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NOMINATIONS OF: ROMOLO A. BERNARDI, DENNIS C. SHEA, AND CATHY MACFARLANE

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

ON

NOMINATIONS OF:

ROMOLO A. BERNARDI, OF NEW YORK, TO BE THE DEPUTY SECRETARY OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DENNIS C. SHEA, OF VIRGINIA, TO BE ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CATHY MACFARLANE, OF VIRGINIA, TO BE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

APRIL 21, 2004

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NOMINATIONS OF:

ROMOLO A. BERNARDI, OF NEW YORK, TO BE DEPUTY SECRETARY

DENNIS C. SHEA, OF VIRGINIA, TO BE ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH AND

CATHY MACFARLANE, OF VIRGINA, TO BE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WEDNESDAY, APRIL 21, 2004

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

The Committee met at 2:04 p.m., in room SD–538, Dirksen Senate Office Building, Senator Richard C. Shelby (Chairman of the Committee) presiding.

OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The hearing will come to order.

We have three nominees to consider this afternoon, and I appreciate the willingness of the nominees to appear before the Committee today.

Our first witness will be Mr. Romolo A. Bernardi, nominated to be the Deputy Secretary of the Department of Housing and Urban Development. Currently, Mr. Bernardi serves as HUD's Assistant Secretary of Community Planning and Development, where he oversees many of HUD's most important programs, including the Community Development Block Grant Program and the HOME Investment Partnership Program. Mr. Bernardi was the fifty-first mayor of the City of Syracuse, New York.

Our second witness is Ms. Cathy MacFarlane—welcome—nominated to be Assistant Secretary for Public Affairs for the Department of Housing and Urban Development. Most recently, Ms. MacFarlane served as Director of the Office of Public Affairs at the Federal Trade Commission. She has also held a variety of public affairs positions with the National Institute for Justice and the Federal Bureau of Investigation.

Our final witness this afternoon is no stranger to the Senate. It is Mr. Dennis Shea, who has been nominated to be Assistant Secretary for Policy Development and Research for the Department of Housing and Urban Development. I would like to take a second just to welcome Mr. Shea back to the Senate. As we all know, he spent a lot of years working with Senator Dole when he was the Minority Leader and when he was the Majority Leader. And we are also glad to see Senator Dole, as well as Senator Schumer and others here today.

I want to commend all of today's nominees for their willingness to take on what will surely be a difficult job. Over the years, HUD has consistently been plagued by problems of management and miscommunication. While I believe former Secretary Martinez and current Secretary Jackson have made considerable progress, a lot remains to be done.

After we administer the oath, the nominees may make their opening statements. You can also feel free, at that time, to introduce any members of your family that are here today. But before we start that, I want to yield to Senator Sarbanes and then Senator Dole.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you very much, Mr. Chairman. I am pleased to join with you in welcoming the nominees before the Committee today and our colleagues who are going to be presenting them.

Mr. Bernardi, of course, has been here before when he was up to be Assistant Secretary of Community Planning and Development, and we are very pleased you are going to continue your work at HUD. The programs you have been overseeing—CDBG, HOME, the homeless programs—are some of the most effective and important at HUD. You have done a good job as Assistant Secretary, and as you move to the Deputy Secretary's office, your responsibilities will obviously grow. And I am confident that you are well-qualified to take on this new challenge.

I have, Mr. Chairman, a statement by Senator Clinton, who is unable to be with us today, but wants it included in the record.

Chairman SHELBY. Without objection, it will be ordered.

Senator SARBANES. And I will not read it, but let me just say it is very effusive in its praise of Former Mayor Bernardi and the Assistant Secretary.

[Laughter.]

She appeared here before us to support your appointment before, and she says, "I am happy to say that he has met my highest expectations." We are very pleased with that.

I am pleased Mr. Shea is with us today. He, of course, worked here in the Senate and worked for Senator Dole as counsel in his office. So we welcome him back. He is familiar with the workings of this institution, and we look forward to his testimony to be the Assistant Secretary for Policy Development and Research.

And Ms. MacFarlane, you have had extensive experience, both inside and outside, of Government, most recently with the FTC. In fact, I believe you may have still been at the Commission when the settlement with Fairbanks Capital was announced.

Ms. MACFARLANE. Yes, sir.

Senator SARBANES. That was a very good event and a very helpful agreement, and we expect the Department will benefit from your broad experience as we consider you to be the Assistant Secretary for Public Affairs.

Mr. Chairman, I want to take just a moment to make one point for all of the nominees. It is extremely important, that this Committee and HUD work together whenever possible, and it should be possible all of the time. As the authorizing committee for most of the Department's programs, we need to make sure there is an ongoing exchange of information and ideas. We may not always agree on what policies HUD should pursue, but obviously the Committee and the Committee staff need to have timely access to important information about the programs run by the Department.

I mention this because there continues to be some resistance at HUD to providing information, which we have sought as recently as 2 weeks ago, about the voucher program, although we had gotten similar such information in the past. We wanted update information on the program, and I intend, of course, to ask the nominees for their commitment that they will provide information to the Committee and to the Congress in a timely fashion. We need this information if we are going to do our oversight function, which we take seriously, and which I am very pleased to say that Chairman Shelby has placed high on our priority list in terms of exercising our oversight. And it is a matter of concern whenever the Department seems to be dragging its feet in response to reasonable requests for information, but I will pursue that with each of the nominees in turn.

Thank you very much, Mr. Chairman.

Chairman SHELBY. The current Senator Dole.

STATEMENT OF SENATOR ELIZABETH DOLE

Senator ELIZABETH DOLE. Thank you, Mr. Chairman, for this opportunity to speak about our three nominees. I think I have a little competition over here from Juliette.

[Laughter.]

Senator ELIZABETH DOLE. Mr. Bernardi has an excellent record of building stronger communities across the Nation and especially in the City of Syracuse. He distinguished himself as the Mayor of Syracuse for almost 8 years before beginning his work at HUD and has an impressive list of accomplishments in making communities more livable. This is exemplified in his work to remediate brownfield sites, reclaiming those industrial wastelands, turning them around and providing economic opportunity and jobs.

The effort to renew and improve our urban communities is very important to me, and I appreciate Mr. Bernardi's background and focus on these issues. Ms. MacFarlane has also distinguished herself as an excellent servant of the public. Her assistance at the Federal Trade Commission was invaluable to me and to my staff as we worked to reauthorize the Fair Credit Reporting Act, and of course I welcome you today as a fellow alumnus of the Federal Trade Commission.

And, finally, I take great pleasure in recognizing the third nominee and the distinguished gentleman who has come before us to in-

troduce him. I cannot help but recall the afternoon some years ago, when my husband, Mr. Chairman, introduced me to a Senate Committee on my nomination for Secretary of Transportation. Bob said at that time, "I regret that I have but one wife to give to my country's infrastructure."

[Laughter.]

Senator ELIZABETH DOLE. Now, that was all right, but then he went on to say that he expected the Federal Highway Administration at DOT to use my biscuit recipe to fill potholes. Can you imagine?

[Laughter.]

Senator ELIZABETH DOLE. It is so tempting to exact a little revenge this afternoon, Mr. Chairman, but I will restrain myself.

Seriously, this is a special day for both Bob and me, for Dennis Shea is a member of our extended family. I first met Dennis when he was working as Deputy Chief of Staff to my husband in the Republican Leader's Office, and I came to know him as a man of extraordinary intelligence, judgment and, above all, integrity. He gained a reputation throughout the Senate as someone who works well with people of both parties and whose overriding passion is finding the best policy to solve a tough problem.

Dennis' imprint is on many bills passed by Congress to fight crime and illegal drugs, and he helped broker the compromise that led to the enactment of the Civil Rights Act of 1991. Dennis handled labor issues for Bob when I was Secretary of Labor, and my staff and I were impressed with his deep understanding of the complex problems facing the working poor in our country, including access to affordable housing.

Dennis grew up in Queens, New York, and this background has given him a deep consciousness of the challenges and opportunities facing our cities. The many issues he will confront at HUD require the compassion and balance that I know Dennis will bring to his new position. I recommend that all of my colleagues support this outstanding man's confirmation to serve as HUD Assistant Secretary for Policy Development and Research.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Reed.

STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Mr. Chairman and Senator Sarbanes, for holding this hearing, which is a very important process in our constitutional duties to confirm these very able and experienced public servants. I have had the privilege to work with Secretary Bernardi, and I have enjoyed it very much and look forward to working with Ms. MacFarlane and Mr. Shea.

You are taking on extraordinary tasks and opportunities, but also challenges, particularly since your department represents some of the country's most vulnerable families and vulnerable people in our entire Nation. Many of these people are elderly and disabled or just do not have the luck that others have, and they do not have powerful lobbyists typically to defend them, so it falls upon you to work for them, and I know and hope you will.

And, Mr. Bernardi, you particularly will have significant responsibilities. You will be responsible for working within the Adminis-

tration for appropriate resources for our Nation's housing programs. I think all of us here will say, without contradiction, how important housing is and how much we need to do, but really it is the resources available that limits us or enables us to do those things, and that is a difficult fight you are going to have to urge.

We have seen the current budget where there are proposals for cutting the Section 8 voucher program by $1.6 billion. So your job will be to convince people that what you believe in is what they should believe in, and I wish you well.

And, also, Secretary Bernardi, you will be responsible for the operations of HUD and the improvements. Years ago, when I first came to this Committee, HUD was one of the agencies identified as being in serious trouble. Problems still remain, so we expect you to devote yourself to that.

I had a chance to meet Mr. Shea, and I was impressed with his, as Senator Dole said, his intelligence, his integrity, and his dedication. Again, Ms. MacFarlane, I look forward to working with you.

Thank you so much for be willing to serve the Nation in and a very important agency. Thank you.

Chairman SHELBY. Senator Allard.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Mr. Chairman, I am going to be brief. I have a full statement I want to put in the record.

Chairman SHELBY. Without objection, it will be made part of the record.

Senator ALLARD. I do want to welcome Senator Dole. It is good to see him here, and I just want to recognize, in a public way, all of his fine work on the World War II Memorial. We are going to have a lot of veterans here, and we are going to have an open house in my office for him and others because I think we are going to be overwhelmed with veterans here coming into the Capitol to celebrate that time.

Also, I just would like to say that I am glad that we have Alphonso Jackson confirmed. And now that we have had a transition of leadership, it is important that we get moving ahead with a number of vacancies currently at HUD. Your Committee has always shown a willingness to move ahead with those. I think we need to urge HUD and the various authorities to be sure and get those names to us as quickly as possible so we can get those vacancies filled.

I would also just reiterate the fact that the Government Performance and Results Act—which is something I keep hammering on all of the time with everybody that comes before us, it is called GPRA, some people just call it the Results Act—this is a way of measuring performance of what is happening in the various agencies. I think this is especially important in HUD because it has revealed some problems in the past. It is improving, but again continue to push on this GPRA.

