 as it consumes more and ever increasing portions of the budget, but how the budget treats Section 8 and what your thoughts were on the flexible voucher program.

Secretary JACKSON. The last part, I support the flexible voucher program because that is the way I administered the Section 8 program in three housing authorities and that is the way all housing authorities administered it before 1998. So when they say we are making a step backward, no, we are actually going forward and giving the housing authorities more flexibility. I think they have been hindered. And we have received numerous letters from housing authorities who say that they are willing to do that because it will give them more flexibility.

When we walked into HUD we were spending about 42 to 43 percent of our budget for Section 8. Today, in the 2006 budget, it is 57 percent of our budget. We cannot continue the program. and I guess when I see people say, well, it is going to hurt the homeless, well, I want to say this clearly. Very few homeless people get priority anyway in housing authorities. Housing authorities are not serving the homeless. And so when they come and tell you that, that is absolutely not true. Now, they will make the argument to the Senate, but they will not make the argument to me because I ran three housing authorities and I know how much homeless people are served. You serve people that are 30 percent or less, or up to 60 percent. And those are persons who usually are working in many cases, and some are not.

But I want to say that in the end I think that we cannot continue unless we give the housing authorities more flexibility. You all gave us the budget base last year, but with that budget base we have to have flexibility so that they can serve the constituents.

Senator MARTINEZ. Thank you, sir. My time is up.

Thank you, Mr. Chairman.

Senator ALLARD. Mr. Secretary, that is exactly what we are trying to do with the legislation that we are introducing here, to try and give local housing authorities more flexibility and try and carry on with what the appropriators, Senator Bond in particular, had to do last year in their budget as a Member of the Appropriations Committee. I do appreciate your comments in that regard.

One program I want to run by you, and it is a request for homeless assistance grants where you propose \$25 million for a prisoner reentry initiative.

Secretary JACKSON. Yes.

Senator ALLARD. I applaud you for this effort, and it is important to try to prevent homelessness, particularly among those discharged from institutional settings. I think that is particularly a tough situation. Could you please describe the initiative and what you expect to accomplish?

Secretary JACKSON. When the President spoke of this some months ago, it was his intent to try to stop recidivism, because one of the major problems that many people leaving prison face is first, finding a stable environment to live in, second, a stable job. And hopefully what the reentrance program will do is to help them in both of those situations, where they can become productive citizens. We are looking forward to carrying it out.

Senator ALLARD. Thank you. I also wanted to bring up another issue that is not under the jurisdiction of this Committee, but I think it is important in the overall picture of what we are trying to accomplish as far as housing is concerned, and that is a single-family homeownership tax credit.

Secretary JACKSON. Yes.

Senator ALLARD. I was pleased to read the proposal for a single-family homeownership tax credit patterned after the very successful rental tax credits. And although it is not within Banking Committee's jurisdiction, I am a very strong supporter of the proposal. In fact I have joined Senator Santorum and Senator Sarbanes both in introducing the tax credit legislation. I think it was just yesterday it was introduced, and hopefully that will be swiftly enacted.

Could you please elaborate on what this proposal would mean for homeownership?

Secretary JACKSON. If we are able to pass that and get it funded as we should, we are talking about \$2.5 billion in tax credit that will go to developers to write down the cost of building no-market housing—some will call it affordable housing. Take as an example, we know that in the suburbs of Los Angeles to build a home, before it ever comes out of the ground because of regulatory barriers that exist, environmental, street and sewage, it is somewhere between \$92,000 and about \$109,000. If we can write down 47 percent of that, it becomes a home that a teacher, a fire person, a police person, or a nurse can afford. But to date if we do not write it down, it will not occur. And I think that we must give developers incentives to come back into the urban areas and develop our urban core.

And if we can get this Single-Family Affordable Tax Credit Act passed, it will do just that, it will give them the incentives. We have seen how successful the low income tax credit has been in this country, and I perceive that the Single-Family Affordable Tax

Credit Act will do exactly the same thing for people in the middle, who in many cases, you take a family of 2 or 5 with both of the parents being teachers, who are making just \$100,000. Today, they cannot afford a home in California. With the Single-Family Tax Credit Act I believe clearly they would come within the purview of being able to own a home.

Senator ALLARD. I share your enthusiasm. I think the Rental Tax Credit has been very successful.

Secretary JACKSON. It has been.

Senator ALLARD. I know that the Colorado Housing Authority has been a strong proponent of these tax credits as a way of increasing affordable housing in the State of Colorado, and they appreciate the flexibility that goes with that.

Secretary JACKSON. And Denver has done a very excellent job.

Senator ALLARD. Thank you. I appreciate you mentioning that.

I have not used up all my time because I want to make sure that both Senator Reed and Senator Sarbanes has time on the second round, so I am going to call on Senator Reed.

Senator REED. Thank you again, Mr. Chairman.

Mr. Secretary, I would like to look at the Section 8 program. In your comments, you suggested it is just growing so dramatically that it is devouring all other programs. And I do recognize, as you do, that part of the growth stems from Congressional actions increasing the number of eligible persons. In addition, part of the growth, and there have been estimates about a third of the growth related to the perfect storm of hot housing markets, prices going up, incomes declining, people qualifying for Section 8.

It seems though the Congressional Budget Office has found that actually the growth in spending, their projection in March 2004 is that the growth in spending would slow to 1.8 percent in fiscal year 2005, so that we might have seen the crest of the wave already. And in addition, your own data from the Voucher Management System shows that quarterly growth in average voucher course have been steadily declining since spring 2003. So again I think we have the question of whether this is the uncontrolled program that you suggest in your comments.

But I have a more specific question. If this is such a unmanageable and out-of-control program, how can you get \$2.5 billion of rescission money out of it to plow back into your budget? I mean you seemed by rescinding \$2.5 billion that you actually had \$2.5 billion in Section 8 monies hanging around. That is not indicative of a program that is bursting at its seams, and in fact you have to steal from other programs to fund it.

Secretary JACKSON. We have until 2006 to find that rescission, and it does not necessarily have to come out of the Section 8 program. We have said that we will look at the Section 8 program, but it does not have to.

And let me say to you, when you say that the voucher cost is going down, the cost of the voucher that we project should be cheaper than what we are paying in many locales. The only place that we have serious problems meeting the needs of the vouchers are in areas where you are from, Rhode Island, New Hampshire, Maine, and California. Other places, landlords are far exceeding what the market value of apartment complexes are in those areas.

The Southeast, the Southwest, and the Midwest, we are paying heavily.

And I still say this to you, Senator, that pre-1998, 70 to 80 percent of the people who want a voucher pay their utilities, they pay their 30 percent of adjusted gross income, because we have now 75 percent of the people on vouchers, we are paying their utilities and we are paying them to live on a Section 8 voucher. And we have to understand that the voucher was never created as a substitute for public housing. It was a transitional proposal to go from public housing into market rate housing. But we have made it a permanency, and I do not think it should be permanent. I have said that and I still say it today.

Senator REED. Let me just go back, and to respond to your answer. So there is a distinct possibility that the cuts that have been proposed in other programs, like Hope VI and lead abatement, all those might be further cut if you cannot find the \$2.5 billion in the rescission in Section 8.

Secretary JACKSON. That is always a possibility, yes.

Senator REED. Well, that seems to be a very dire possibility since you are already cutting significantly from practically every program, or at least most of the programs. And, you know, again, I do not think this, from the numbers I have seen—and we can debate, I think, in a very principled and conscientious way what these numbers suggest—but it seems to me that the Section 8 program is not out of control. In fact, it might be stabilizing in some respects.

Now, let me turn to another question, which is that you talk about your proposal to give flexibility to local housing administrations with respect to Section 8. What does that mean in practical terms? What can they do if your proposal is adopted that they cannot do now? And I ask this with all sincerity.

Secretary JACKSON. If they choose to continue to serve 75 percent, 30 percent of low-medium, they can. Our flexibility says you can go up to 60 percent of medium and serve those persons. We are giving them the right to serve people who today are still what we call “the working poor” who cannot get on a voucher today, the opportunity.

Senator REED. Who loses out, Mr. Secretary, given the fact that this funding is not going to increase dramatically? In fact, you are taking money away from it. Who loses out in this flexibility?

Secretary JACKSON. I do not think anyone loses out. I think, in fact, you will have a greater turnover because you will have people who are not going to be on the program as long as the people who are serving on the program today. And I think we must give people incentives to get off this program, and we are not.

Senator SARBANES. Is the incentive to just knock them off?

Secretary JACKSON. We are not going to knock anyone off, Senator.

Senator REED. Mr. Secretary, how can you not knock anybody off, but they are going to leave voluntarily in a context of the same resources. I just do not understand.

Secretary JACKSON. That is easy. I will be happy to explain it.

Senator REED. Please.

Secretary JACKSON. At the housing authority, I ran in Dallas, somewhere between 20 and 25 percent of the vouchers turned over every year. Rather than those vouchers going directly to 75 percent of the people, the housing authority can make a decision that they are going to put 25 percent of those vouchers to people between 40 and 60 percent of medium. And the other 75 might go to 30 percent of medium. They do not really have that flexibility now, but they will have it if they so choose. And they will know that the people who are at 40 or above will be paying for their utilities and be paying their rent.

Senator SARBANES. But what happens—

Senator ALLARD. Wait a minute. Excuse me, Senator Sarbanes, I do want to kind of control our time here closely so everybody has an equal shot. And Senator Martinez would be next, alternating between parties, and then you will be next.

Senator MARTINEZ.

Senator MARTINEZ. Thank you, Mr. Chairman.

If you have a follow-up to that, I do not mind yielding a moment of my time. I do not want to be too generous, Senator, but you are always generous with me. I do not mind returning the kindness.

Senator SARBANES. You are using all your vouchers for people below 30 percent of area median income (AMI). Let's posit that as a given.

Secretary JACKSON. Basically, yes.

Senator SARBANES. All right. Then you are going to give discretion to use these vouchers for people 40 to 60 percent. So the housing authority is going to take some of its vouchers and use them for people 40 to 60 percent. What is going to happen to the people at 30 percent?

Secretary JACKSON. The people at 30 percent stay on the vouchers until they get off of them.

Senator SARBANES. You are just shifting them.

Secretary JACKSON. No, you see—

Senator SARBANES. You just said that—

Senator MARTINEZ. No—

Secretary JACKSON. But Senator, we did that until 1998, and the program did not grow exponentially. When we decided that we were going to house people 30 percent or less than medium, we had a growth in the program, not a growth in the number of people who were serving.

And I want to say this to you: If the housing authorities would do their job by validating the income of people, a lot of the people who we perceive as 30 percent or less, you will see, will not be 30 percent or less of medium.

Senator SARBANES. Now that is a different point.