And then, finally, I would just follow up that there is a constitutional relationship between the legislature and the executive branch. It is important that we maintain that perspective, and I would hope that each and every one of you—when the Committee requests information—that you respond in an expeditious way and

get the information to us. We need that to do our job and to represent our constituencies, so I would just second what has been said in that regard, and I will thank you, Mr. Chairman.

Chairman SHELBY. We have some special guests here. We will start with first on our list is former Mayor Bernardi, and Senator Schumer and Representative Walsh I think are here to introduce him or say something.

STATEMENT OF SENATOR CHARLES E. SCHUMER

Senator SCHUMER. Thank you, Mr. Chairman, and thank you for holding a timely hearing. I am here, of course, to support the nomination of Roy Bernardi for Deputy Secretary, but first let me congratulate our other two nominees for their good work, and I want to particularly say, Mr. Chairman, this is a good day for New York.

Mr. Shea is from Queens, Burns Street in Forest Hills. I correctly guessed that he was from Mary Queen of Martyrs Parish.

[Laughter.]

And I welcome him here as well. New York has always had the habit of sending people—people come to New York, sally forth around the rest of the Nation and do great things. And so Senator Warner, we have sent you one of our best, now that he is a Virginia resident.

I want to welcome Senator Dole here as well, and my good colleague and a Congressman who has served Syracuse for so long and so well, Congressman Walsh, who got a new haircut today I see for this occasion.

[Laughter.]

Mr. Chairman, it is my honor to be here next to Roy Bernardi, and I support this nomination unequivocally. Roy is a native Syracusan, born in Syracuse and worked his way up through the ranks here. He served five terms as City Auditor, where he developed an outstanding reputation as somebody of integrity, and he actually overhauled municipal financial services, eliminated duplicative department functions and streamlined governmental operations, resulting in a lot of budget savings.

His good work as auditor led him to his next job, which was Mayor, and he was really a fine and outstanding mayor at Syracuse. He combined the understanding that you needed to be fiscally responsible. In our cities upstate, we are trying to keep the lid on things because, comparatively, we do not want to pay more taxes than other places, so we can attract jobs, and yet at the same time New York has a real tradition of compassion, and Mayor Bernardi was able to do both of those. He was able to be fiscally responsible and yet unite the city and be compassionate as well, and he was an outstanding mayor.

I will not forget, Mr. Chairman, I just had been elected Senator in 1999, had beaten a Senator who Roy had worked with of his party, and I was wondering what kind of reception I would get, and he opened the door for me, and we worked well together from the day I became Senator, which I think speaks to his bipartisanship, as well as his character.

Chairman SHELBY. Plus, he was a wise man, too.

[Laughter.]

Senator SCHUMER. Indeed, as you are, Mr. Chairman.

In any case, he will make an outstanding Deputy Secreatry. He has all of the good qualities needed to be a Deputy Secretary of HUD. He understands how to run a large organization. He is fiscally responsible and moderate and at the same time is compassionate and understanding. He did an outstanding job as Secretary for CPD, for Community Planning and Development, and I think we are all very impressed with the job he did.

And so, as they say, Mr. Chairman, he got his promotion to Deputy Secretary the old-fashioned way—he earned it. It is my honor to be here with him and to welcome Alice, his wife, and his two children, Dante and Bianca, here today.

And I would ask unanimous consent my entire statement be put in the record.

Chairman SHELBY. Without objection, so ordered.

Representative Walsh, do you have anything to add to that?

STATEMENT OF JAMES T. WALSH
A U.S. REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW YORK

Reprensentative WALSH. I will try not to be repetitive, Mr. Chairman, but former Mayor Bernardi has certainly made his remark in our community, and I want to be here to support him.

So, Mr. Chairman, Senator Sarbanes, and Members of the Committee, thank you for inviting me to be here with you today and sit with the distinguished panel here, including our Senator from New York, Senator Schumer, with whom I work very, very closely on many issues.

Former Senator Dole, who even though I represent a city, he came out and visited a farm in the Eastern part of my district one time on a very, very cold Upstate New York day, and he did it very graciously, Senator Warner, also.

I am here to support my former mayor and close personal friend, Roy Bernardi. He has served well as Assistant Secretary of Community, Planning and Development, for the Department of Housing and Urban Development, and as Chairman of the House Subcommittee for VA, HUD, and Independent Agencies, we have worked very, very closely since his appointment in 2001.

Prior to joining the Bush Administration, Mr. Bernardi was the fifty-first mayor. And I have a special affection for mayors of Syracuse. My dad was the forty-eighth mayor and also served in the House of Representatives.

I also had the pleasure of working with Roy on a variety of community issues during his tenure as Mayor and as City Auditor. I served on the City Council in Syracuse while Roy was cit auditor, and we worked very, very closely together. He was a promoter of urban neighborhoods, a believer in cities, and someone who implemented initiatives all throughout the city to improve the quality of life of its residents.

Along with the men and women of the Syracuse Police Department, Mayor Bernardi made a remarkable change in reducing violent crime in Syracuse to the lowest levels in recent history, and this is no small accomplishment in an urban center.

On a personal note, I would like to extend my congratulations to his wife, Alice, and the two kids, Dante and Bianca. I have a good

friend at home who always says, "Behind every successful man there is a very surprised woman."

[Laughter.]

This is a solid family who offers a great deal, including their dad and husband, to the service of the United States of America. Rising to the position of Deputy Secretary of HUD is both challenging and exciting. The responsibilities are great, and sound judgment on issues dealing with national housing policy require a constant effort by both the Deputy Secretary and his team. Roy has proven over the years to listen carefully before making judgments on policy matters, whether local or national. He will reach out to others to seek their advice which, in my view, is a sound business practice needed to be a good manager. He also returns telephone calls when contacted by Members of Congress, which I know within this room is considered a high mark.

I know this Committee will be pleased with the caliber of this nominee, and the others, and I extend my congratulations at this time to them also.

The people of Mayor Bernardi's hometown of Syracuse are very, very proud of their native son.

Thank you very much.

Senator SARBANES. I always thought it was a surprised mother-in-law that was behind every successful man.

[Laughter.]

Representative WALSH. There is plenty of surprise to go around.

Chairman SHELBY. We will next hear from Senator Dole and Senator Warner on behalf of Dennis Shea.

Senator Dole.

STATEMENT OF ROBERT DOLE

A FORMER U.S. SENATOR FROM THE STATE OF KANSAS

Senator ROBERT DOLE. It is good to be in the Committee room again with another Senator Dole. I never made it to the Banking Committee. I just did not have the intelligence and the seniority or I did not have any money.

Chairman SHELBY. You did not represent North Carolina.

[Laughter.]

Senator ROBERT DOLE. They have a lot of banks in North Carolina.

Chairman SHELBY. Yes, absolutely.

Senator ROBERT DOLE. Charlotte is the banking capital of the world. New York is a close second.

[Laughter.]

But Wayne Allard mentioned, and I just want to mention because if you live I Maryland or Virginia, you are going to see more World War II veterans than you thought ever existed. We think between 2- and 300,000 will be there that day. And some of these men are just living long enough to be here for this dedication.

Senator ALLARD. I could not remember the date. You can share the date with us maybe, Senator Dole.

Senator ROBERT DOLE. Yes, May 29, and there are 118,000 seats, and the tickets are already gone for those. And now we are trying to find more space because some of these men are amputees. Some

cannot walk. Some cannot see. So it is going to be a great day, and I appreciate Wayne mentioning it.

But, as an aside, Dennis Shea's father was in the Navy, in the South Pacific. So he is one of the World War II vets, one of that "Greatest Generation" that Tom Brokaw referred to, which is now becoming a disappearing generation. We are losing about 1,200 per day. We are down to less than 5 million out of 16.5 million.

But I want to say a special thank you to Senator Warner, who helped us out. We did not ask for Federal money. We said if we cannot raise it, we will not build it. But he did help me out, when we got in a little crack, and I offered to pay the money back, and I think it is still pending, and I have not mailed the letter.

[Laughter.]

But, in any event, I am really here today for the purpose of introducing—I know it is going to be a tough hearing and a tough vote for all of these nominees, I can already tell, but Dennis Shea and I have worked together for about 15 years—first, my Staff Counsel and then Deputy Leader of the Chief of Staff when I was Majority Leader and Republican Leader of the Senate and also in the private practice of law. So I have had three different areas to work with Dennis.

But above all, I think what I would stress is integrity. He also watched me on ethics. Anything I wanted to check on to see if I could do this, I would give it to Dennis, and there were a lot of things I wanted to do, he would not let me do.

[Laughter.]

So he has told me, no, many, many times and probably for my own benefit. But, Dennis, I thank you for that.

But if you are looking for someone who is willing to work, and who is a man of intelligence, and a man of integrity, who has a wife named Elizabeth, this is your nominee.

That is my entire statement, and make it part of the record.

[Laughter.]

Chairman SHELBY. Senator Warner.

STATEMENT OF JOHN W. WARNER

A U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator WARNER. Mr. Chairman and Members of the Committee, I am breathless. This is my 26th year in the Senate, and most of it was spent with Bob Dole, who I never met a finer man in my life. I mean that. You know that.

We went to the 50th anniversary of D-Day together, and to Italy, where he spoke to a crowd as far as the eye could see. And then we went to visit his battleground, and those are things that bond individuals that you never forget. Bob is the big brother I never had in life, and it is such a privilege to be here today. And now you are successor Senators on the Armed Services Committee, and so the Dole family has been a part of my life.

I have come to represent Dennis Shea, and why should I take more time than you took?

Senator ROBERT DOLE. Because you have a vote.

Senator WARNER. Oh, I have a vote. Yes. Right.

[Laughter.]

He could always put me down with a one-liner. But I will put my staff on behalf of Dennis in the record because you have spoken so eloquently.

Chairman SHELBY. Without objection, so ordered.

Senator WARNER. But I will just say one thing. As a young Senator, when I came to see Senator Dole, I had to sit out in his office and wait to see him out of his office. So, from now on, you are going to wait out in my anteroom to see me, subject to confirmation.

[Laughter.]

So, I will put the rest of it in, and it is really an extraordinary accomplishment, remarkable how the President and the Secretary of HUD can find two such eminently qualified individuals.

Now, to this other lovely individual, Cathy. I have quite a bit to say about her. She is here with her mother and father; is that what I understand?

Chairman SHELBY. Right here, right.

Senator WARNER. Yes. She has been nominated to serve as Assistant Secretary and has over 24 years of experience in public relations.

Dole could have used you.

[Laughter.]

Public relations, and Government Affairs and Communications.

She has served two Administrations, President Ronald Reagan and the current one at the Federal Trade Commission, in substantive positions with honor and distinction. Most recently she served as Director of Public Affairs for the FTC and was instrumental in the communications outreach for the National Do Not Call registry. You could have got elected on that to anything you wanted to get elected to.

[Laughter.]

The Outreach and Communication Plan to promote the registry has been an unqualified success and something I know many have been grateful for, including this Senator. I do not know how many of your families had dinners or other family functions disrupted by the ill-timed phone calls, but speaking for myself, I can say, Ms. MacFarlane worked a minor miracle. We thank you.

She has earned the confidence of two Presidents, and I believe she has more than the qualifications to handle this next assignment, and I wish you well.

Thank you, Mr. Chairman and Members of the Committee, and what a privilege to be with you, dear friend.

Chairman SHELBY. I want to thank you——

Senator ROBERT DOLE. Can I put my statement in the record?

Chairman SHELBY. Without objection, Senator Dole's statement will be made part of the record.

I want to say before Senator Dole and Senator Warner leave, I believe, we know Dennis Shea real well, Mayor Bernardi, Ms. MacFarlane, we know of your good work, and I believe you are going to have a lot of support on this Committee, but we still have got to go through a hearing.

Thank you.

[Laughter.]

If the nominees will stand and raise your right hand.

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BERNARDI. I do.

Mr. SHEA. I do.

Ms. MACFARLANE. I do.

Chairman SHELBY. Do you agree to appear and testify before any duly-constituted committee of the Senate?

Mr. BERNARDI. I do.

Mr. SHEA. I do.

Ms. MACFARLANE. I do.

Chairman SHELBY. Take your seat.

All of your written testimony will be made part of the record in its entirety. And we will start with you, if I can call you, Mayor, with your testimony, if you will sum this up as briefly as you can.

STATEMENT OF ROMOLO A. BERNARDI, OF NEW YORK TO BE DEPUTY SECRETARY U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BERNARDI. I thank you, Mr. Chairman, Ranking Member Sarbanes, and Senator Dole, Senator Allard, and Senator Reed.

It is a pleasure to be here. I want to start by thanking Senator Schumer and Congressman Walsh for their very kind words. It is also nice obviously to be with Senator Dole and Senator Warner.

My name is Roy Bernardi, and I am the Assistant Secretary for Community Planning and Development at the Department of Housing and Urban Development, and I am here to thank you for inviting me to appear as President Bush's nominee for the position of Deputy Secretary.

I want to express my gratitude to the President for the confidence that he has shown in me. For 3 years, I have had the pleasure of working with Deputy Secretary, at that time, Jackson, now it is Secretary Jackson, and I am thankful for the confirmation that this Committee provided for him. And I look forward, hopefully, to be working with him as his Deputy Secretary.

It is a pleasure to be here with my two distinguished colleagues, Cathy MacFarlane and Dennis Shea. All of those wonderful words that were spoken of them, in working with them, I find to be nothing but more than accurate, and they are very good people.

At this time, I would like to introduce, have her stand, if she would—she will be embarrassed—my wife, Alice, and our son, Dante, and our daughter, Bianca, right behind me. Without them, ladies and gentlemen, I do not know how it was put, in spite of myself, I have been able to succeed, but with Alice's help and the children's love and support each and every day is just a God-given day, and it is a pleasure.

I take humble pride in what I am about to do. I am a first generation Italian-American. My mom and dad migrated to this country when they were teenagers. They met in an English class in high school, learning the language skills and the working skills in this country. They married and had four children. I have an older sister, and a younger brother and a younger sister, and I believe we have given them some measure of happiness with our successes that we have attained. I grew up in Syracuse's Northside. And

when I went to first grade, I distinctly remember I spoke Italian. I did not speak English, and that was quite a challenge for my mom to get me back in school.

As has been mentioned, I had the opportunity to be the Syracuse City Auditor for 20 years, and 8 years nearly as Mayor of the City of Syracuse, before President Bush and Secretary Martinez asked me to serve as Assistant Secretary for CPD, and it was an honor and a privilege to accept.

I know, in nominating me, President Bush has not only honored me with this distinction, but also the important responsibilities that come with it. The Deputy Secretary is the Department's Chief Operating Officer, managing an agency of some 9,000 employees, with a budget of approximately $31 billion. The Department is a little bit larger than what I handled in the City of Syracuse as mayor, but I see the same challenges. Obviously, they are magnified. I feel confident, with my experience, that I will be able to do a good job for the Secretary, the President, and more importantly, for all of the people that we serve.

HUD's purposes are especially aimed at helping low- to moderate-income individuals as you know. We want to supply safe, decent, and affordable housing throughout no only the largest cities, but also in the rural areas of America. We administer economic development programs throughout the communities, to revitalize decayed neighborhoods, and improve the quality of life of all residents. We deal with everyone in the spectrum. We deal with senior citizens, persons with disability, people with HIV/AIDS, people that cannot afford housing, people that need assistance. We deal with communities to provide economic development to create jobs and create economic opportunity for a better quality of life for everyone, and I would look forward to working closely with Secretary Jackson and President Bush to achieve our goals and objectives.

I will be committed to fostering better cooperation with the people who serve at every grade and with unions representing many of them. I will work to understand and improve the bargaining process. In my 3 years as Community Planning Development Assistant Secretary, I feel very good about the relationship that I have had with the career employees and the ability to work as a team to accomplish the things that were charged to us, and I hope to bring that same kind of commitment, that same kind of working together with all of the employees, all of the union and nonunion employees in HUD.

Let me assure you that I also intend to work closely with this Committee, and its staff, and with other Committees and anyone and everyone that needs information, and needs our assistance, and needs our cooperation. I understand the importance of the work that I am about to undertake with your permission, and I know full well that it is a partnership, that the Administration and the legislative body must work together, that we all have the same goals and objectives that we want to obtain, and that is to help the people that are going to be served by the money and the over 300 programs that we have in HUD.

I thank you and I would like to enter this into the record, if I could, Mr. Chairman.

Chairman SHELBY. Without objection.

Mr. BERNARDI. I look forward to your questions. Thank you.

Chairman SHELBY. Mr. Shea.

STATEMENT OF DENNIS C. SHEA, OF VIRGINIA, TO BE ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. SHEA. Chairman Shelby, Ranking Member Sarbanes, and Members of the Committee, good afternoon, and thank you for convening this hearing during this busy legislative session. It is a privilege to be here with you today, along with my colleagues, Roy Bernardi and Cathy MacFarlane.

I want to thank Senator Dole or Senators Dole, and Senator Warner for their kind words of introduction. Serving the leader was an honor. It involved a lot of hard work and long hours, but I must say it was a lot of fun too.

If I may have the Committee's indulgence, I would like to introduce two important people——

Chairman SHELBY. We have been waiting for that.

[Laughter.]

Mr. SHEA. I think you have been introduced to them already. My wife, Elizabeth, is in the back, anlong with my 6-month old daughter, Juliette. My parents, Dennis and Molly Shea of Forest Hills are right behind me, as well as my Aunt Jeanne Clarke of Bethesda, Maryland. I do not know where—there she is.

Chairman SHELBY. Right back there.

Mr. SHEA. Great. I, too, would like to express my appreciation to President Bush for the honor of being nominated as Assistant Secretary for the Office of Policy Development and Research. I have been looking forward to the chance to work with Secretary Jackson, so I am grateful that the Senate has confirmed his appointment.

As you know, the Office of Policy Development and Research provides advice and information to the Secretary to support the Department's policies and proposals. PD&R compiles information to monitor current housing needs and market conditions. The Office also carries out both short-term and long-term research on priority housing and community development issues. An important responsibility of PD&R is to conduct evaluations of our programs to make sure they are operating as Congress intended. PD&R's mission within HUD is critical to the success of our programs and to the achievement of Congress' goals. I will see to it that this mission is carried out with professionalism and integrity.

In my most recent job, as the Executive Director of the President's Commission on the U.S. Postal Service, I was able to lead a small staff in developing a comprehensive report recommending ways to preserve universal mail service. I am pleased that the Commission's report has been generally well-received and is viewed as a substantial achievement, particularly in light of our tight deadline and the fact that no commissioner or staff member, including myself, came to this assignment with any significant experience in postal policy.

I believe that this experience, as well as my other experiences in the policy development arena, will help me be an effective leader of the PD&R team. I am personally honored to have the oppor-

tunity to join the men and women of PD&R, who, I must say, are among the best and brightest of the HUD work force.

Mr. Chairman, let me conclude by saying that, as a former member of the staff of the U.S. Senate, I also have a deep appreciation for this institution. Congress plays the central role in legislating our Nation's housing policy and in funding the programs that the Department administers. I look forward to working with this Committee in an open and collaborative spirit to advance the goals of affordable housing, homeownership and strong communities that we all share.

Thank you for your attention, and I look forward to answering any questions you may have.

Chairman SHELBY. Ms. MacFarlane.

STATEMENT OF CATHY MacFARLANE, OF VIRGINIA, TO BE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. MACFARLANE. Chairman Shelby——

Chairman SHELBY. Do you want to introduce anyone?

Ms. MACFARLANE. Yes, sir. I would like to introduce my father, Joe MacFarlane, and my mother, Mary MacFarlane. I also have numerous friends which I would like to just thank for being here.

Chairman Shelby, Ranking Member Sarbanes and distinguished Members of the Committee, thank you very much for inviting me here to appear before you today with my colleagues, Roy Bernardi and Dennis Shea.

I am honored that President Bush and HUD Secretary Alphonso Jackson nominated me to be Assistant Secretary for Public Affairs at HUD, and I am very grateful for the confidence that they have shown in me.

The responsibility of directing the public affairs of a Federal agency is a serious one, but not a new one to me. During my tenure as Director of the Federal Trade Commission's Office of Public Affairs, the Do Not Call registry was authorized by Congress, as Senator Warner noted, and the task of educating the American public about how to stop telemarketers from contacting them became our responsibility. Together with a staff of seven of the finest PR professionals in the Federal Government, we reached out to every newspaper, radio station, and broadcast outlet in the country. Six months after the Do Not Call registry was launched, more than 55 million people had registered. And a recent Harris Poll survey indicated that the Do Not Call registry was recognized by 92 percent of the American public.

If confirmed, I intend to make certain that the good news about HUD's programs reached the eyes and ears of the people who most need to benefit from them. Every day HUD assists low-income families find safe and affordable shelter, they help first-time homebuyers make their dream of homeownership a reality, and they provide a means for individuals to move from Government dependence to self-sufficiency. HUD's programs are carried out by the executive branch, but we understand that they are written here, in Congress. And legislation enacted by Congress has opened the doors to homeownership for millions of Americans.

I am honored to be the nominee for Public Affairs. With the support of the Committee, I look forward to assisting in the important work of keeping America informed about the Federal Government's housing and community development policies.

Mr. Chairman and Senators, thank you for your courtesy in listening to my remarks, and I would be happy to take your questions.

Chairman SHELBY. Thank you.

Mr. Bernardi, 2 years ago, the General Accounting Office, GAO, testified before one of our Subcommittees and said that "human capital is the most pressing management challenge facing HUD." More specifically, GAO offered its opinion that HUD did not even have an analysis of what its staffs should be doing and what skills the staff needed to accomplish their responsibilities.