Secretary JACKSON. But that is a factual point. Because I was one of the few housing authorities in the country that did rent verification every 6 months. And a lot of people came off the program.

Senator SARBANES. Would you concede my point if income verification did not lead to what you just asserted?

Secretary JACKSON. I am not sure what you asked me.

Senator SARBANES. You are saying to me, to defend what you did, that these people are really not at 30 percent of income and if you do proper income verification you will establish that fact.

Secretary JACKSON. That is correct.

Senator SARBANES. If you do not establish that fact by income verification, then the point I made is right on point, is it not?

Secretary JACKSON. That we would put people off the program?

Senator SARBANES. Yes.

Secretary JACKSON. No. No one is being put off the program. Once they turn in their voucher, we can utilize that voucher as the housing authority sees fit. But we are not taking someone off of the program.

Senator MARTINEZ. Mr. Secretary, and people on the voucher stay on the voucher?

Secretary JACKSON. They stay on the voucher until they turn it in.

Senator MARTINEZ. And when there is a vacancy—See, one of the things I think has been missing in this discussion is the fact that some housing authorities cannot fill all their vouchers—

Secretary JACKSON. That is correct.

Senator MARTINEZ. —with 30 percent. And so when you give them flexibility, then all of a sudden those housing authorities that chronically get the money rescinded, which is where this rescission comes from, all of a sudden now have the flexibility, by their own decisionmaking, to fill their vouchers with people who otherwise would not be able to get a voucher. In fact, no one would get a voucher because they otherwise wouldn't be used because in that particular marketplace they cannot use them all up under the 30-and-under.

Secretary JACKSON. They cannot. And let me say this to you. What the flexibility does is give the housing authority the right to decide how to use their vouchers. I believe that it is important, and we have tried this with a pilot program which we call Move to Work with a number of housing authorities. And we said, what you do is give us a plan of how you are going to spend your money and your Section 8 money, and as long as you hold to the plan and it does not in any way affect our abilities to regulate you, then use it.

I think right now, if you go to San Francisco or if you go to Senator Reed's Providence, Rhode Island, we can go to 110 percent of medium. But in Rhode Island you still cannot house a family of five in a decent apartment at 110 percent of rent. But if we give the Providence Housing Authority the right to have flexibility, they can choose to go to 150 percent of medium if they choose, without asking us, to house their person. Because what we are doing is saying we are going to give \$20 million. You spend it as you see fit to house as many people as you want to house. So you have given them more flexibility.

Senator MARTINEZ. So you are giving the local authority the ability to manage the resources that they are given in order to house more people.

Secretary JACKSON. Which they do not now, because we tell them what to do.

Senator MARTINEZ. Right. And all wisdom—I believe I might have said that sitting where you sit today—all wisdom does not emanate from Washington, but in fact some local officials could make those decisions and further utilize the resources that Washington sends.

Secretary JACKSON. And I can tell you this. You are correct. When I was in D.C., we gave back vouchers every year because I could not get HUD to let me go up to 130 percent, 135 percent of medium to house people. So then we got criticized by HUD to say you are not spending your money. Well, it was a double-edged sword. I am saying if we created a budget base for housing authorities, let us give them the flexibility now to house as many people as they can.

Senator MARTINEZ. Senator, if I—go ahead.

Senator ALLARD. Senator Martinez, it is your time.

Senator MARTINEZ. Yes, thank you.

If I could ask you about the Section 8 impact on the budget. We began to discuss that in the last round, but I want to come back to that. Because I used to be greatly concerned that at some point or another the continued growth geometrically of the Section 8 program vis-à-vis the rest of the HUD budget was preventing us from doing so many other things at HUD, or would eventually for sure do that.

Can you comment on that and how this flexibility might help that problem as well?

Secretary JACKSON. I think it will do exactly what, I think it was either Senator Reed or Senator Sarbanes was alluding to a few minutes ago. It will stop the exponential growth of this program. Because at that point, the vouchers will be turning over much quicker than what they are doing now. And you will have more people paying for the amenities of their apartment rather than us paying for all the amenities for people to live. What we call that at HUD is “negative base rent” because we are paying them to stay.

So, I do believe that, clearly, if the housing authorities have that flexibility, the program will stop growing, and we have projected it. It will not keep growing at 8, 9, or 10 percent a year, as it has been for the last, I guess, 6 years or so.

Senator MARTINEZ. With the moments I have remaining, can you tell me something about the housing market, the current status of it in terms of, you know, the somewhat slow but the rising interest rates that there has been. I know Mr. Weicher behind you probably used to keep me posted on that, but I always like to know—you know, you read about housing bubbles and such as that. Can you speak to that issue?

Secretary JACKSON. I can tell you that the housing market has not slowed at all. I mean, I was saying the other day to a friend I remember when we had a president back in the 1970's and it was 19 percent. And I bought my first house, and it was unbelievable. Well, today it is at about 5.25 percent, and it has gone from 4 percent. So people are buying homes because it is their belief that it is the best time to get it. Do we think that the interest rate will grow some? Maybe 6 percent. But I do not think we are going to have that in the next 3, 4, or 5 years. I think the housing market

will still be very strong. And I think that is in essence what—I am not sure that he appeared before this Committee—but Chairman Greenspan said it is a unique market. And in places like Washington, DC, you put a house on the market and you do not just get a buyer, you get people bidding on it.

Senator MARTINEZ. Thank you, Mr. Secretary.

Senator ALLARD. Senator Martinez, I am of the understanding that you at one time were in charge of a housing authority. I do not know whether it has just been one or two. I know that Secretary Jackson referred to his, at least two housing authorities you have been in charge of.

Secretary JACKSON. Three.

Senator ALLARD. Three. And I think that the experience from both of you—and that discussion here has been most helpful to this Committee, and I wish that we could bring in more practical experience from the local aspect. And I could not agree with you more, that we need to have more flexibility at the local, and it is good to hear both of you refer to that. In fact, the legislation I am working with HUD to give us more flexibility locally, and I hope that you would look at that, Senator Martinez, and perhaps be a cosponsor with me on that.

Senator MARTINEZ. I certainly would.

Senator ALLARD. Now let me recognize Senator Sarbanes.

Senator SARBANES. Thank you very much, Mr. Chairman.

Mr. Secretary, I want to follow this line of yours and former Secretary Martinez that all wisdom does not emanate from Washington, DC. I am a supporter of the negotiated rulemaking process where it is practicable. In fact, doing the negotiations over the 1998 public housing bill, I joined with my colleague, Senator Connie Mack of Florida to push a reluctant HUD Secretary—that was Andrew Cuomo—to accept negotiated rulemaking for a number of rules in that legislation.

Now, I understand that HUD undertook a negotiated rulemaking with the public housing authorities over how to establish a new operating fund formula. I further understand the group came to an agreement, and then HUD published a rule that was substantially different from the rule that had been agreed to.

Secretary JACKSON. I do not perceive it is substantially different. There are some differences. And I think that when we negotiated, we told them that there possibly would be changes. But I also, after that occurred, Senator, met with the industry groups again and let them tell me what they thought should be in the rule. And they are sending me a letter. I am open to look at it and to meet with them. We perceive we have not violated our agreement with them. But at the same time, having come out of the industry, I believe it is imperative for me to listen to what they have to say and what their comments are.

Senator SARBANES. One of the things you knocked out, as I understand it, was the stop-loss provision. That actually was a provision that HUD itself had proposed. Is that correct?

Secretary JACKSON. Yes, I think we did propose the stop-loss provision.

Senator SARBANES. HUD proposed it as part of the agreement, and then you knocked it out of the agreement.

Secretary JACKSON. Yes, I think so. I have to get back. I cannot tell you specifically. I will be happy to answer that for you. I will get back to you on that.

Senator SARBANES. All right, if you could get back to us.

Secretary JACKSON. I surely will.

Senator SARBANES. Now, Mr. Secretary, you know, in our job we read around this paper, that paper, and so forth. And so I was interested in your column on Social Security in *The Wall Street Journal*. I thought it was a step outside the traditional expertise of a HUD Secretary, but in any event I was pleased to read it. It is entitled, "It Really is Black and White." Did you pick that title?

Secretary JACKSON. No, I did not pick that title. I think the papers put the titles on them, from everything I have been able to discern.

Senator SARBANES. Okay. Now, the point is, as I gather that you are making, is that African-Americans get a bad deal under Social Security because they do not live as long as white Americans. Is that right?

Secretary JACKSON. I want to tell you that they get a bad deal. They do not have the years that white males have in collecting their Social Security benefits.

Senator SARBANES. You said there that the average white male would collect 7 years of benefits and the average black male would collect less than 1 year of Social Security.

Secretary JACKSON. Just about a year of Social Security, yes.

Senator SARBANES. Now, where do you get that from?

Secretary JACKSON. Data that has been provided to me.

Senator SARBANES. What if I said to you that the data I have from the CDC shows that the life expectancy at age 65—not at birth; I am going to come back to at-birth. And if that is the figure you are using, which I presume it is, I am going to point out why it is faulty—but that the life expectancy at age 65, at retirement age, differs only 2 years between whites and African-Americans, males. That would undercut a lot of the assertion you made in your column, would it not?

Secretary JACKSON. Well, you can say that and I cannot stop you from saying it. I think I am accurate.

Senator SARBANES. But that is what the statistics—

Secretary JACKSON. Well, I use statistics also, and mine does not say that.

Senator SARBANES. What statistics did you use?

Secretary JACKSON. I will be happy to forward those to you, if you would like to—

Senator SARBANES. I would like it if you do.

Senator ALLARD. I believe that is out of the Social Security Administration or similar.

Secretary JACKSON. Right.

Senator SARBANES. No, no. What is being used, Mr. Chairman, and we need to nail this discrepancy, is the expectation at-birth of how long you will live.

Senator ALLARD. So you are assuming in that, if you were born today, that down in the future that our health care will have affected minorities to a point where their life would be that much better; where today, I think Social Security would be talking about

those that are retiring today, where yours would be talking about 50 or 60 years down the road.

Senator SARBANES. No, no, no. I am talking about the ones retiring today.

Senator ALLARD. Because I could not understand what you were meaning by “at-birth,” where your starting time was. That could explain the difference in these figures.

Senator SARBANES. If you take at birth, there is a greater difference, because African-Americans face a greater hazard in the earlier years.

Senator ALLARD. That is true.

Senator SARBANES. Low birth weight, higher infant mortality rates, lack of access to decent medical care, and so forth. Clarence Page says when he heard about that gap in black life expectancy that the first question we should ask is shouldn’t we be doing something to increase black life expectancy. But that is not what the Secretary said in his column. What the Secretary said in his column is that the average white male would collect 7 years of benefit at retirement and the average black, 1 year. That is just not the case.

Secretary JACKSON. Well, that is what I believe—

Senator SARBANES. At retirement, the life expectancy is a difference of less than 2 years at that point.

Secretary JACKSON. That is your perception, Senator.

Senator SARBANES. No, no, no. Those are the figures from the CDC. It is not about perception.

Secretary JACKSON. Then, that is their perception. And I do not think Clarence Page is any authority on anything.

Senator SARBANES. So much for Clarence Page. But what do you think about the CDC?

Secretary JACKSON. That is their number. Those are not the figures that—

Senator SARBANES. They are not an authority on anything either?

Secretary JACKSON. Those are not the figures that I am dealing with. And if you want me to submit those, I will be happy. You know, the one thing I do understand is I am black and I am in America, and I know the extension between white males and black males. And that is specifically what I am talking about—not blacks and whites generally, black males and white males.

Senator SARBANES. Yeah.

Secretary JACKSON. And it is a difference of 7 years.

Senator SARBANES. What is a difference of 7 years?

Secretary JACKSON. The ability to receive your Social Security benefits.

Senator SARBANES. At retirement?

Secretary JACKSON. Beginning at retirement.

Senator SARBANES. No, sir. That is not what the CDC tells us.

Secretary JACKSON. Okay.

Senator SARBANES. The CDC tells us that the most recent life expectancy at age 65, that the difference for men is 2 years.

Secretary JACKSON. I am not sure what point you are trying to make, Senator. What is it that you want to make the point to me? I am not sure what you are trying to make.

Senator SARBANES. The point I am trying to make is that your point is not accurate and is overstated.

Secretary JACKSON. That is your position. And I accept and respect your position. I think I am correct.

Senator ALLARD. Let me intervene here, if I might.

Senator SARBANES. Why don't you submit a statistical analysis that shows that you are correct.

Secretary JACKSON. I said that in the beginning, I would submit it to you.

Senator SARBANES. Take these CDC figures on life expectancy at retirement and then present your point. Okay?

Senator ALLARD. I was going to suggest that, Senator Sarbanes. Let's go ahead. I want to make sure that Committee Members have an opportunity to ask questions related to the mission on HUD and also talk about our homeownership society and homeownership opportunities. And I would like to move on now and just make a brief comment. I know Senator Martinez has a question, too, and then I will come back to the other side over here.

But, you know, these are interesting figures, I guess, and I think they can be straightened out if we all sit down and look at where our sources are and everything and see what we mean by what we are saying. But at any rate, I think what is the valid discussion of this Committee is homeownership society and homeownership opportunities for African-Americans and all minorities. That is what it is all about. We often talk of homeownership and it also extends, I guess, to retirement ownership. I think of so many people that go to retire, they rely on the equity of their home to help them get through retirement.

Secretary JACKSON. That is correct.

Senator ALLARD. So, I think ownership is good, whatever the statistics. And I know that Senator Martinez wanted to ask a question, and then we will go back and give some more time to the other side. We are getting awfully close to a vote time, I believe.

Senator MARTINEZ. I just really want to get back to the 2006 HUD budget and I wanted to ask you, although I concur in your comments, Mr. Chairman, about the ownership society, the importance of it to all Americans.

Mr. Secretary, I wanted to ask you, because I asked you about the Samaritan grant program for chronically homeless, if you might know the funding level for that program in this coming year.

Secretary JACKSON. I am not sure what—But what is it? I know it is \$200 million more. What is it? Is it an increase of \$200 million?

Two hundred million dollars more.

Senator MARTINEZ. Well, that is a very substantial increase, by the way, because as I recall, the program began with about \$64 million or \$46 million, something like that. So this is a very dramatic uptake on the funding levels.

Secretary JACKSON. That is correct.

Senator MARTINEZ. I heard so much about the decimation of everything that is going on in HUD and I do not believe that to be the case. And I am really pleased that this particular program would help the most vulnerable population in America and has been, I think, very successful. I am proud to see that that legacy

continues on that program and that it will continue to be helping the chronically homeless, which ultimately, I think, will help all homeless Americans to become something other than homeless because of so much funding going to that particular program.

But anyway, thank you for your testimony. I am going to have to head over to HUD. I appreciate seeing all of my good friends at HUD, and Deputy Secretary, great to see you as well, and I congratulate you for your work and your continued perseverance.

Secretary JACKSON. Thank you, Senator.

Senator MARTINEZ. It sure is much more pleasant on this side of the aisle.

Senator ALLARD. Okay, thank you very much, Senator Martinez. In the fairness of balance, I will go ahead and yield to Senator Reed and I will let you and Senator Sarbanes kind of divide for the next 5 minutes of this Committee, and then we will adjourn.

Senator REED. Thank you, Mr. Chairman.

Just following up on the Section 8 program, because of its size and its centrality, this notion of flexibility, it seems to me, you would give these housing agencies a certain of money each year.

Secretary JACKSON. Yes.

Senator REED. And from what you said, Mr. Secretary, everyone would be taken care of because no one would give up their voucher they have today unless they did it voluntarily, yet they could move things around and get more people on in certain areas. But it seems to me that it is a classic block grant approach, that it would not be responsive to the actual demands of the community. You know, if a housing agency found itself without adequate resources because of increased rents, it would not be reflected in their grant. They would just have to be a little more flexible. That is one of the problems I have with your explanation.

Secretary JACKSON. Senator, I would say this. I think the example that I gave is the example, when I used in Massachusetts, New Hampshire, Rhode Island, or even here in DC, where I could not go past 110 percent of medium in that area. So a lot of people went without a voucher. And we returned money. If you give the flexibility, where a family of four or five, they can go up to 125 percent, then they can house that person. So, I think that is the flexibility that most housing authorities want.

Senator REED. Mr. Secretary, but doesn't that presume that you are fulfilling all of the needs of people up to 110 percent? Were you doing that in Washington?

Secretary JACKSON. Oh, yes. But it was very difficult because of the rental market that we were in.

Senator REED. Right.

Secretary JACKSON. Yes.

Senator REED. But you were filling all the needs up to 110 percent?

Secretary JACKSON. Yes, we were, as much as we could. And we still had excessive money because people could not find housing to live in in the District.

Senator REED. But that seems to be a problem as much as just the market, as much as the program.

Secretary JACKSON. There is no question.

Senator REED. Well, as you must know from my comments, I am very skeptical of the proposal to rescind money from Section 8 and the notion of simply curing all of this by giving a flexibility. Because implicit, I think, in what you have said is the notion—at least, it comes through to me—that what we want to do is get people off the Section 8 program.

Secretary JACKSON. I think that should be our objective, is to get people off the program, to cut down the number of years that they are on the program. And before, as I said to you before, the concept that we are bringing before you is not a new concept. This is the concept that housing authorities worked under pre-1998.

Senator REED. Just a final point, because I do want to yield some time to Senator Sarbanes. This would make a lot more sense to me if there was a robust HUD budget that would provide opportunities for programs complementary to Section 8. And we have talked about some of them here—first-time homebuyers, adequate public housing monies to provide. But this is a budget that cuts everywhere. And I think it is naive to assume that you are going to just simply get these people who are currently Section 8 recipients off into other housing opportunities. I just think it is terribly naive. And the budget, I think, is an absolute disaster. I think we will come back here in a year, if this budget goes through, and find that homelessness is increased, that many more people are looking for Section 8's that cannot get them, that we will be really turning our back on a lot of—not even to mention disabled Americans, which we are not putting any more resources in, effectively, and others. So, thank you.

Secretary JACKSON. Thank you, Senator.

Senator SARBANES. Mr. Secretary, do you think enough resources have been committed to address the affordable housing problem to take care of the problem?

Secretary JACKSON. I think we have. Through the voucher program, yes, I think we can address the affordable problem that exists in this country. But I also think that we can address it by spending the over \$3 billion in the Hope VI program that we have outstanding by more than 5 years. I think there are ways, yes, we can address it if we spend our money wisely. I think we can address it, housing authorities, by doing exactly what New York City did by issuing a \$600 million bond issue to work for the rehabilitation of their units. And we have been extremely flexible with housing authorities around the country in doing this. The best example I can give you, Senator, is Chicago. Mayor Daley is remaking the whole public housing issue in Chicago better for everyone.

Senator SARBANES. We have a deficit problem that we are confronting in the Federal budget, correct?

Secretary JACKSON. Do we have a deficit?

Senator SARBANES. We do have a deficit.

Secretary JACKSON. Yes, we do have a deficit.

Senator SARBANES. Do you believe that in fact there are so many resources put into housing that we could take substantial amounts of money out of housing and still meet the affordable housing problem?

Secretary JACKSON. I am sorry, I am not sure what you are asking on that question.

Senator SARBANES. I am trying to get a read on what your evaluation is of the resources needed to address the affordable housing situation.

Secretary JACKSON. As I said—

Senator SARBANES. Is it your position that we are putting too many resources into trying to address the affordable housing issue?

Secretary JACKSON. No.

Senator SARBANES. No. Do you think we are putting enough resources into addressing the affordable housing—

Secretary JACKSON. Yes, I do.

Senator SARBANES. You do?

Secretary JACKSON. Yes.

Senator SARBANES. How does that square with what we hear reported to us about the need for affordable housing, and the inability to provide it?

Secretary JACKSON. Well, let me say this to you. The reason in many cases we have a regional problem with affordable housing has nothing to do with the resources of the Federal Government. It has to do with regulatory barriers that exist in States. And it is important to understand, as I just told you, before a house ever comes out of the ground in California, you are somewhere between \$92,000 and \$109,000. That house cannot be affordable. The only way to make that home affordable is to do what I just said a few minutes ago, is, if you all passed a single-family affordable tax credit act for \$2.5 billion, we can give developers incentives to write down the cost of that home where people who want an affordable home can afford it.

I do not think the Government can make any—

Senator SARBANES. I think that answer that you have just given me directly contradicts your previous answer, that you thought enough resources were currently available. Because you have just outlined to me, as I understand it, at least, that in order to address that housing problem, we need to commit more resources.

Secretary JACKSON. I do not think it is contradictory.

Senator ALLARD. Well, Senator Sarbanes, I think you are talking about resources that get allocated through Government through a spending program. He is talking about resources, they are not allocated through a spending program, but are also allocated through the tax code. So you have tax credits. And you combine them all together, then you have more going into housing. And I think that is the difference in your two arguments. You are looking at the spending side, he is looking at the total side with the tax credit.

Senator SARBANES. No, I am looking at the total side.

Senator ALLARD. I do not hear you mentioning the tax credit.

Senator SARBANES. He is telling me on the one hand that there are adequate resources available to address the affordable housing problem. Then the next answer he gives me is he uses an example—I did not volunteer the example, it was the Secretary who volunteered the example. The next example he uses is we need to enact a program whose cost on the revenue side, because of its tax implications, I guess, is—I think you said \$2.5 billion.

Secretary JACKSON. Yes.