How much progress, sir, has HUD made in strengthening its human capital over the last 2 years, and do you have any thoughts on what HUD can do to improve the productivity of its staff?

Mr. BERNARDI. Mr. Chairman, HUD established a Human Capital Steering Committee back in 2002. Presently, we are in the process with a REAP report to ascertain not only the number of individuals, but also what tasks need to be performed and the individuals that have to perform them.

Quite candidly, I think that we are in the process of reevaluating the total number of employees that have been appropriated to us. That is 9,177. About half of the HUD workforce is eligible for retirement. That is a major concern. We need to make sure that as these people leave that we provide the opportunity for middle management and people coming into the program to be able to spend time so that we do not lose that systemic knowledge that they have regarding the various programs.

As the Deputy Secretary, if I am so confirmed, I will make sure that each of the departments at HUD is staffed with the necessary personnel, with the expertise that they will need, to carry out their duties and functions.

Chairman SHELBY. OMB, Office of Management and Budget, has rated the Community Development Block Grant program, "as ineffective." More specifically, OMB states that the program suffers from unclear purpose, loose targeting requirements, and a lack of results. This is the largest program under your direction within the Office of Community Planning and Development, CPD.

What can you tell the Committee you see as some of the sources of OMB's concern? Do you agree with those? And, if not, why not? And could you also tell us what you have done during your time at CPD to address some of these issues. These are not new issues.

Mr. BERNARDI. Senator, the Community Development Block Grant program is the flagship program in Community Planning and Development. It is budgeted at $4.6 billion, and I am sure, as you are all aware, that money goes, on a formula basis, to over 1,100 entitlement communities to all 50 States, and the 50 States provide those dollars to the small towns and villages that dot our country that are not entitlement communities.

It is a very flexible program. There is so much good that is done with that program. You can use it for housing, you can use it for brownfields, you can use it for homelessness, public services, public

facilities. You can build a recreation center. And it is that beauty of the program that leaves the discretion, if you will, and the prioritization of how that money is spent at the local level. Obviously, there are national objectives that have to be adhered to. So it is a difficult program in which to be able to have performance measurements.

Now, with OMB giving us a very low PART score, unlike the score we received in the HOME program, where we received a very high score, but the HOME program is a very targeted program. It deals with people. It provides that $2 billion-plus to people who are at 80 percent or less than median income, and the average is 34 percent of median income. So that is really targeted. It is a little easier to gauge your results.

Having said all of that, sir, we are in agreement with OMB. We have implemented performance measurements here at headquarters, into the field, and with the communities. We would like the communities themselves to indicate to us what kind of performance measurement system, in conjunction with us, they would like to use, so that at the end of the day we can indicate that the dollars that are going to their communities, not only where they have been spent, but have they also received the maximum value.

Having said that, be assured that we are looking to make sure that the communities will be able to provide for us performance measurements that we can use in the next budget process.

Chairman SHELBY. Mr. Shea, I want to touch on another point raised by GAO. HUD, over the last 10 years or so, has been increasingly reliant on outside contractors to perform many of its responsibilities. I know this is not an issue solely in the research area, but it does seem that most of the research produced by HUD is conducted by outside parties. GAO has raised the issue of HUD's ability to effectively monitor its contractors.

Could you detail for the Committee, and if you want to do it for the record you could do that, your relevant experience in monitoring and evaluating contract performance because you are going to have to do some of that in the future.

Mr. SHEA. Yes. I had, in my most recent experience, Mr. Chairman, as the Executive Director of the President's Commission on the Postal Service, I was involved in making decisions on nine procurements. We procured nine outside contracts to assist the Commission in performing its work, and these were done on a pretty fast-track basis.

And I think, in that capacity, I was pretty clear in evaluating what contracts were successful, and there are a couple of contracts that I do not think the performance was up to snuff, and I registered that sentiment to the people who performed the work for us. So, as you know, PD&R contracts out a lot of its research.

Chairman SHELBY. Sure.

Mr. SHEA. And PD&R is currently aggressively pursuing opportunities to find small businesses to contract out——

Chairman SHELBY. I am not necessarily against contracting out, but they just have to be monitored in what you pay them for.

Mr. SHEA. If confirmed, that will be one of my priorities: To ensure that we have strong systems in place to monitor contract performance. Currently, PD&R has systems in place under the general

deputy assistant secretary for PD&R. She has done a wonderful job, Darlene Williams, in making people accountable within the office for the contracts that they are charged with monitoring.

So this will be a priority for me, to make sure we are actually getting bang for the buck and that we are also making sure that the contract money is spent out to different vendors who are able to perform the work.

Chairman SHELBY. Ms. MacFarlane, you know where you are going. You know you have been nominated by the President, and you are accepting that job. You have a challenge over there as far as PR. Would you share briefly some of your thoughts on how you are going to improve the public perception.

Ms. MACFARLANE. Chairman Shelby, I am very much in favor of what I call transparency. I think it is very important for an agency to show their hand, show their cards, and explain exactly what every aspect of that means. I believe that if HUD did that, that we could have the public understand a bit better than they currently do some of the programs and the reasons for the aspects of the programs that are currently being challenged.

Chairman SHELBY. You have a lot of experience, and you have the confidence of President Bush, and you are going to have our help everywhere we can give it to you because we want you to succeed, all three of you to succeed.

Senator Sarbanes.

Ms. MACFARLANE. Thank you, Senator.

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

Mr. Chairman, I have a letter from Mayor Daley of Chicago in support of Mr. Bernardi, and I would like to have that—

Chairman SHELBY. It will be made part of the record.

Senator SARBANES. And in part he says, commenting about his work at HUD, he says he has "worked in partnership with cities such as Chicago to help us address many difficult issues, including the creation of affordable housing, expansion of economic development opportunities, and the reduction of homelessness."

Mr. Bernardi, I want to ask you about the Section 8 vouchers. It is the largest affordable housing program operated by HUD. It consists of almost 2 million families, including many children, elderly, and disabled people, in achieving affordable and stable housing. Recently, HUD briefed our staff, as well as a number of public housing authorities that administer the voucher program, regarding the Department's policy on renewing these vouchers in the current fiscal year, the year we are in right now. And we understand, from a number of the public housing authorities, that the proposed policy, if finalized, may result in a number of people losing their voucher and thereby losing their affordable housing.

Now, Congress, of course, when they passed the fiscal year 2004 HUD appropriations bill, it was clear that we intended that every voucher in use should be funded and that nobody should lose their assistance.

And Secretary Jackson was quoted in the *Dallas Morning News* on April 15, as saying in response to these concerns expressed by the public housing authorities, "We are not going to remove one person that is already on the Section 8 program."

I have difficulty squaring the promise of Secretary Jackson and the clear intent of the Congress, in enacting the 2004 appropriations legislation, with the apparent outcome of this proposed policy. I am interested in how you can square them. I am actually more interested in some commitment or understanding that nobody is going to lose their affordable housing under the Section 8 program.

Mr. BERNARDI. Senator Sarbanes, the budget for 2004 is $16.4 billion. As you indicated, through the Appropriations Act, Congress mandated to us that that would be the amount of money that we would use for the Section 8 voucher program, as well as the project based.

That is a substantial increase every year. One of the conditions that we have at HUD is that, in the 2004 budget, about $23 billion of our $31 billion, goes to maintain assisted rental housing. That is a significant increase and a significant task for all of us.

Back in 1998, approximately a third of our budget was for the Section 8 voucher program. That is now up over 51 percent. In the 2004 budget, the public housing authorities, the 2,500 public housing authorities, are going to receive the amount of money from their August 1, 2003 allocation, with a, as I understand it—this is not my area—but as I understand it, with a cost-of-living index added to that.

Our Budget people and our people in Public and Indian Housing have indicated to us that no voucher will be lost, that there will be sufficient resources to provide for the individuals that are presently in the system.

Now, speaking as the Assistant Secretary for Community Planning and Development, and trying to look at the big picture, obviously, we would all like to spend—and I know Senator Reed and I had this conversation on homelessness—and we would all like to spend additional dollars, but it is going to be very, very difficult.

And just jumping to 2005, if I may, Senator, we have budgeted $16.9 billion and I remember, I believe, in your statement that you indicated that that is $1.6 billion less than what we would need. Well, that would take us to $18.5 billion. And the appropriators provide us with a set amount of money. We have to live within those parameters. In this particular case, in 2004, we are doing what the Congress mandated us to do.

Senator SARBANES. I am not clear from that answer whether, in 2004, what is your response to these public housing authorities that say they are going to have to cut back because of the nature in which you are proposing to allocate the money?

Mr. BERNARDI. Again, our numbers indicate that there are sufficient dollars in the 2004 budget to meet the vouchers that they presently have. Now, some housing authorities—and some have—if they are overvouchering, if they are going out putting additional people onto the list without paying attention to the budget that they have to live under, we all have to live under a budget, there are going to be some difficulties, obviously, in certain areas, but as I understand it, there will be the sufficient resources to provide for the vouchers through 2004.

Senator SARBANES. Well, the Center on Budget and Policy Priorities, which does good analytical work, estimates that under HUD's interpretation, that you have given to the public housing authori-

ties, HUD will be left with almost $200 million in unused fiscal year 2004 voucher funds at the very same time that some public housing authorities will be forced to terminate assistance.

Mr. BERNARDI. If there is money——

Senator SARBANES. I take it you are assuring me that that is not going to happen; is that right?

Mr. BERNARDI. What I can indicate to you, Senator, is that if there are additional dollars left in the program, it is because all of the vouchers have not been used. And I believe Secretary Liu has indicated that we will look at housing authority individually to see ways in which we can assist in the event that there is a difficulty. But if they overvoucher, if they go out, and they have 10,000 vouchers, and they offer them to 12,000 people, then we are going to have a problem.

Senator SARBANES. Well, they are authorized for a certain amount of vouchers.

Mr. BERNARDI. That is correct.

Senator SARBANES. Are you going to provide the money for the authorized amounts?

Mr. BERNARDI. That is what we hope, that is what we plan to do. That is what our budget indicates, but we cannot provide dollars for vouchers that are not authorized. And in some instances, and I think we understand some areas are going out and issuing more vouchers than they have resources for.

Senator SARBANES. Well, this is a very, very important issue.

Mr. BERNARDI. Absolutely.

Senator SARBANES. And the Secretary himself is now quoted as saying that no one is going to be cut off, we are not going to remove one person that is already on the Section 8 program, and we expect HUD to deliver on that.

You have the money to do it.

Mr. BERNARDI. Each and every year, I believe, approximately 250,000 people are off of the program. So we do not anticipate that anyone will be without a voucher who presently has one this year.

Senator SARBANES. Well, we are going to watch that very closely. I wonder, Mr. Chairman, if I could ask one more question.

Chairman SHELBY. You go ahead.

Senator SARBANES. As I mentioned in my opening statement, we have had an ongoing problem with HUD in getting the data and information we need to evaluate the Department's proposals and budgets. There is no reason that I can see why a request from many of our offices for data that the Department has readily available should not be handled in a timely manner.