Senator SARBANES. There is a further commitment of \$2.5 billion, by the Secretary's own statement, to try to get at the affordable housing problem.

Secretary JACKSON. I said to you, Senator, that yes, I do believe—and I do not think it is contradictory—that I do believe that HUD has adequate resource to address affordable housing. But even with those adequate resources that we have to address, the ability of having affordable housing in this country depends on the State that you are in, and it is a State problem. It is not a Federal Government problem. We cannot tell California what the regulatory codes of their State should be. They have to dictate that. So if we can help with, as we did in low income tax credit, with developers to develop it and write down the cost of housing to make it more affordable for Americans, yes, I think we should do it. But that does not mean we are not putting adequate resources into affordable housing.

Senator SARBANES. I supported the low income housing tax credit to try to address the affordable housing problem, but I recognized that it represented a commitment of resources in order to try to deal with this problem. And I take it that is what you are saying today, we need to commit more resources.

Secretary JACKSON. No, I am saying to you in certain areas, like California and other areas, yes, I think we have to try to help States—well, not so much States, try to help those persons living in these States meet their needs of homeownership.

Senator ALLARD. I hope we can draw this to a close?

Senator SARBANES. Yes, I see the light.

Senator ALLARD. Okay. Mr. Secretary, thank you very much.

Secretary JACKSON. Thank you all very much.

Senator ALLARD. I think you are doing the right thing of looking to local control, and I believe you are doing the right thing in saying that we do not need to appropriate all the dollars that go into affordable housing. I think we can use the tax code to create some incentives out there. I think that has helped us in the past and, hopefully, it will continue to perform for us in the future.

I want to thank you for taking your time to be here. I want to apologize for having to cut the hearing short. I would also like to apologize to the minority Members that are here for having to cut it short, but we do have votes on the floor. It is 4 o'clock. We got almost everything in except for the last 30 minutes.

Secretary JACKSON. Thank you.

Senator ALLARD. I want to thank the Members for participating, and to you, Mr. Secretary.

Senator SARBANES. Mr. Chairman.

Senator ALLARD. Yes.

Senator SARBANES. I just want to suggest that if it eases consideration of all these problems, maybe we can replace the cost of the housing voucher with a refundable income tax credit—

[Laughter.]

Senator SARBANES. —if that puts it into a context and makes it more amenable. And instead of giving the housing voucher, we would just do a refundable income tax credit that would provide an equal or more amount in order to obtain housing.

Senator ALLARD. We will give you the last word, Senator.

The hearing is adjourned.
[Whereupon, at 4:03 p.m., the hearing was adjourned.]
[Prepared statements, response to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR JON S. CORZINE

Secretary Jackson, it is good to have you here today to discuss HUD's fiscal year 2006 budget. I hope this will not be the only opportunity this year to discuss some of the critical housing policy and funding issues that are on the table.

Frankly, I have a lot of questions about the President's budget proposal and about the future of our affordable housing programs under this Administration. I realize that these are tough budget times, but every year the HUD budget seems to take the biggest hit.

Secretary Jackson, when we met last year in my office—just before your nomination hearing—we had a good discussion about the importance of HUD's community economic development programs. You assured me then that you were committed to maintaining and strengthening these programs, which include the Community Development Block Grant. Yet, this budget not only proposes shifting all of HUD's community development programs out of HUD and into the Department of Commerce, but it also reduces CDBG funding by 35 percent. That translates to a \$40 million cut for New Jersey.

The Administration has again proposed eliminating the HOPE VI program, a program that has done enormous good in my State and around the country. Since the creation of the HOPE VI program in 1992, New Jersey has received \$389 million in funding to revitalize and rebuild decaying public housing developments. With that Federal funding, New Jersey leveraged \$700 million in private sector funding. HOPE VI works—we have seen it work in New Jersey.

Unfortunately, the list of cuts keeps going. While the President did propose an increase for the Section 8 program, he has also proposed legislation that I believe would undermine the Section 8 program. This legislation, which I understand Senator Allard has introduced, would eliminate critical protections in the program that ensure the neediest families have access to vouchers. It would allow public housing authorities to charge rents irrespective of a family's income. Even more concerning is the fact that this proposal would grossly underfund the Section 8 program.

Mr. Secretary, the Section 8 program is our largest housing assistance program. Sixty-five thousand families in New Jersey rely on Section 8 in order to afford housing. These families are by and large extremely low income. Without Section 8 assistance, many of them would be homeless.

In President Bush's first budget to Congress, he announced that he wanted to eliminate homelessness by 2010. Mr. Secretary, if we block grant this program we will double homelessness by 2010. In fact, the Housing and Community Development Network of New Jersey has estimated that under current funding levels, which are inadequate, 11,500 families in New Jersey will lose their vouchers by 2010.

Mr. Secretary, I hope that you will come back to the Committee so that we can have a dedicated discussion on the issue of Section 8.

Finally, I want to mention HUD's proposed operating subsidy rule. This is another issue that I think merits its own hearing. In 1998, Congress mandated that HUD engage in a negotiated rulemaking with the public housing community to develop a new funding mechanism for operating subsidies. HUD did that. And, then it proposed a completely different rule. Under this new rule, New Jersey housing authorities will see a \$17.3 million reduction in funding. These cuts will starve housing authorities of the funds they need to maintain staffing and continue operations.

Mr. Secretary, I wish I could congratulate the Administration for something in this budget. Unfortunately, I cannot. I really hope that we can work together to ameliorate some of these cuts and to develop bipartisan solutions to the very serious housing affordability crisis our Nation is facing.

PREPARED STATEMENT OF ALPHONSO JACKSON

SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

APRIL 21, 2005

Overview

Chairman Allard, Ranking Member Reed, Distinguished Members of the Subcommittee, thank you for the invitation to join you this morning. I am honored to outline the fiscal year (fiscal year) 2006 Budget proposed by President Bush for the U.S. Department of Housing and Urban Development (HUD).

Over the past 4 years, HUD has expanded homeownership, increased access to affordable housing, fought housing discrimination, tackled homelessness, and made a

new commitment to serving society's most vulnerable. The Department has implemented innovative solutions to address our Nation's housing needs, and our results have been impressive and measurable.

HUD's \$28.5 billion in new net budget authority for fiscal year 2006 seeks to build on our success and lend a compassionate hand to individuals in need, while also using taxpayer money more wisely and reforming programs in need of repair. The HUD budget proposed by the President reflects this intent through three broad, yet focused strategic goals: Promoting economic opportunity and ownership, serving society's most vulnerable, and making Government more effective.

In his February 2 State of the Union Address, the President underscored the need to restrain spending in order to sustain our economic prosperity. As part of this restraint, it is important that total discretionary and nonsecurity spending be held to levels proposed in the fiscal year 2006 Budget. The budget savings and reforms in the Budget are important components of achieving the President's goal of cutting the budget deficit in half by 2009 and we urge the Congress to support these reforms. The fiscal year 2006 Budget includes more than 150 reductions, reforms, and terminations in nondefense discretionary programs, of which eight affect HUD programs. The Department wants to work with the Congress to achieve these savings.

The funding reductions, reforms, and terminations contained within HUD's fiscal year 2006 budget represent difficult choices in an era of significantly diminished resources for all domestic discretionary programs. These decisions were made thoughtfully, following an analysis of each program's current funding levels and an assessment of future needs.

Promoting Economic Opportunity and Ownership

The President's vision of an "ownership society" has been a central theme of his Administration. Ownership—and homeownership in particular—is the key to financial independence, the accumulation of wealth, and stronger, healthier communities.

Homeownership creates community stakeholders who tend to be active in charities, churches, and neighborhood activities. Homeownership inspires civic responsibility, and homeowners are more likely to vote and get involved with local issues. Homeownership offers children a stable living environment, and it influences their personal development in many positive, measurable ways—at home and at school.

Homeownership's potential to create wealth is impressive, too. For the vast majority of families, the purchase of a home represents the path to prosperity. A home is the largest purchase most Americans will ever make—a tangible asset that builds equity, good credit, borrowing power, and overall wealth.

In 2004, more Americans achieved the dream of homeownership than at any time in our Nation's history. Today, nearly 70 percent of American families own their homes—an all-time record—and minority homeownership has surpassed 51 percent for the first time in history.

That figure, however, points to a significant homeownership gap between non-Hispanic whites and minorities. In June 2002, the President challenged the Nation to create 5.5 million new minority homeowners by 2010. Since the President's challenge, 2.2 million minority families have joined the ranks of homeowners, and we are on track to meet the 5.5 million goal.

The Administration is working to make homeownership more affordable and more accessible. Government should do everything it can to help families find the security, dignity, and independence that come with owning a piece of the American Dream.

For many Americans, high downpayments and closing costs represent the greatest barrier to homeownership. To help overcome this obstacle, the President proposed the American Dream Downpayment Initiative to provide low- and moderate-income families with the funds and support needed to purchase their first home. On December 16, 2003, President Bush signed the American Dream Downpayment Initiative into law, and since then, HUD has distributed \$162 million in downpayment funds to over 400 State and local governments. These funds have already helped over 3,500 families purchase their first homes—of which more than 50 percent were minorities. The 2006 Budget requests \$200 million to fully fund the Initiative.

Helping families learn about the loan products and services available to them and how to identify and avoid predatory lending practices is critical to increasing homeownership. Housing counseling has proven to be an extremely important element in both the purchase of a home and in helping homeowners keep their homes in times of financial stress. The fiscal year 2006 Budget proposes \$40 million for Housing Counseling to assist over 700,000 families to become homeowners or avoid foreclosing on their homes. This effort will fully utilize faith-based and community organizations.

The President is also proposing a new Single Family Homeownership Tax Credit that could increase the supply of single-family affordable homes by an additional 50,000 homes annually. Under the President's plan, builders of affordable homes for moderate-income purchasers will receive a tax credit. State housing finance agencies will award tax credits to single-family developments located in a census tract with median income equal to 80 percent or less of area median income and will be limited to homebuyers in the same income range. The credits may not exceed 50 percent of the cost of constructing a new home or rehabilitating an existing property. Each State would have a homeownership credit ceiling adjusted for inflation each year and equal to the greater of 1.75 times the State population or \$2 million. In total, the tax credit will provide \$2.5 billion over 5 years.

As you know, tax legislation is the responsibility of the Treasury Department, but we will be working with Treasury's Office of Tax Policy to ensure the credit legislation addresses issues such as disclosures, so that the credit operates smoothly.

The Homeownership Voucher program, while still new, has successfully paved a path for low-income Americans to become homeowners. Together with pre- and post-homeownership counseling, strong and committed collaboration among Public Housing Authorities (PHA's), local nonprofits, and lenders has proven to be essential in making the program work for families across the country. The greatest challenge to the success of the program is finding lenders who are willing to participate.

Government Sponsored Enterprises were chartered to help low- and moderate-income families secure mortgages. HUD recently published a rule that requires Fannie Mae and Freddie Mac to increase their purchases of mortgages for low- and moderate-income households and underserved communities. These new goals will push the GSE's to genuinely lead the market in creating homeownership opportunities for those traditionally underserved by the mortgage markets, particularly first-time homebuyers.

In addition to increasing the housing goals annually from 2005 through 2008, HUD's rule establishes new home purchase subgoals in each of the three goal areas. This is intended to focus the GSE's' efforts on the purchase of home mortgages, not refinancings. HUD projects that over the next 4 years, GSE's will purchase an additional 400,000 home purchase loans that meet these new and more aggressive goals as a result of the new rule.

As the primary Federal agency responsible for the Administration of fair housing laws, HUD is committed to protecting the housing rights of all Americans, regardless of race, color, national origin, religion, sex, familial status, or disability. This commitment is reflected in HUD's budget request for fiscal year 2006.

The goal of HUD's fair housing programs is to ensure all families and individuals have access to a suitable living environment free from unlawful discrimination. HUD contributes to fair housing enforcement and education by directly enforcing the Federal fair housing laws and by funding State and local fair housing efforts through two programs: The Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP).

The fiscal year 2006 Budget will provide \$23 million through FHAP for State and local jurisdictions that administer laws substantially equivalent to the Federal Fair Housing Act. The Budget also provides \$16 million in grant funds for nonprofit FHIP agencies nationwide to directly target discrimination through education, outreach, and enforcement.

The fiscal year 2006 Budget requests \$583 million to fund Native American Block Grants (NABG). These grants are used by tribes and tribally designated housing entities to develop new housing units to meet critical shortages in housing. Although NABG funding has been reduced in fiscal year 2006, HUD expects that all program requirements will be met, including new housing development, housing assistance to modernize and maintain existing units; housing services, including direct tenant rental subsidy; guaranteed lending; crime prevention; administration of the units; and certain model activities.

Serving Society's Most Vulnerable

Ending Chronic Homelessness

The Administration is committed to the goal of ending chronic homelessness, and has aggressively pursued policies to move more homeless families and individuals into permanent housing. A chronically homeless person suffers from a disabling developmental, physical, or mental condition or a substance abuse addiction. They have been homeless for a year or more, or they have had repeated periods of extended homelessness. They may occasionally get help and leave the streets, but they soon fall back to a life of sidewalks and shelters.

Research indicates that although just 10 percent of the homeless population experiences chronic homelessness, these individuals consume over half of all emergency

homeless resources. Housing this population will free Federal, State, and local emergency resources for families and individuals who need shorter-term assistance.

In July 2002, the President reactivated the Interagency Council on Homelessness for the first time in 6 years, bringing together 20 Federal entities involved in combating homelessness. Since its inception, the Interagency Council has helped State and local leaders across America draft plans to move chronically homeless individuals into permanent supportive housing, and to prevent individuals from becoming chronically homeless. Today, 47 States and more than 200 county and city governments have joined the Federal effort.

The Budget provides a record level of resources for permanent supportive housing for homeless individuals who have been on the streets or in shelters for long periods. The 2006 Budget provides \$1.44 billion for Homeless Assistance Grants (\$25 million of which is for the Prisoner Re-Entry Initiative), \$200 million more than in 2005. Altogether, the Administration requests \$4 billion in 2006 for Federal housing and social service programs for the homeless, an 8.5 percent increase.

Housing for Special Populations

Housing Opportunities for Persons with AIDS (HOPWA) provides formula grants to States and localities to provide housing to ensure persons with AIDS can continue to receive health care and other needed support. The program also provides competitive grants to nonprofit organizations. In fiscal year 2006, HOPWA will fund an estimated 25 competitive grants and will provide formula funding to an estimated 124 jurisdictions and in total will provide an estimated 67,000 households with housing assistance.

The fiscal year 2006 HOPWA funding request represents a 5 percent decrease from the fiscal year 2005 funding level. The reduction was one of a number of difficult choices the Administration made in formulating the fiscal year 2006 Budget, but one which is consistent with the goal of restraining spending in order to sustain economic prosperity. HUD is seeking changes in the HOPWA formula that will improve the targeting of the program, so that HOPWA better supports those whom it was created to serve—the most vulnerable persons, and individuals who are homeless or with very low incomes—ahead of other low-income households.

The fiscal year 2006 budget proposes to fund grants of \$119.9 million for Supportive Housing for Persons with Disabilities (Section 811). Section 811 provides assistance to expand the supply and the availability of affordable housing for persons with disabilities. The Administration is proposing the elimination of the program's new construction component, resulting in a \$118.2 million funding decrease from fiscal year 2005. The Section 811 program will continue to support all previously funded housing subsidies under the program and up to 1,000 new housing vouchers. The Administration intends to undertake a study of the Section 811 program to determine the most efficient use of the limited funding available for it.

HUD's Office of Lead Hazard Control and its Healthy Homes Initiative work to eradicate childhood lead poisoning and prevent other housing-related childhood diseases and injuries. The fiscal year 2006 budget proposes \$119 million to fund these two programs, a net decrease of \$47.6 million from the fiscal year 2005 appropriation. The Lead Demonstration Project accounts for \$46.6 million of this decrease. Areas with high incidence of lead poisoning have now developed greater capacity, and therefore activities previously funded under the Demonstration program will be addressed through the regular grant program.

Making Government More Effective

Reforming Community and Economic Development Programs

The Budget proposes a new program within the Department of Commerce to support communities' efforts to meet the goals of improving their economic opportunity and ownership. This initiative will consolidate programs such as Community Development Block Grants into a more targeted, unified program that sets accountability standards in exchange for flexible use of the funds.

Reforming Low-Income Housing Assistance

Another way in which the fiscal year 2006 Budget will make Government a better steward of taxpayer money is through reform of the Section 8 Housing Choice Voucher Program.

HUD has three major rental assistance programs that collectively provide rental subsidies to approximately 4.8 million households nationwide. The major vehicle for providing rental subsidies is the Section 8 program, which is authorized in Section 8 of the U.S. Housing Act of 1937. Under this program, HUD provides subsidies to individuals (tenant-based) who seek rental housing from qualified and approved

owners, and also provides subsidies directly to private property owners who set aside some or all of their units for low-income families (project-based).

The Housing Choice Voucher Program, the best known of the Section 8 rental assistance programs, provides approximately 2 million low-income families with subsidies to afford decent rental housing in the private market. Generally, participants contribute up to 30 percent of their income toward rent, and the Government pays the rest.

In the past, funds have been appropriated for a specific number of vouchers each year. These funds were then given to PHA's based on the number of vouchers they awarded and at whatever costs were incurred.

In 2001, the Housing Certificate Fund, under which both the project-based and tenant-based Section 8 programs are funded, consumed 43 percent of HUD's annual Budget. That had risen to 57 percent in fiscal year 2005, and the trend line continues to increase dramatically in the Department's fiscal year 2006 Budget. This rate of increase, combined with an extremely complex set of laws and rules that govern the program, has resulted in a program that increasingly is difficult to sustain.

In response to rapidly increasing costs, Congress recently converted this "unit-based" allocation system to a "budget-based" system. This made sense, but for the budget-based system to work, program requirements need to be simplified and PHA's need to be provided with greater flexibility.

I would like to thank you, Chairman Allard, for your leadership in introducing S. 771, authorizing legislation to implement Section 8 reform. This legislation will simplify Section 8 and give more flexibility to PHA's to administer the program to better address local needs. PHA's will continue to receive a set dollar amount as in 2005, but they would have the freedom to adjust the program to the unique and changing needs of their communities, including the ability to set their own subsidy levels based on local market conditions rather than Washington-determined rents. Local PHA's will be able to design their own tenant rent policies, and in turn, reduce the number of errors that are made and create incentives to work. The plan will eliminate many of the complex forms that are currently required to comply with program rules, saving both time and money. Furthermore, the legislation will reward PHA's for good management through performance-based incentives. These changes would provide a more efficient and effective program, which helps low-income families more easily obtain decent, safe, and affordable housing.

Human Capital

After many years of downsizing, HUD faces a large number of potential retirements and the loss of experienced staff. HUD's staff, or "human capital," is its most important asset in the delivery and oversight of the Department's mission. HUD has taken significant steps to enhance and better use its existing staff capacity, and to obtain, develop, and maintain the staff capacity necessary to adequately support HUD's future program delivery. HUD has revamped its hiring practices, and now fills jobs in an average of only 38 days, instead of the 96-day average originally cited by the Government Accountability Office. Moreover, HUD has synchronized the goals and performance plans of its managers with the overall aims of the Agency, and is developing a new managerial framework through recent hiring and executive training programs.

Competitive Sourcing

In April, HUD announced its first public-private competition, focusing on the contract administration and compliance monitoring functions associated with its assisted multifamily housing properties. Through this competition and others that are being considered, HUD hopes to realize cost efficiencies and significantly improve performance.

Improved Financial Performance

HUD has striven to enhance and stabilize its existing financial management systems operating environment to better support the Department and produce auditable financial statements in a timely manner. While still suffering from internal control weaknesses, HUD met the accelerated timetables for producing its performance and accountability report, and improved the reliability, accuracy, and timeliness of financial systems. HUD is continuing efforts to reduce its internal control weaknesses from 10 to 7 by next year.

E-Government

HUD completed security reviews for all of its information systems in calendar year 2004, and plans are in place to eliminate security defects by next year. HUD awarded its large contract for core IT infrastructure, successfully resolving a protest that lasted for 2 years.

HUD Management and Performance

Today, public and assisted housing residents live in better quality housing with fewer safety violations than 4 years ago. HUD increased the percentage of projects meeting its physical condition standards in public housing by 9 percentage points (from 83 percent in 2002 to 92 percent in 2004) and in subsidized private housing by 8 percentage points (from 87 percent in 2002 to 95 percent in 2004). HUD now turns around at least 45 percent of public housing authorities classified as “troubled” within 12 months rather than the 2 years allowed by regulation. New rules and procedures have virtually eliminated property flipping fraud from the FHA insurance programs, and close monitoring will continue to prevent such abuses. New rules and procedures have forced out bad appraisers from the FHA program and our “Credit Watch” lender monitoring initiative will continue to bar other individuals who improperly raise the risk of loss in these programs. Since 2002, HUD has worked with stakeholders to streamline their Consolidated Planning process into an easy-to-use and helpful tool for communities.

Faith-Based and Community Initiative

HUD expanded its outreach to community organizations, including faith-based organizations, attempting to level the playing field for its formula and competitive grants. HUD has removed all discriminatory barriers to participation by such organizations. HUD’s technical assistance has helped these organizations understand the application process as well as the responsibilities for implementation. These organizations are beginning to compete more widely and effectively as shown in their success in increasing the number of grants from 659 in 2002 to 765 in 2003, a 16 percent improvement.