Now, on occasion, we use this data to actually criticize the Department, it all depends, but we need the information in order to have a rational dialogue, and discourse, and it does not help anyone at HUD to be an obstacle to ensuring that we have proper information on which to base decisions.

So, I am anxious to obtain from each of you a commitment to work closely with the Committee and its staff so that these requests for information are met on a more timely basis. It has been a problem, and it ought not to be a problem. And if it continues, it, of course, cannot help but contribute to increased tension and worsening relationships between the Committee and HUD.

Could I hear from each of you on this issue?

Mr. BERNARDI. Sure, Senator. Secretary Jackson has indicated to me, and I feel the same way—and someone mentioned that I return my phone calls—I look forward to providing any and all information that you need. Rest assured, however, that if we give you information, we want it to be correct information. We want to make sure that whoever provides us this information, whether it is internally to HUD or outside, that the information is valid, that the information is as accurate as it can be, and then provide it to you.

Senator SARBANES. Ms. MacFarlane.

Ms. MACFARLANE. Senator, I would like to echo exactly what Mr. Bernardi said, I too will work with you.

Senator SARBANES. Mr. Shea.

Mr. SHEA. Yes, Senator, I will echo what Cathy and Roy said. I will work very closely with this Committee—if Jonathan or Steve gives me a call I will return the call promptly.

Senator SARBANES. We need the information too, along with a return of the call.

Mr. SHEA. I will work cooperatively. Sure; understood.

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

I want to say that Mr. Shea is another example, I think, of the quality of the people that Senator Dole when he was Leader had around him, and I think it is one of the reasons he had such an effective leadership.

Ms. MacFarlane, you have done a nice job over at the Federal Trade Commission. I am familiar with some of your work there, and I wish you well at HUD. HUD has some good programs and they should get out across the—I mean, the public housing program, for example, is always taking a hit and getting negative press, and yet in many communities across the country there is very good public housing and it is meeting a very important need. The same thing about the HOPE VI program which gets some criticism. On occasion it may be deserved, but there are cities in our country where the HOPE VI has helped to actually transform the communities.

So we count on you to get this message out there. You were very good at the FTC in getting the message out, so I hope you will be able to do as well over at HUD.

Ms. MACFARLANE. Thank you, Senator.

Senator SARBANES. Mr. Chairman, let me just say I intend to support these nominees and I welcome a hearing where we have been able to start off on that premise in the beginning and carry it all the way through.

Chairman SHELBY. Quality nominees.

Senator SARBANES. That is right.

Chairman SHELBY. They are quality nominees. I think we know that.

Senator SARBANES. I agree with that.

Chairman SHELBY. Senator Allard, thank you. And thank you for the work that you and Senator Reed do in the housing area on this Committee.

Senator ALLARD. Thank you, Mr. Chairman. I agree with Senator Sarbanes that we do have a number of worthy programs out there, but just like anything else, you have got a few bad actors. We have

businesses, say—I am a veterinarian. We have got a few bad actors that tend to reflect negatively on the profession. Physicians, lawyers, we all have our bad actors. I think the challenge with HUD is being able to ferret out those individuals that are not responsible and are not accountable.

You have come, Mr. Bernardi, out of a position where you have had to hold people accountable. Have you had an opportunity to think about things that you can implement in HUD that would bring about more accountability in the process as a Deputy Secretary?

Mr. BERNARDI. Yes. The fact of the matter is that you can always improve communication, that your correspondence can always be crisper, if you will. The fact of the matter remains that it is the relationship that you develop with the staff. There are only a few of us. There are many career employees. I encountered that same situation in the city of Syracuse. And overwhelmingly those individuals are dedicated public servants who want to do a good job. So the relationship that we need to continue to develop with our deputy assistant secretaries and our program directors in making sure that every program is working at the maximum possible level.

The Government Performance and Results Act, Senator, that I know that you are keenly involved with, at HUD we have a strategic plan and we have an annual performance that we, each and every year, provide information to the Congress as to how we are doing with our strategic plan. Are we meeting our goals and objectives? Because in the final analysis, that is how we will be judged.

We also have program performance reports. Along with the President's management agenda and the Results Act, as Deputy Secretary, if I am so appointed—if I am so confirmed, I should say, my goals and objectives are to make each and every office there the best that it can possibly be.

The Chairman indicated about CDBG and performance results. We need to drive our budget with performance. We need to indicate to you when we come here, we are looking for resources and programs that we would like to change, we have to be able to provide you the necessary measurements so that you can support what we would like to do. I look forward to that relationship.

There are many, many challenges as Deputy Secretary. There are over 300 programs at HUD and I am trying to get my arms around most of them. I enjoyed CPD, and being Assistant Secretary of that department was just absolutely wonderful, dealing with the programs such as CDBG, HOME, the homeless program, and the HOPWA program. Those are good programs. You are able to bring happiness to the face of people around the country.

But, sir, I look forward to managing with strong ethics, making sure that everyone provides the necessary energy and expertise that is needed.

Senator ALLARD. Mr. Shea, I think perhaps you were around when they passed GPRA, the Government Performance and Results Act. I have always liked the idea because it gives us an opportunity as policymakers to look down very quickly and see what is actually happening within the agency, and if the programs are not working then it gives us an opportunity to go back and visit with the agencies; what they can do to make things better. Do you have

any thoughts about GPRA and how we measure and improve performance in HUD?

Mr. SHEA. As you know, Senator, I am currently serving as a consultant at the Department, and when I first walked in the door, the first thing I picked up was the 5-year strategic plan and the annual performance plan to read, to get my hands around what the Department is doing, what it intends to do in the future. I am pleased to say that PD&R, the office for which I have been nominated, takes one of the lead roles in drafting the Results Act, or GPRA, documents for the Department. We will continue to do so, and I find a great utility in those documents and in the Act.

Senator ALLARD. Ms. MacFarlane, I think you have a chore here for public relations. I think that with the regional offices you have an opportunity to reach out to communities and work with public relations. But have you any thoughts on how you can deal with some of the public relations issues as they come up in HUD?

Ms. MACFARLANE. Yes, Senator. I too have been a consultant but have been able to observe what the regions talk about on conference calls and the field offices. What I proposed to Mr. Jackson is that when the assistant secretaries or Mr. Jackson are traveling to an area on an invited opportunity, that we extend the trip and we visit the communities where HUD has placed money. We invite the press to visit those committees with us, and then we hold town hall meetings afterwards so that we can reach the community and let them know what opportunities there are, along with some of the other partners in the industry who also assist with low-income and moderate-income housing.

Senator ALLARD. Mr. Chairman, I see my time has expired. If I could just have a moment——

Chairman SHELBY. Good ahead.

Senator ALLARD. —and I will be finished after the first round here. I do not know what your plans are.

I am a strong supporter of helping people get into their first home. I hope that you can strengthen those programs. I think that we have some volunteer programs out there where you build in sweat equity, where people build their own homes, by volunteering their time. I hope that you will take time to try and stimulate those kind of programs, and encourage them to flourish. I have also worked and carried legislation called the American Downpayment Act, which is to help people over this downpayment hump that first-time homebuyers you run into. I think it will be helpful too.

But again, I think those kind of programs have to be monitored very closely and see that they are managed properly. I would give you an opportunity to comment any further on those programs if you want. If not, then we can just move forward.

Mr. BERNARDI. I would like to say a few words, if I may. The American Dream Downpayment program, there is $161 million that is available. It is going to be going out the door this month, as a matter of fact. President Bush signed that at HUD and I believe you were there yourself, sir, back on December 16. That is to help first-time homebuyers. For the 2005 budget we have a $200 million request. It is through the HOME program, and Senator, as you indicated, HOME received a very high mark. It is well-managed. It will go to the people that need it the most. It will increase

homeownership and give those people that do not have the opportunity to own their home downpayment, closing cost assistance. So I feel very good about that.

Our supportive housing opportunity program, our sweat equity program, our SHOP program, in 2005 we are asking for $65 million. It is budgeted at $25 million here in 2004. I was with some of the good Senators—Senator Reed, I guess I just missed you here in Washington. We did the house that Congress built. And to see the faces of these people that are going into those homes.

Right now they are required to do 200 hours of sweat equity. We are looking to lower that a little bit. The fact remains it is very difficult for them to spend 200 hours on their own home when they are building numerous homes. But with Tom Jones with Habitat for Humanity and the Housing Assistance Council, they receive the bulk of those dollars and we provide anywhere from 2,200 to 2,500 homes for low-income individuals, and it is a great program.

Senator ALLARD. Thank you, Mr. Chairman.

Chairman SHELBY. I will call on Senator Reed. He has been very patient and he knows a lot about housing.

If you are required to spend 200 hours on your own home and you cannot do it, could there be some way they could help on other homes and people would help them, as long as you get bona fide credit?

Mr. BERNARDI. Yes.

Chairman SHELBY. Just a thought. I do not know.

Mr. BERNARDI. They have indicated—they being Habitat and the Housing Assistance Council, that that has been a very difficult provision, and we are going to be reducing that to 100 hours, 50 hours for the husband or for the individual. They do so many builds now where they do a number of builds at the same time that that provision is very difficult to meet.

At the same time, because of an increase in costs over the years, instead of $10,000 on a particular unit we are going to be able to go up to $15,000. We would like to do that. I have been working very closely with the individuals in those organizations. They also would like us to take the SHOP program, move it up earlier in the year so that we could grant the awards in May and June as opposed to October and November so they have the building season in front of them.

I tell you that to let you know that we are working to try to improve that program and all of our programs.

Chairman SHELBY. Thank you.

Senator Reed, thank you.

Senator REED. Thank you, Mr. Chairman.

Secretary Bernardi, let me return again to the issue of CDBG. Senator Sarbanes touched upon it. In the fiscal year 2005 briefing that you gave to staff you talked about the four proposals developing for the formula, and the first indication of changes that we received was back in the 2004 budget submissions where there was some discussion without any details really about perhaps changing. There was a sidebar that made the comparison between Cleveland and three other cities and said, Cleveland gets as much even though they seem to be in the same category, which led many people to observe that there is perhaps a movement to change formula

B which relates to the age of infrastructure and other factors, which is particularly important to cities like Syracuse, Providence, Philadelphia, Patterson, New Jersey, and other places.

First of all, do you have details on these four formula proposals?

Mr. BERNARDI. We are just in the process of completing the study that PD&R has done in conjunction with CPD and with OMB's input as well. You are correct, there is formula A and formula B, and the entitlement community takes the one obviously that provides the most amount of resources. That study will be available, I believe, in a few months and we plan to provide that. I cannot get into too much detail.

There are four alternates. Obviously with the 2000 census there is an awful lot of change that has taken place over the last 10 years, and I can candidly indicate to you that it is not as targeted a program as it once was. So it will be up to Secretary Jackson and the Administration to make a determination as to whether or not to seek change to that formula. There are four alternative proposals that I have looked at in a rough draft. But then again, we are not going to do this in a vacuum. We will make sure that every member, that the entitlement communities, the States and any interest groups that are out there have an opportunity to take a look at this and give their input.

But any time you change a formula of that size, as you well know, there are winners and losers. But we want to make sure, I think, in the final analysis—I know Secretary Jackson does and I feel very strongly on this—that we do it in a way that is equitable and provides for the individuals that our programs are geared to, and that is low- and moderate-income.

Senator REED. I think you understand this is a vital concern to everyone, both the potential winners and the potential losers, so as soon as you can get those details I would appreciate it and I assume my colleagues would also. We will take you up on your invitation to work closely with you in trying to look at these.

Mr. BERNARDI. Happy to do it, Senator.

Senator REED. I know OMB has rated the CDBG program is ineffective, but it is not just—there is an implementation problem that might be at the heart of it rather than a formula problem, so I would hope you would look at that too.

Mr. BERNARDI. With CDBG we are able to provide numbers for number of units that are rehabilitated, and at the same time number of jobs that are created. But rightfully so, OMB wants to go deeper than that. They want to know if you are using that money for public services, and public facilities, exactly who does it benefit. As I mentioned earlier, working with the communities and with ourselves we are going to put together performance measurements. I believe there is $10 million within the CDBG budget for 2004 for a demostration that will allow communities to competitively utilize that money to create the kind of system or systems that we are going to need to measure progress.

Senator REED. Thank you, Mr. Bernardi.

Mr. Shea, first of all let me say, Juliette expressed feelings that we have all had at one time or another in this room but we did not have the license to do it, and I am glad she is here today. Congratulations.

Mr. SHEA. Thank you very much.

Senator REED. Your office just recently released a study, Trends in Worst Case Needs For Housing, and it underscored that the trends are getting much, much worse. The report indicated that the number of renter households with worst case needs rose by 210,000 to 5.7 million in 2001. In this great country that is of concern to all of us.

The point I would make though is that this report typically issues every 2 years, and we had to wait 3 years for this recent report, so we only have 2001 data. I hope you can commit to us that you would be to issue this report on the regular 2-year basis.

Mr. SHEA. Let me just say, Senator, that the report did say that the percentage of individuals with worst-case needs in 1999 was the lowest ever recorded. There was a slight uptick from 1999 to 2001, but statistically insignificant. But the report did emphasize that there is a need for more affordable housing.

Yes, I can commit that we will get a second or a follow-up worst-case needs report out in the near future. I cannot commit to you to a specific timeframe, but I know you expressed a concern last year in getting the report out on a timely basis. I can assure you that we will get it out on a timely basis for more updated figures.

Senator REED. Thank you, Mr. Shea.

Ms. MacFarlane, congratulations on your success at FTC. You have an important story to tell at HUD, and as Senator Sarbanes and my colleagues said, there are good things to tell and I wish you well in telling that story.

Ms. MACFARLANE. Thank you, Senator.

Senator REED. Thank you, Mr. Chairman.

Chairman SHELBY. I just want to tell all of you, you bring a lot of experience, Secretary Bernardi, Mr. Mayor, your experience at HUD. Mr. Shea, his experience in the Senate, practice of law, working with the Majority Leader. Ms. MacFarlane with the FTC. At HUD, you can make a difference over there, and I believe you will. We are going to move these nominations as soon as we possibly can, we assure you. We congratulate all of you.

Mr. BERNARDI. Thank you.

Ms. MACFARLANE. Thank you, Mr. Chairman.

Mr. SHEA. Thank you.

Chairman SHELBY. The hearing is adjourned.

[Whereupon, at 3:20 p.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of nominees, response to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF HILLARY RODHAM CLINTON

A U.S. SENATOR FROM THE STATE OF NEW YORK

APRIL 21, 2004

Thank you very much, Mr. Chairman. I am very sorry I was not able to personally attend this hearing to endorse the nomination of Roy Bernardi to Deputy Secretary at the U.S. Department of Housing and Urban Development. Two years ago, I had the pleasure of appearing before this Committee to support his appointment as Assistant Secretary for Community Planning and Development and I am happy to say that he met my highest expectations.

Roy Bernardi has truly dedicated his career to public service. For the past 30 years, he has worked to improve the overall management of the Government while ensuring the delivery of much needed services. From his start as elected City Auditor, to his two-terms as Mayor of Syracuse, and his service as the President of the New York State Conference of Mayors, Mr. Bernardi has championed improving the quality of life of New Yorkers. His experiences in New York made him uniquely qualified to serve as the Assistant Secretary for Community Planning and Development of HUD, where he provided strong leadership and worked to improve the delivery of important HUD services to communities throughout our Nation. He has been a strong supporter of providing Federal assistance to the many financially strapped municipalities in our Nation that depend on CPD programs, which provide funding for community and economic development, homeless assistance, and housing for people with AIDS.

In New York, I have had the pleasure of working closely with Assistant Secretary Bernardi to provide HUD assistance to many of the distressed cities in Upstate New York, to improve communication between Federal, State, and local government on behalf of HUD empowerment zones and renewal communities in our region and to deliver vital HUD funding to help rebuild Lower Manhattan. I admire Roy because he has always brought people together to work on behalf of community-based solutions and has always helped people seek a better life for themselves and their children. One example of his extraordinary leadership that comes to mind is when Assistant Secretary Bernardi went out of his way to convene a special meeting of renewal communities in Upstate New York, in March 2002. He spent the entire day working closely with mayors and local community development officials to help them fully understand the benefits of a Federal renewal community program. Over one hundred and fifty people attended this hands-on session and the results have proven to be invaluable.

I am convinced that his experience as Assistant Secretary for Community Planning and Development, coupled with his impressive record as a public servant of Syracuse, has prepared him to serve as Deputy Secretary of HUD. I commend the President for the selection of this nominee and highly recommend him to this Committee, and ask that you act favorably on his nomination.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Bernardi (Last) Romolo (First) Roy (Other)

Position to which nominated: Deputy Secretary, Dept. of Housing & Urban Development

Date of nomination: March 11,2004

Date of birth: 14 - 10 - 42 (Day) (Month) (Year)

Place of birth: Syracuse, New York

Martial Status: Married

Full name of spouse: Alice Michelle Bernardi

Name and ages of children: Dante Michael Bernardi Age 13

Bianca Gabriella Bernardi Age 11

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Syracuse University	1-71 to 72	Master of Science	6-73
University of the America's	9-64 to 8-66	Bachelor of Arts	8-66
Onondaga Community College	9-62 to 6-64		

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Temple Adath Yeshuran (Man of the Year Award)

Joseph Pietrafesa Good Citizenship Community Service Award

National Italian-American Bar Association Award

Salvation Army - Community Team Spirit Award

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
National Kidney Foundation of Central New York	Board Member	1-94 to 2001
Erie Canal Museum	Board Member	1-94 to 2001
Syracuse Metropolitan Transportation Council	Committee Member	1-94 to 2001
American Diabetes Association of New York	Honorary Chair	1994
Big Brother Big Sister Organization	Honorary Chair	1994
Museum of Science & Technology	Honorary Chair	1-94 to 2001
New York State Conference of Mayors & Municipal Officials	President	1-94 to 2001
New York State Fire Prevention & Building Code Council	Board Member	1-94 to 2001
New York State Heritage Areas System Advisory Council	Board Member	11-96 to present

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Assistant Secretary, Community Planning & Development, Dept. of Housing and Urban Development, Washington, DC	7-01 to present
Mayor, City of Syracuse, Syracuse, New York	1-94 to 7-01
City Auditor, City of Syracuse, Syracuse, New York	1-74 to 12-93
High School Guidance Counselor, Liverpool High School, Liverpool, NY	7-70 to 12-73
High School Spanish Teacher, Liverpool High School, Liverpool, NY	7-67 to 6-70
Substitute Teacher, Syracuse City Schools, Syracuse, New York	9-66 to 12-66

Government experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Served as Mayor of Syracuse, New York	1-94 to 7-01
City Auditor, City of Syracuse, New York	1-74 to 12-93

Published Writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Greater Syracuse - Center of an Empire by Roy A. Bernardi

Copyright 1998 by Towery Publishing, Inc.

Political Affiliations and activities:

List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

City Auditor, City of Syracuse 1973, 1975, 1979, 1983, 1987, 1991

Office of the Mayor, City of Syracuse 1993, 1997

Elected Dole Delegate (1996) to the Republican National Convention

Elected Bush Delegate (2000) to the Republican National Convention

Member - George Pataki Transition Team (1994)

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

$1000 - Bush-Cheney 12-2003

$1000 - Martinez for Senate - 3-2004

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.
I am presently serving as Assistant Secretary for Community Planning & Development, Department of Housing and Urban Development. If confirmed, I will serve as Deputy Secretary for the Department of Housing and Urban Development.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

NO

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

YES

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

As a former public servant in the State of New York, I currently receive pension benefits from the State's retirement system. I also participate in New York State's defined benefit pension plan.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of New York State to provide my pension benefits, unless I first obtain a written waiver from the designated agency ethics official.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

June 1960 Youthful offender/larceny, Onondaga County Sheriff's Dept., Syracuse, New York

While holding the elected office of City Auditor for the City of Syracuse, an individual alleged that on December 12, 1989 I had acted inappropriately with her, after a holiday gathering. She reported her allegations to the Syracuse Police Department one week later in 12-17-89. The matter was fully investigated by the Police Dept. and declared to be unfounded. Because I held office, the matter was also reviewed by the Onondaga District Attorney's Office and closed as the allegations were without merit or factual evidence.

CONTINUED ON PAGE 9A

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

For nearly 30 years, I have held senior positions in local, state and federal government or related associations.

As Assistant Secretary of Community Planning and Development (CPD) at the Department of Housing and Urban Development, I am responsible for leading a department that includes programs in community development, economic development, and homeless assistance.

Along with my staff, I manage approximately 900 employees in over 40 field offices nationwide. For the last three years, we have worked to develop viable communities by promoting integrated approaches that provide decent housing, a suitable living environment, and expanded economic opportunities for low and moderate-income persons.

Prior to joining the Bush Administration, I was the 51st Mayor of the City of Syracuse, New York.

During my tenure as Mayor, my administration overhauled municipal financial services, eliminated duplicative departmental functions, and streamlined governmental operations resulting in significant annual budgetary savings. Focusing on my commitment to right-size municipal government and eliminate intergovernmental duplication, I became the first Mayor in the Northeastern United States to contractually merge a large city police department with those of suburban small villages, allowing for increased services and significant cost savings.

Along with the men and women of the Syracuse Police Department, I worked to bring the number of violent crimes to their lowest levels in the last 20 years. With the Department of Parks, Recreation and Youth Programs, I expanded opportunities for youth, initiating after school tutoring programs, offering new recreational activities and summer camps, and outfitting neighborhood centers with computers. Using aggressive code enforcement strategies, my administration initiated a nationally recognized slum landlord program for chronic offenders and implemented the first-of-its kind landlord training and assistance program to clean-up neighborhood eyesores.