Improper Payments Initiative

At the beginning of the President’s first term, HUD committed to working with its stakeholders to reduce the improper payment in rental subsidies by one-half by 2005. At that time, over 60 percent of rental subsidies were incorrectly calculated by program sponsors due to improper interviews, inadequate income verifications, misunderstood program rules, and computational errors. Other errors resulted from inadequate verification of tenants’ self-reported incomes. Four years later, HUD has achieved exactly what it committed to do. There has been a 27 percent reduction in improper subsidy determinations by program sponsors over the past 4 years. More importantly, there has been a 50 percent reduction in improper payments amounting to \$1.6 billion.

Beginning in 2005, HUD will expand the verification of tenant self-reported incomes to include recent wage data. This has the dual benefit of both improving accuracy and providing more privacy because income data will be matched electronically whereas current procedures require a paper verification letter to the tenant’s employer. These stewardship efforts improve confidence that the right person is getting the right benefit in a timely, dignified, and private manner as intended under law. Because this is the first quarter that agency efforts were rated, progress scores were not given.

Conclusion

All of us share the goal of creating housing opportunities for more Americans. We have done great work over the past 4 years, and we should be proud of everything we have accomplished together. But we should not be satisfied, because our work is far from being finished.

I look forward to the work ahead, as we seek to open the American Dream to more families and individuals, and open our communities to new opportunities for growth and prosperity.

I would like to thank all the Members of this Subcommittee for your support of our efforts at HUD. We welcome your guidance as we continue our work together.

Thank you.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED
FROM ALPHONSO JACKSON**

Q.1. What is your response to criticism from the disability community that these cuts send the message to the public that HUD is not particularly committed to fair housing education and enforcement to safeguard the rights of persons with disabilities and other minorities impacted by housing discrimination?

A.1. The Department continues to demonstrate in manifold ways its commitment to fair housing education and enforcement on behalf of people with disabilities and others affected by unlawful discrimination.

While the Department's fair housing programs have undergone cuts, HUD has placed a greater emphasis on high profile, systemic enforcement actions to obtain relief for a large number of people. The Department has also made its funds go a long way through the development of enforcement methodologies and public-service announcements that can be replicated and redistributed by other agencies. We believe these actions, and the Department's continued response to individual complaints, will have a measurable impact on discrimination against people with disabilities and other populations.

Notably, in fiscal year 2006 the Department's recently formed systemic investigations unit will be fully operational. That unit has already launched two large, Secretary-initiated investigations, and is reviewing others for possible approval. The unit will investigate allegations of housing providers who have a policy or widespread practice of discrimination, to include owners of large apartment complexes who may have violated the Fair Housing Act's accessible design and construction requirements, housing providers operating in several States, real estate agencies engaged in racial steering, and lenders engaged in predatory lending practices. The creation of the unit allows HUD to consolidate multiple cases it may receive against the same housing provider or launch its own investigation against such a housing provider, where warranted.

HUD's Fair Housing Training Academy, now in operation, is helping the Department promote consistent performance among the 101 Fair Housing Assistance Program agencies investigating fair housing cases under their respective State and local laws. Since the establishment of the Academy, the Department has been able to reduce some FHAP training and technical assistance costs. Moreover, costs for the Training Academy decline in subsequent budget years, such as fiscal year 2006, as the Academy becomes more self-sustaining and no longer needs funds for start-up costs such as curriculum development.

The Department's enforcement on behalf of people with disabilities goes well beyond its enforcement of the Fair Housing Act. Under its authority to enforce Section 504, the Department has conducted 100 compliance reviews of recipients of HUD funds in fiscal year 2004, which will result in the creation of thousands of accessible dwelling units. HUD targeted large Public Housing Authorities for its compliance reviews in order to create the largest number of accessible units for people with disabilities. This includes 478 units at the Miami-Dade Housing Agency, 104 units at the Housing Authority of the City of Las Vegas, and 775 units at

the Housing Authority of Baltimore City. As part of HUD's education and outreach effort, HUD regularly meets with various disability rights organizations to identify issues/areas of concern, including additional means of expanding fair housing enforcement.

HUD is also conducting a study on the nature and extent of discrimination persons with disabilities face when seeking to rent housing. This study tests paired-testing methodologies and is developing methods to measure housing discrimination against persons with disabilities. Results of the study will help the Department formulate policy to address such discrimination. The study will be published this summer. The study will pay dividends for the Department and the fair-housing/disability-advocacy community as it makes available a testing methodology that groups throughout the country may use to measure the level of discrimination against people with disabilities in their communities.

Finally, the Department continues to fund the Fair Housing Accessibility FIRST initiative. FIRST is a major education and outreach program, which provides training and technical guidance on a national scale to assist architects and builders to design and construct apartments and condominiums with the legally required accessibility features. The American Institute of Architects has accredited the FIRST training program. FIRST has required fewer funds in the years since the initial start-up year, and has a sustained impact on the construction of new multifamily housing as more members of the housing industry are educated on the Fair Housing Act's accessibility requirements. In fiscal year 2004, FIRST trained a total of 3,560 builders, developers, code officials, architects, and others involved with the development of more than 1,150,000 multifamily housing units.

All in all, HUD's awareness studies and tracking surveys show that HUD's enforcement actions and high-profile education efforts do resonate with the public and have resulted in increased awareness of fair housing rights and responsibilities.

Q.2. According to statistics from the National Fair Housing Alliance's latest report on trends in fair housing, fair housing complaints filed through HUD, FHAP, and the National Fair Housing Alliance *all increased* in 2004, with complaints on the basis of disability constituting the single largest category of complaints (31 percent of all complaints). Yet, in your fiscal year 2006 Budget, you proposed reducing FHEO's funding by 29 percent overall (\$14 million)—including a 38 percent (or \$10 million) reduction in the FHAP program. How can you possibly justify reducing funding for fair housing enforcement in the face of increasing reports of discrimination?

A.2. The proposed fiscal year 2006 budget for fair housing is a reduction from the fiscal year 2005 level of 13.7 percent in FHAP and an 18.9 percent decrease in FHIP. Furthermore, the salaries and expenses budget for FHEO is 4 percent above the fiscal year 2005 level. This decrease largely reflects cost-savings that HUD will achieve through performance-based reimbursement of the FHAP agencies, consolidation of training programs, and improvements in the dissemination of cutting-edge fair housing enforcement, education, and outreach materials.

This comes at a time when the Department is better managing its Fair Housing Act caseload and, for the first time, completing the majority of its cases within the 100-day timeframe set forth in the statute. As the Department goes into fiscal year 2006, it will have a fully operational systemic investigations unit, which will investigate high-profile, large-impact cases that result in widespread changes in industry practices and obtain relief for multiple people.

The work of the systemic investigations unit will complement that of the FHAP agencies, who will continue to play an integral role in fair housing enforcement. The Department recently opened the National Fair Housing Training Academy to provide training that will result in more consistent and higher quality investigations among HUD offices and FHAP agencies, providing for greater cost-effectiveness. Among the 101 FHAP agencies, the Department has also put new performance measures in place, which reimburse those agencies on a sliding scale, based on the timeliness and the quality of their investigations.

In general, the Department's training and education efforts are self-perpetuating and consolidate many previous activities. For example, the Fair Housing Training Academy required funding at a much higher level during its first year for curriculum development and other initial costs. In fiscal year 2006, the Training Academy will require less funding as it becomes more self-sustaining. Furthermore, the Training Academy fulfills most of the training needs of the FHAP agencies thereby reducing that historic budget item and former technical-assistance funding.

The Training Academy will also serve as a clearinghouse for fair housing materials produced by FHAP recipients and FHAP agencies under education-and-outreach and administrative funding. By giving FHAP recipients and FHAP agencies access to materials produced by other organizations, this will eliminate the creation of duplicate materials and will enable groups to expand the types of enforcement, education, and outreach activities they are able to perform. The Disability Discrimination Study, to be issued in the summer of 2005 is just one example. While the Department worked with Access Living, a disability advocacy group in Chicago to design the groundbreaking testing methodology that formed the basis of the study, the Department will widely disseminate the study and its accompanying testing guidebook so that other disability advocacy groups will be able to use this same methodology to test disability discrimination in their own communities.

Finally, the Department has produced a series of highly acclaimed public-service announcements on housing discrimination. TV and radio stations continue to broadcast these popular ads, well beyond their initial intended run. The Ad Council, which, with civil-rights groups, received the grant to produced the ads, reported that public awareness of the Fair Housing Act's requirements increased from 67 percent to 74 percent in just the ads' first-year run.

On all fronts, the Department is making sure that its activities are cost-effective, producing widespread and sustained impact on housing discrimination.

Q.3. Among the specific steps that need to be taken, outgoing FHA Commissioner Weicher committed 3 years ago to making 213 a

“Multifamily Accelerated Processing” program. What are your current plans regarding completing that process?

A.3. I have been unable to confirm any such commitment at this time. However, as the Department is currently reviewing the existing regulations for this program, we will also commit to reviewing the applicability of the “Multifamily Accelerated Processing” for this program.

Q.4. What will you or the Department do to update and make the FHA 213 (co-op) insurance program more user-friendly?

A.4. HUD acknowledges that co-op homeownership has not received full support by the Department. HUD is currently analyzing the regulations to create a more effective utilization of its Cooperative Homeownership program. We believe that cooperative housing is a good vehicle for prospective homebuyers in that they provide some of the tax and equity benefits of single-family homes.

Q.5. Former FHA Commissioner Weicher commissioned a contracted study with the Hollister Group and other consultants in 2004 entitled, “Cooperative Housing Market Assessment” to help evaluate the efficacy of cooperatives in assisting HUD to achieve the President’s ownership society objectives. This study was completed last year but has still not been publicly released. Can you please provide me with a copy of this study?

A.5. It is my understanding that the report is under review by the staff. I will commit to discussing with staff the potential release of the report to the public.

Q.6. Can you tell us the specific criteria used to award bonus points during the fiscal year 2004 grant round?

A.6. No bonus points were awarded in connection with the fiscal year 2004 Housing Choice Voucher Program/Family Self-Sufficiency Notice of Funding Availability (HCV/FSS NOFA). Applicants were funded based on priority categories that were established in the HCV/FSS NOFA that was published in the *Federal Register* on May 14, 2004. Funding was awarded to PHA applicants that qualified for the first three funding categories: Priority 1—Renewal PHA’s with qualifying homeownership programs; Priority 2—New Applicant PHA’s with qualifying homeownership programs; and Priority 3—Renewal PHA’s requesting an initial FSS homeownership coordinator. There was sufficient funding for all eligible applicants in priority categories 1 and 2, but not enough to fund all Priority 3 applicants. Consequently, HUD calculated the FSS Homeownership Percentage and Positive Escrow Percentage for each of the eligible Priority 3 applicants as required by the NOFA. Priority 3 applicants were then funded in order starting with those with the highest FSS Homeownership Percentage first. In the case of two applicants with the same FSS Homeownership Percentage, Positive Escrow Percentage and HCV program size were used to determine funding order.

Q.7. In the fiscal year 2004 Family Self-Sufficiency (FSS) coordinator grant round announced in December, about a third of all previously funding programs (256 programs) did not receive funding. Of the \$47.7 million available for this purpose, only \$44.5 million

has been released. This undistributed \$3.2 million is the equivalent of 68 FSS coordinators. When and how do you intend to make funds available to local agencies?

A.7. HUD received requests from 873 applicants asking for a total of \$72.8 million for HCV/FSS coordinators, but had only \$47.7 million available. Of the \$3.2 million that remained after the first round of funding was announced, all but \$16,800 has been awarded to eligible applicants. Since the remaining balance is not sufficient to fund a full position, it will be offered to the highest ranked unfunded application to partially fund a position.

Q.8. How many families are currently under lease?

A.8. As of the April 2005, PHA submission, there are 2,014,171 units currently under lease.

Q.9. I am concerned that the upheaval and shortfalls of the past year have caused a reduction in the number of families assisted in the voucher program. According to HUD's Voucher Management System data, how many voucher families were under lease in January 2004?

A.9. The total number of units under lease in January 2004 was 2,004,341. This number includes 14,978 5-year Mainstream units.

Q.10. Provide information on what has happened to affected troubled properties and tenants after Section 8 contract termination, foreclosure, or disposition sales since January 1, 2001.

A.10. Attached please find the data on properties after Section 8 termination and foreclosure/disposition since January 1, 2001.*

Q.11. Please provide any internal HUD policy guidelines or memoranda on the following issues: (i) retention or use of project-based Section 8 under existing contracts with REAC scores below 60 or at foreclosure; (ii) criteria for commencing foreclosure and for establishing the terms of foreclosure sales, including use restrictions, purchaser qualifications, Section 8 assistance, or other subsidies; (iii) taking possession of properties as mortgagee-in-possession, making repairs, or accepting deed-in-lieu of foreclosure;

A.11. Attached please find the following: (1) the Department's policies and procedures for taking mortgagee-in-possession; (2) criteria for commencing foreclosure; and (3) processing and approving the disposition of HUD-owned multifamily projects.*

Q.12. Please provide a list of properties (name, location, HUD program(s), number of units, number of assisted units, and occupancy rate) with HUD-held mortgages in foreclosure or property disposition pipeline, and reason(s) for foreclosure (financial or covenant default).

A.12. Below is a list of the properties including the name, location, HUD program(s) and number of units with HUD-held mortgages in the foreclosure pipeline and the reason(s) for foreclosure. Please note that we do not have records on occupancy rates.*

At this time, the Department does not own any properties and therefore, there is no property disposition pipeline.

* Held in Committee files.
 * Held in Committee files.
 * Held in Committee files.

Q.13. I am very concerned about a disturbing pattern in the Department's handling of "troubled" privately owned, HUD-subsidized and assisted multifamily housing—buildings where owners are delinquent on mortgage payments or have failed to maintain property standards. In limited situations, preservation strategies are not feasible. However, we have heard from Members and community groups in New York, Massachusetts, Illinois, Ohio, Pennsylvania, Texas, Florida, Maryland, and here in Washington, DC, that the Department has consistently failed to use its authority to further Congressional goals of preserving and improving affordable housing and preventing tenant displacement. In fact, in almost every case, the Department has usually pursued a policy of converting to vouchers—the exact opposite of what should be done to save these buildings as affordable housing and promote neighborhood revitalization without displacement. I am requesting information regarding the Department's policies and rationales, and the extent of the problem today.

Please provide a list of properties (name, location, HUD program(s), number of units, number of assisted units, and occupancy rate) with one or more failed REAC scores and their status in the enforcement process (in workout negotiations, under correction plan, pending termination).

A.13. As part of the Department's mission to ensure that residents reside in decent, safe, and sanitary housing, the Department initiated a protocol whereby, if a project received an inspection score under 60 on a scale of 1 to 100, that property would be referred for potential enforcement action. The Department meets with the owner to discuss the ramifications of failing physicals, and issues a notice of violation and/or default offering an opportunity for the owner to cure the default and conducts a reinspection no sooner than 60 days from the first inspection. Should the project fail a second inspection, the Department will take the necessary actions to permanently cure the problems of the project. The Department works with the owner to review options available, ranging from paying the mortgage off and making the necessary repairs to selling the property, changing management, or refinancing. The Department's first priority is to work with the owner to make the necessary repairs. However, if the owner fails to make the repairs, the Department will review its options, including the abatement of the subsidy, foreclosure, acceleration of the mortgage, and will subsequently sell the mortgage note.

Since the inception of this protocol the Department's property portfolio was roughly 30,000 properties, of which, 37,757 inspections have been conducted and released to owners of 26,000 properties. Many of the properties were inspected more than once, due to annual inspections. Some received two or three inspections under the concept of offering the owners opportunities to make the necessary repairs. There are 17,500 properties that have been inspected only once as they either received an acceptable score or are awaiting a second inspection. There are 9,118 properties that have had more than one inspection because they have had annual inspections or they were inspected 2 or 3 times in an attempt to allow the owner to cure the default.

Currently, of the 2,586 properties that received their first score under 60, only 1,334 properties received a second score over 60 and will be inspected in the future according to outstanding protocol; 739 properties had one failed inspection and are awaiting a second inspection; 513 properties have had a second failed inspection, so some action was in order. Of the 513 properties, the field offices have submitted 133 corrective plans that are now under review in headquarters. Only 380 properties have thus far been subjected to some decisive action, either initiated by the owner or the Office of Housing. The attached reports will further outline the resolutions.*

Q.14. As part of the House Appropriations Committee's fiscal year 2005 VA-HUD Report (H.Rpt. 108-674, page 67), HUD was directed to come forward with programmatic guidance for the 811 "mainstream" program by March 15, 2005. This guidance was to include: Targeting of rental assistance consistent with longstanding 811 targeting criteria, that is targeting to individuals with the most severe disabilities; maintenance of these vouchers upon turnover; and retention of a meaningful role for nonprofit disability groups in the program.

This language also expressed strong concerns regarding the diversion of 811 tenant-based assistance to the Section 8 voucher program. Can you provide an update on progress in developing this required programmatic guidance for the 811 tenant-based program?

A.14. On February 1, 2005, the Department issued Notice PIH 2005-5 (HA) on the New Freedom Initiative and the Housing Choice Voucher (HCV) program. This Notice clarified that to the extent practicable, vouchers awarded for the purpose of serving nonelderly disabled families must continue to be awarded to the same target population upon turnover. The Notice also clarified that "to the extent practicable" meant that all nonelderly disabled families on a PHA's waiting list have been issued these turnover vouchers, and PHA outreach efforts, specifically directed to nonelderly disabled families, yielded no eligible applicants. The Notice also clarified that, under the Section 811 Program of Supportive Housing for Persons with Disabilities, vouchers must be issued and reissued upon turnover to both elderly and nonelderly disabled persons. Notice PIH 2005-5 (HA) defined the continuing role of nonprofit disability groups in providing referral services and housing search assistance and transitional services to the disabled population that receives HCV.

In regard to the diversion of Section 811 assistance, on August 4, 2004, the Department issued Notice 2004-13 (HA), which implemented six new codes to be used with data submitted on Form HUD-50058 (Family Report). One of the codes, MS5 specifically tracks vouchers issued and leased under the Section 811 program in the Public Housing Information Center (PIC). Failure to serve disabled families as required will result in the forfeiture of these vouchers.

Q.15. The limited information we have received regarding the Administration's fiscal year 2006 request for Section 811 does not

* Held in Committee files.

specify how the remaining estimated \$35 million for Section 811 would be spent (the fund leftover after the \$85 million for tenant-based and project-based (PRAC) renewals are taken care of.) Would this remaining \$35 million stay in the 811 program for new “mainstream” vouchers, or would it be needed for contract amendments for prior year commitments (fiscal year 2002 and fiscal year 2003) for 811 tenant-based awards?

A.15. If there are funds that are leftover after the Department’s amendment and renewals needs are met, these remaining funds will be available for incremental tenant-based assistance. The President’s budget indicates that “up to \$34,000,000” may be available for incremental tenant-based rental assistance.

Q.16. How about under the Administration’s proposal for fiscal year 2006?

A.16. Based on historical data, we estimate that more than 155,000 beds may be produced with fiscal year 2006 funding.

Q.17. How many units of supportive housing do you expect will be produced with fiscal year 2005 Homeless Assistance Grants Funding?

A.17. Communities can use the Homeless Assistance Grants (HAG) funding to provide housing as well as an array of supportive services. Both the law and HUD provide communities with flexibility in using these funds to address local needs. As such, the number of units of housing funded in fiscal year 2005 is largely dependent on local needs. With this caveat, HUD estimates the HAG funds will provide renewal and new funding for more than 150,000 beds.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR SARBANES FROM ALPHONSO JACKSON

Q.1. Why did HUD propose and accept a stop-loss provision in the negotiated rule only to drop it in the proposed rule?

A.1. The stop-loss provision would have allowed a PHA to discontinue its subsidy reduction (stop-loss) by demonstrating that it has successfully converted to asset management. Upon further consideration, HUD believes that the Harvard Cost Study methodology should be equally applied to all PHA’s, and that this stop-loss provision would weaken the goal of redistributing operating subsidies to PHA’s who have historically been underfunded in the current formula. In addition, in accordance with the Committee’s recommendations, the proposed rule continues to allow PHA’s to substitute independent cost data for use as a basis of subsidy funding through one of the five categories of appeals.

Q.2. Please submit supporting materials for the data Secretary Jackson used in *The Wall Street Journal* op-ed, “It Really is Black and White . . . Private Social Security Accounts Will Help Lift Minorities Out of Poverty,” dated April 19, 2005.

A.2. Senator Sarbanes’ argument is similar to Paul Krugman’s in *The New York Times* on January 28, 2005, where he states, “Blacks’ low life expectancy is largely due to high death rates in childhood and young adulthood. African-American men who make it to age 65 can expect to live, and collect benefits, for an additional 14.6 years—not that far short of the 16.6-year figure for white

men.” The Secretary, however, was not referring to African-Americans that *made it to the age of retirement*. He was referring to all African-Americans, and using the full-benefit Social Security retirement age applicable to individuals born in 1960 and later (age 67). The data source for life expectancy at birth is the National Center for Health Statistics, *National Vital Statistics Reports*, Vol. 49, No. 3, June 26, 2001. http://www/cdc/gov/nchs/data/nvsr/nvsr49/nvsr49_03.pdf. [-SSA, Housing Branch]

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR SCHUMER
FROM ALPHONSO JACKSON**

Q.1. Why has the Department proposed a cut in the Public Housing Operating Fund?