My administration also focused on aggressively courting new employers to the Greater Syracuse area. Downtown Syracuse witnessed significant revitalization during my administration, and we were successful in bringing major employees to downtown Syracuse and reopening many of the once shuttered storefronts throughout the center city.

While serving as Mayor, I was elected to serve as the President of the New York State Conference of Mayors. This opportunity provided me with unique insight into the variety of issues confronting Mayors and elected officials from urban areas such as Manhattan to the rural communities of Upstate New York. Additionally, I served in several leadership positions with the United State's Conference of Mayor's.

Prior to being elected Mayor, I served 20 years as the elected City Auditor of Syracuse. In that position, I audited and analyzed all the operations of Syracuse City government. Charged with safeguarding taxpayer dollars, my staff and I identified ways in which we could streamline City government, improve the delivery of City services and achieve significant cost savings for Syracuse.

Before pursuing government service, I worked as a public school Spanish teacher and, later, as a high school guidance counselor.

Civil, Criminal and Investigatory Actions – Continued from page 6

Several lawsuits against the City of Syracuse name me in my professional capacity as Mayor.

There is currently litigation between the State Farm Insurance Company and a third party due to an injury she claims occurred on the front porch of a previously owned property located at 819 Kirpatrick Street, Syracuse, New York. The incident took place in December 1999 and to date is unresolved.

Confidential Financial Statement – Net Worth
Assets

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Shea (Last) Dennis (First) Clarke (Other)

Position to which nominated: Assistant Secretary, Policy Development and Research, U.S. Department of Housing and Urban Development

Date of nomination: February 11, 2004

Date of birth: 09/10/61 (Day) (Month) (Year) **Place of birth:** Philadelphia, Pennsylvania

Marital Status: Married

Name and ages of children: Juliette Clarke Shea (four months)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Harvard College	1979-1983	A.B.	June 1983
Harvard Graduate School of Arts and Sciences	1982-1983	A.M.	June 1983
Harvard Law School	1983-1986	J.D.	June 1986

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

Regis High School (full scholarship) (1975-1979)
Dr. Hugh Heitefuss Medal, Regis High School (1979) (awarded to outstanding member of graduating class)
Harvard National Scholar (1979-1983)
Teaching Fellow, Harvard University (1985-1986)
Harvard Graduate National Scholar (1983-1986)

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Dates
Member, Fox Club (Cambridge, MA)	1981-1983
Notes Editor, Harvard Journal on Legislation	1985-1986
Was admitted to New York State Bar	1987
Was admitted to District of Columbia Bar (currently seeking reinstatement)	1989
Member, Inner City Civic Association (Alexandria, VA)	2000-2003
Member, St. Mary's Catholic Church (Alexandria, VA)	2000-present
Associates Committee Class of 1983, Harvard University	2004

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

Summer Associate, Mudge Rose Guthrie & Alexander (New York, NY) (Summer 1984)
Summer Associate, White & Case (New York, NY) (Summer 1985)
Associate, Skadden, Arps, Slate, Meagher & Flom (Washington, DC) (1986-1988)
Counsel, Office of Senate Republican Leader (Washington, DC) (1988-1991)
Full-time candidate for 7th Congressional District, New York (Maspeth, NY) (1991-1992)
Deputy Chief of Staff and Counsel, Office of Senate Majority Leader (Washington, DC) (1993-1995)
Policy Director and Senior Adviser, Dole for President (Washington, DC) (1995-1996)
On-Air and Online Contributor, MSNBC (Secaucus, New Jersey) (1997-1999)
Counsel, Verner, Liipfert, Bernhard, McPherson & Hand (Washington, DC) (1997-1998)
Consultant, Project on the Independent Counsel Statute (Washington, DC) (1998-1999)
Director, BKSH & Associates (Washington, DC) (1998-2003)
Executive Director, President's Commission on the U.S. Postal Service (Washington, DC) (2003)
Consultant, U.S. Department of Housing and Urban Development (Washington, DC) (2003-present)

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Counsel, Office of the Senate Republican Leader (1988-1991)
Counsel and Deputy Chief of Staff, Office of the Senate Majority Leader (1993-1995)
Executive Director, President's Commission on the United States Postal Service (2003)
Consultant, U.S. Department of Housing and Urban Development (2003-present)

Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

- Article, "Shooting Starr," *National Review* (November 9, 1998)
- Article, "Impeaching Abusive Judges," *Policy Review* (May 1997)
- Op-Ed, "Cleaning the Rules of Campaign Finance," *The Washington Times* (April 20, 1997)
- Op-ed, "All Quiet on the Preference Front," *The Washington Times* (March 14, 1997)
- Op-ed, "Innovative Program to Combat Crime," *The Washington Times* (February 27, 1997)
- Op-ed, "Winning Back Reagan Democrats," *The Washington Post* (February 16, 1993)
- Article, "Unions, Union Security, and Union Membership," 11 *Seton Hall Legislative Journal* (May 1987)
- Book Review, "The New Urban Reality," (P. Petersen, ed.), 23 *Harvard Journal on Legislation* 667 (1986)
- Comment, "Union Restrictions on the Right to Resign: A Proposal for a New Reasonableness Test," 22 *Harvard Journal on Legislation* 551 (1985)
- Numerous online columns for MSNBC.com on political, social and cultural topics

Political Affiliations and activities: List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

- In late 1995 and throughout 1996, I served on the staff of the Dole for President campaign.
- In 1999, I provided some volunteer help to the Elizabeth Dole for President Exploratory Committee.
- In 2000 and 2001, I made a number of television appearances that were supportive of President Bush's candidacy.

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

Kay Granger Campaign Fund, 4/25/02 ($856)
Tom Young for Congress, 4/12/02, 6/24/02 ($750)
Committee to Re-Elect Vito Fossella, 3/18/02 ($500)
Burson-Marsteller/Young & Rubicam PAC, 6/30/01 ($560)
Elizabeth Dole for President Exploratory Committee, 9/30/1999 ($500)
Friends of Guiliani Exploratory Committee, 11/22/99 ($500)

Qualifications: State fully your qualifications to serve in the position to which you have been named.

The mission of the Office of Policy Development and Research ("PD&R") is to assist the Secretary and the department's principal staff in making informed decisions concerning HUD's policies, programs, and initiatives. PD&R achieves this goal by performing both long-term and short-term research on key housing-related issues, sponsoring program evaluations, and supervising the collection of critical housing data through instruments such as the American Housing Survey. Viewing the department's program offices as its most important clients, PD&R also seeks to respond to their short-term research, writing, and analytical needs.

I have extensive experience in policy analysis and development that should serve me well if I am confirmed for this position. As a former Senate staffer working in the offices of both the Minority Leader and the Majority Leader, I helped develop policy and legislative proposals on subjects as diverse as banking, campaign finance reform, crime prevention, civil rights, drug control, education, labor, and litigation reform. During the 1996 Dole for President campaign, I managed the Republican candidate's policy apparatus and helped create several key campaign initiatives that ultimately became part of the national public-policy discourse. Most recently, as the Executive Director of the President's Commission on the United States Postal Service, I was able to lead a small staff in developing a comprehensive report that proposed a series of recommendations aimed at preserving universal mail service. I am pleased that the Commission's report has been very positively received and is viewed as a substantial achievement, particularly in light of our tight deadline and the fact that no Commisioner or staff member came to this assignment with any signficant expertise in postal policy.

This background in policy analysis and development has helped prepare me to lead PD&R. In light of my experience as the leader of other policy-development teams, I believe that I am well prepared to be an effective manager of the economists, political scientists, and other professionals who comprise PD&R. I particularly understand the importance of formulating policy that is grounded in well-designed research as well as the need to ensure that policy analysis is communicated in precise, clear language.

During my four months as a consultant to the Department, I have gained an even deeper appreciation for the talents, expertise, and professionalism of the career PD&R staff who are among the brightest and most educated members of the HUD workforce. Working together with these individuals, I look forward to the challenge of enhancing the role that PD&R plays in departmental decision-making.

Future employment

relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

   I have severed all connections with past employers prior to assuming my current position as a consultant to the U.S. Department of Housing and Urban Development.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

   I have no plans to resume employment with any previous employer.

3. Has anybody made you a commitment to a job after you leave government?

   No.

4. Do you expect to serve the full term for which you have been appointed?

   The position to which I am being appointed does not have a fixed term. I hope to serve in this position for the remainder of this Administration, and if the President is re-elected, well into the next Administration.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

   I still hold three Vanguard funds that were part of a 401(k) plan established by my former employer, BKSH & Associates. During my tenure at the Department of Housing and Urban Development, I intend to continue to hold these funds, although I will not make any additional contributions to them.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

   My spouse is self-employed and is the President, Secretary and Treasurer of Shea PR & Promotion, L.L.C ("Shea PR"), a public relations firm located in Alexandria, VA. Fox and Hounds of Alexandria, VA is the only current client of Shea PR. This company has no direct relationship with the Department of Housing and Urban Development. Although I do not believe my ownership interest in Shea PR poses any potential conflict of interest, I intend to take the remedial steps outlined in my response to question 5 below.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

   None.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

   During the past ten years, I have represented the following clients in matters before the United States Congress:

   - MDS America, Stuart, Florida (client of BKSH)
     --telecommunications issue
   - Cook Children's Hospital, Fort Worth, Texas (client of BKSH)
     --appropriations funding for construction of pediatric intensive care unit and other projects
   - JP Morgan Chase, New York, New York (client of BKSH)
     --bankruptcy reform; Commodity Futures Modernization Act
   - Instinet, New York, New York (client of BKSH)
     --SEC rulemaking with respect to electronic communications networks
   - National Broadcasting Company, New York, New York (client of BKSH)
     --proposed restrictions on advertising
   - American Pyschological Association, Washington, DC (client of BKSH)
     --patient's bill of rights
   - Travel Business Roundtable, New York, New York (client of BKSH)
     --federal assistance for the U.S. travel and tourism industry following September 11, 2001
   - GTECH, Newport, Rhode Island (client of BKSH)

--Internet gaming

- County of Santa Clara, California (client of BKSH)
  --funding formulas for juvenile justice and law enforcement grants
- Philip Morris, New York, New York (client of BKSH)
  --potential appropriations provision relating to Department of Justice authority
- PSI Inc., Fairfax, Virginia (client of BKSH)
  --appropriations issue relating to reimbursement for work performed for the Bureau of Alcohol, Tobacco and Firearms
- DARE America (client of BKSH)
  --appropriations funding
- Fruit of the Loom, Chicago, Illinois (client of Verner Liipfert)
  --Caribbean Basin Initiative
- Motion Picture Association of America, Washington, DC (client of Verner Liipfert)
  --copyright protection
- Commonwealth of Puerto Rico (client of Verner Liipfert)
  --in support of statehood

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

As required by 18 U.S.C. section 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or on those of any person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2). I understand that the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as officer, director, trustee, general partner, or employee; and any person or organization with which I am negotiating or have an arrangement concerning prosepctive employment.