A.1. The Department has not proposed a cut for Operating Fund. The \$3.4 billion request for fiscal year 2006 would fund PHA’s at an 89 percent proration level, which is the same as the current proration level for fiscal year 2005.

Q.2. Why did HUD drop the stop-loss provision that would allow for PHA’s to lose only 5 percent?

A.2. The stop-loss provision would have allowed a PHA to discontinue its subsidy reduction (stop-loss) by demonstrating that it has successfully converted to asset management. Upon further consideration, HUD believes that the Harvard Cost Study methodology should be equally applied to all PHA’s, and that this stop-loss provision would weaken the goal of redistributing operating subsidies to PHA’s who have historically been underfunded in the current formula. In addition, in accordance with the Negotiated Rule-making Committee’s recommendations, the proposed rule continues to allow PHA’s to substitute independent cost data for use as a basis of subsidy funding through one of the five categories of appeals.

Q.3. What is the current and expected funding level? Can you cite for me a year where the cuts in operating subsidies have been greater than this budget?

A.3. Historically, the lowest proration level in the Operating Fund has been 89 percent (1996). At the request of \$3.4 billion, the proration level for 2006 is estimated to be 89 percent. The current proration level for fiscal year 2005 is 89 percent.

Q.4. How does NYCHA deal with a \$185 million drop in subsidy?

A.4. Please note that in fiscal year 2003 dollars, NYCHA’s operating subsidy would decrease by \$129 million or 17 percent under the proposed rule. With the transition policy, NYCHA’s loss would be limited to 24 percent in Year 1. As a result, under the proposed rule, NYCHA would have their reduction limited to approximately \$31 million in Year 1. NYCHA has the following resources to deal with the loss of \$31 million.

- Operating subsidy is only one of NYCHA’s revenue streams that provides resources for the operation and maintenance of their public housing stock. A review of NYCHA’s last audited financial statement reveals that the total revenue stream for NYCHA’s public housing program was over \$1.3 billion, of which \$563 million, or 43 percent, came from tenant rent, \$711 million, or 54

percent, was from operating subsidy, and the remainder of the balance consisting of other smaller revenue sources. Therefore, NYCHA's Year 1 loss is approximately a 2.5 percent reduction of their entire public housing fund budget.

- Consistent with the Harvard Cost Study's finding, PHA's who would receive less subsidy tend to have larger reserves than the PHA's who would receive more subsidy. More specifically, NYCHA's losses would be cushioned by the approximately \$409 million it has in operating reserves.
- The proposed rule also allows PHA's to maximize other revenue streams without receiving an offset in subsidy, as the current rule requires.

Last, the Harvard Study found that NYCHA had historically been overfunded even after taking into account the special cost features associated with New York City in general. It should be noted that NYCHA currently receives \$759 million in operating subsidies, which represents 22 percent of total annual operating subsidies while managing 13.3 percent of the 1.2 million public housing units available nationally. Under the proposed rule, NYCHA's share in operating subsidy would modestly decline from 22 percent to 19 percent.

Q.5. What is the expected increase or decrease in subsidy for the largest 100 PHA's?

A.5. At the request of \$3.4 billion, the proration level for 2006 is estimated to be 89 percent. That said, Appendix A shows the estimated increase/decrease in subsidy under the proposed rule versus the current formula for the 100 largest PHA's in terms of number of units under management.

For the 100 largest PHA's, the distribution of PHA's whose subsidy will increase/decrease under the proposed rule formula is provided below.

- number of PHA's with increase in subsidy: 66
- number of PHA's with decrease in subsidy: 28
- PHA's with no change: 6*

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR MARTINEZ
FROM ALPHONSO JACKSON**

Q.1. Why did HUD publish a rule that is substantially different than the negotiated rule?

A.1. Consistent with rulemaking policies, as well as the Department's obligations under Executive Order 12866 (entitled "Regulatory Planning and Review") and other rulemaking authorities, the draft rule underwent further review at HUD and executive branch review prior to publication. As a result, certain of the Committee's recommendations were revised to better reflect Administration policies and budgetary priorities. Although changes were made to certain of the Committee's recommendations, the proposed rule stays committed to the Harvard Cost Study recommendations, namely:

*5 are PHA's that participate in the Moving to Work (MTW) program and their formulas will continue to be calculated pursuant to their MTW agreement. In addition, the Harvard Cost Study did not provide a new Project Expense Level (PEL) for the Virgin Islands, HUD is assuming that the Virgin Islands will continue to receive funding at the current formula level.

- The proposed rule adopts the Harvard Study's methodology for estimating operating costs as well as the broader reforms in the area of asset management.
- The Harvard Study was silent on a transition policy. However, the proposed rule retains the Committee's recommendation of a transition policy to allow time for PHA's to align their resources with the new funding. As a result, PHA's who stand to gain also have their increases limited to soften the impact on PHA's who face decline under the new formula.
- Similar to the Committee's recommendations, the proposed rule went beyond the Harvard Cost Study's recommendations by providing PHA's with the tools to convert to asset management by providing fees for information technology, asset management, asset repositioning, and rental income stability.
- The proposed rule retains the five categories of appeals recommended by the Committee, which would allow a PHA to appeal its new operating fund amount.
- The proposed rule also allows PHA's to maximize other revenue streams without receiving an offset in subsidy, as the current rule requires.
- The redistribution remains largely intact, with 81 percent of all PHA's gaining under the proposed rule (the same as under the Committee's recommendations).

April 20, 2005

The Honorable Richard Shelby
Chair
U.S. Senate Committee on Banking, Housing and Urban Affairs
Washington, DC 20510

The Honorable Paul Sarbanes
Ranking Member
U.S. Senate Committee on Banking Housing and Urban Affairs
Washington, DC 20510

Dear Senators:

The organizations listed below write in opposition to S. 771, "The State and Local Housing Flexibility Act of 2005." On behalf of the 9.7 million extremely low income households with severe housing cost burdens who need housing assistance and the five million families able to afford safe and decent housing today through HUD's major housing subsidy programs, we write in opposition to this legislation.

The bill represents a seismic shift in national housing policy. The bill would substantially change income targeting for the voucher program (and for public housing residents in agencies participating in the Moving to Work program), allow time limits in the voucher program, change rent setting policies in both the voucher and public housing programs and remove the current protections offered by enhanced vouchers to at-risk project-based residents, among other troublesome features.

The program changes proposed by the bill would be devastating to those currently participating in HUD affordable housing programs as well as to the millions in need of such assistance. For example, latest data show that, nationally, 84% of severely cost burdened households in the United States are extremely low income households. This legislation would set the stage for a shift of housing assistance away from families most in need of affordable housing and increase the number of homeless people in our country.

We urge you to oppose S. 771.

Sincerely,

American Association of Homes and Services for the Aging
American Association of People with Disabilities
American Planning Association
The Arc of the United States
Catholic Charities USA
Children's Defense Fund

Council for Health and Human Service Ministries United Church of Christ
The Enterprise Foundation
Everywhere & Now Public Housing Residents Organizing Nationally Together
(ENPHRONT)
Jesuit Conference USA
Local Initiatives Support Corporation
Lutheran Services in America
National Advocacy Center of the Sisters of the Good Shepherd
National Alliance for the Mentally Ill
National Alliance of HUD Tenants
National Alliance to End Homelessness
National Association for the Advancement of Colored People (NAACP)
National Association of Councils on Developmental Disabilities
National Association of Housing Cooperatives
National Association of State Mental Health Program Directors
National Coalition for Asian Pacific American Community Development
National Council for Community Behavioral Healthcare
National Council on Independent Living
National Fair Housing Alliance
National Housing Law Project
National Housing Trust
National Law Center on Homelessness and Poverty
National Low Income Housing Coalition
National Neighborhood Coalition
National Network to End Domestic Violence
National Student Campaign Against Hunger and Homelessness
NETWORK: A National Catholic Social Justice Lobby
Paralyzed Veterans of America
Poverty and Race Research Action Council
Sherwood Research Associates
Stewards of Affordable Housing for the Future
Technical Assistance Collaborative
United Cerebral Palsy
Volunteers of America



THE NATIONAL ALLIANCE TO END HOMELESSNESS

April 20, 2005

Hon. Paul S. Sarbanes
United States Senate
Washington, DC 20510-2002

Nan F. Roman
President

Dear Senator Sarbanes:

I am writing to inform you that the National Alliance to End Homelessness must oppose S.771, the State and Local Housing Flexibility Act of 2005, in its current form. Our primary reason is that the bill eliminates from the Section 8 program the current provisions targeting most assistance to Americans with the lowest incomes.

Section 8 is a crucial resource for ending homelessness in the United States. Since 1998, it has been explicitly targeted to families and individuals with incomes below 30 percent of the median income for each community. Virtually all homeless people and people at immediate risk of homelessness have incomes in this range -- in fact, on average homeless people's incomes are only 15 percent of median. Any movement away from the current strong income targeting will necessarily make it more difficult to address homelessness.

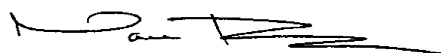
Section 8 is particularly important in providing supportive housing, the key to meeting the goal set by President Bush in 2002, of ending chronic homelessness in this country in 10 years. This program is used to provide both project-based and tenant-based rent subsidies in supportive housing. Not only is it important as a direct source of assistance, but also it provides the basis upon which the capital financing for supportive housing is committed.

Section 8 is the core housing program that helps extremely low-income people accommodate the market-driven gap between their incomes and the cost of housing. As such, it is the barrier between housing and homelessness for many families and individuals, and a key prevention component of any plan to end homelessness.

S.771 provides no targeting to any group at less than 60 percent of area median income. All available research, however, indicates that the market, without subsidy, is generally sufficient to provide decent, affordable rental housing to people at that income level. For example, in the Baltimore area, 60 percent of area median income, adjusted for a family of three, is \$39,000 annually, or \$3,250 per month. Under standard definitions of housing affordability, such a family should be able to pay \$975 per month for housing. The "fair market rent" for a two-bedroom apartment, however, is only \$847 -- this calculation by HUD indicates that at least 40 percent of available rentals in Baltimore rent for \$847 or less.

Virtually everyone who values the Section 8 program understands that some changes may be necessary, but if we are serious about ending homelessness we can not support a wholesale movement of the program away from those with the lowest incomes. We hope to continue working with you on this and other federal policy issues that impact homelessness.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Nan Roman", with a long horizontal flourish extending to the right.

Nan Roman