My spouse owns Omnicom Group Inc. Securities through the Omnicom Group Inc. Employee Stock Purchase Plan (ESSP). Pursuant to 18 U.S.C. section 208, I will recuse myself from participating personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of Omnicom Group, Inc.

Upon my confirmation, I will divest my 1% share of Shea PR and will resign from my current position as a non-paid member. In accordance with 18 U.S.C. section 208, I will recuse myself and not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of Shea PR. In addition, my spouse has agreed that during my tenure Shea PR will not represent any client with matters pending before the Department of Housing and Urban Development.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

Not applicable.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

Not applicable.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name:

(Last) MacFarlane (First) Cathy (Other)

Position to which nominated: Assistant Secretary Public Affairs, HUD

Date of nomination:

Date of birth: October 5, 1954 **Place of birth:** Paterson, NJ

Marital Status: Single

Name and ages of children: none

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Georgetown University	1978/79	MA	1980
Manhattanville College	1972-76	BA	1976

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

N/A

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Dates
Board of Trustees, Connelly School of the Holy Child	1993-1997 and 2000-2004

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

FEDERAL TRADE COMMISSION, Washington, DC June 2001 –
Director, Office of Public Affairs

- George W. Bush Administration political appointee responsible for developing and executing communications strategies for the Federal agency responsible for competition policy, antitrust, and consumer protection. Part of the FTC Chairman's senior management team.
- Expanded nationwide media coverage of FTC activities by over 100%; created a program of coordinated message development and dissemination; and established the first-ever program of media training and outreach for FTC regional offices.

THE DIRECT IMPACT COMPANY, Alexandria, VA January 2000 – June 2001
Executive Vice President

- On behalf of the nation's largest grassroots management and third party advocacy firm, established new business relationships and alliances with public affairs and public relations companies, law firms, and a nationwide network of marketing consultants.

MARCOM 21, Alexandria, VA April 1999 – January 2000
President

- Established a successful marketing and communications company which designed and implemented tailored marketing infrastructure and public relations programs for major law firms, corporations and not-for-profits.

THE HAWTHORN GROUP, Alexandria, VA October 1998 – Aprril 1999
Executive Vice President, Company Services

- Initiated and managed the development and roll out of the agency's two-year business plan.
- Directed the activities of all client support services including finance, media relations, grassroots, research, creative, polling, and information services.
- Designed and established an agency wide sales and marketing program consisting of in-house training seminars, potential client tracking mechanisms, an account review process with team accountability, client satisfaction measurements and promotional outreach.

DEVILLIER COMMUNICATIONS, Washington, DC January 1996 – October 1998
Vice President

- Directed the agency's Professional Services Group and increased its revenues by 400 per cent.
- Developed and managed accounts for clients including 7 of the top 10 law firms in Washington, and many major corporate clients.
- Formulated and implemented strategies for media campaigns, interviews, brochures, and speeches.
- Provided media training and crisis communications counseling.

CASSIDY & ASSOCIATES, Washington, DC January 1994 – January 1996
Associate, Marketing

- Helped design, develop and implement new marketing strategies that resulted in increased revenues of more than 10 per cent per year.
- Directed the research and proposal development for approximately 150 potential clients annually.
- Served as intercompany marketing liaison.

JONES DAY, Washington, DC and Dallas, Texas May 1988 – January 1994
Business Development Administrator

- Created individual business development strategies for all practice groups for one of the Nation's largest law firms.
- Enhanced firm image and fostered attorney-client relationships throughout the development and execution of special events, civic and charitable functions, and bimonthly client symposia.
- Authored and edited firm communications to clients and potential clients including a weekly "Financial Monitor" newsletter.

EAST CHINA INSTITUTE OF POLITICS AND LAW, Shanghai, China August 1987 – February 1988
Visiting Professor

- Created and presented graduate comparative government classes designed to convey the concepts of newly initiated Chinese written law.
- Consulted with senior level Ministry of Justice officials to develop public relations strategies to educate Chinese citizens about revised constitutional and criminal laws.

DEPARTMENT OF JUSTICE, Washington, DC June 1985 – August 1987

Special Assistant to the Director, National Institute for Justice

- Reagan Administration political appointee responsible for developing and implementing NIJ's strategic communications plan.
- Advised and assisted the Director with the review process for NIJ competitive grants to federal, state and local entities.
- Increased national media coverage for major NIJ projects, resulting in significantly increased Congressional funding.

FEDERAL BUREAU OF INVESTIGATION, Washington, DC August 1980 – June 1985

Liaison Officer, Department of Justice, Office of Public Affairs

- Initiated media opportunities for senior Department officials
- Created a "Weekly Activities" calendar for the White House tracking the outreach activities of Department officials.

Liaison Officer, Department of State, Office of Foreign Missions

- Analyzed and disseminated relevant information from policy briefings from the Interagency Liaison Group to FBI field offices.
- Monitored FBI field office contacts with Soviet bloc foreign nationals.

Intelligence Research Specialist

- Prepared briefing materials for the Director by analyzing classified documents concerning information of counterintelligence significance related to the Soviet Union and Soviet bloc countries.

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

FEDERAL TRADE COMMISSION, Washington, DC 2001 –

Director, Office of Public Affairs

- George W. Bush Administration political appointee responsible for developing and executing communications strategies for the Federal agency responsible for competition policy, antitrust, and consumer protection. Part of the FTC Chairman's senior management team.
- Expanded nationwide media coverage of FTC activities by over 100%; created a program of coordinated message development and dissemination; and established the first-ever program of media training and outreach for FTC regional offices.

DEPARTMENT OF JUSTICE, Washington, DC 1985 – 1987

Special Assistant to the Director, National Institute for Justice

- Reagan Administration political appointee responsible for developing and implementing NIJ's strategic communications plan.
- Advised and assisted the Director with the review process for NIJ competitive grants to federal, state and local entities.
- Increased national media coverage for major NIJ projects, resulting in significantly increased Congressional funding.

FEDERAL BUREAU OF INVESTIGATION, Washington, DC 1980 – 1985

Liaison Officer, Department of Justice, Office of Public Affairs

- Initiated media opportunities for senior Department officials
- Created a "Weekly Activities" calendar for the White House tracking the outreach activities of Department officials.

Liaison Officer, Department of State, Office of Foreign Missions

- Analyzed and disseminated relevant information from policy briefings from the Interagency Liaison Group to FBI field offices.
- Monitored FBI field office contacts with Soviet bloc foreign nationals.

Intelligence Research Specialist

- Prepared briefing materials for the Director by analyzing classified documents concerning information of counterintelligence significance related to the Soviet Union and Soviet bloc countries.

Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

N/A

Political Affiliations and activities: List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

N/A

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

N/A

Qualifications: State fully your qualifications to serve in the position to which you have been named.

My diverse career experience in public relations, government affairs, grassroots issues management, marketing, communications training, organizational restructuring and long-range planning have provided a solid foundation for the responsibilities I will have at HUD. During the past twenty-three years, I have developed strategies, programs, and infrastructure that, on a national level, have successfully conveyed critical messages, increased issue awareness, and garnered consumer support. I am confident that my experience, creativity, perseverence, and loyalty to the mission of HUD will enable me to perform my dities at HUD in an exemplary manner.

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

N/A

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

N/A

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

Prior to becoming a Federal employee in 2001, I was employed by Democracy Data & Communications (DDC) of Alexandria, Virginia. I continue to receive a commission from DDC based on a client referral I obtained for DDC while I was employed there. This commission will continue as long as the client (AARP) continues to do business with DDC. Apart from receiving this commission, I have no business connection with DDC or any of its clients.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

N/A

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

N/A

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

Pursuant to the Federal conflict-of-interest statute at 18 U.S.C. § 208, I will recuse myself from personal participation in any particular matter that will have a direct and predictable effect on the ability and willingness of Democracy Data & Communications of Alexandria, Virginia, to pay me any commission. Additionally, in accordance with the Government-wide Standards of Ethical Conduct regulation at 5 C.F.R. § 2635.502, I will recuse myself from personal participation in any particular matter in which DDC is or represents a party.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

N/A

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

N/A

Confidential Financial Statement

RESPONSE TO A WRITTEN QUESTION OF SENATORS SHELBY AND SARBANES FROM ROMOLO A. BERNADI

Q.1. Do we have your commitment that HUD will provide all information requested by any Member of the Committee regarding program operations, management, and other information relevant to the Committee's oversight activities, as soon as such information is available, without delay?

A.1. Yes, you have my commitment.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM ROMOLO A. BERNADI

Q.1. In July 2002, then-Deputy Secretary Jackson testified at a Housing Subcommittee hearing I chaired regarding attempts to improve HUD management. And in response to my written questions from his nomination hearing, Secretary Jackson elaborated on the progress of HUD's management initiatives. However, most of these initiatives were enacted in 2002, but in the January 2003 report from the U.S. General Accounting Office (GAO) on HUD management, *Major Management Challenges and Program Risks (GAO–03–103),* GAO was still concerned that important management challenges have not been fully addressed. To quote from its 2003 report: "many of HUD's strategies for resolving problems in its high-risk program areas represent new initiatives in early stages of implementation, and evidence shows that significant problems remain."

- Beyond the HUD management initiatives enacted in 2002 that Secretary Jackson cited in his written response to my question for his nomination as Secretary, what are your plans to address HUD's management challenges, if you are confirmed? Please elaborate.

A.1. HUD needs to continue to improve the management of its human capital, information systems, and acquired services in order to improve the delivery and results of its core programs, particularly the high-risk rental housing assistance and single family mortgage insurance programs. The President's Management Agenda (PMA) is addressing HUD's management challenges and high-risk programs through five governmentwide initiatives to improve Government performance, a sixth HUD-specific initiative to correct HUD program weaknesses, and a seventh initiative to improve HUD's program delivery by enabling increased participation by faith-based and community organizations.

HUD's major management challenges and high-risk program areas are longstanding issues requiring sustained effort to address. A discussion of the nature and plans on each of the PMA initiatives addressing the HUD management challenges and high-risk program areas identified by GAO follows below. If confirmed as Deputy Secretary, I will make, as my highest priority, implementation of the comprehensive corrective action plans HUD has put in place to address these important issues. At the same time, it is important to stress that the efforts made to date under the leadership of Secretary Alphonso Jackson have already yielded significant results.

Strategic Management of Human Capital. This PMA initiative is directed at improving HUD's most important asset, its "human capital." Significant steps have been taken to better utilize HUD's existing staff capacity and obtain, develop, and maintain the capacity necessary to adequately support HUD's future mission-critical program delivery. A 5-Year Human Capital Management Strategy has been developed with implementation plans to ensure that: HUD's organizational structure is optimized; succession strategies are in place to provide a continuously updated talent pool; performance appraisal plans for all managers and staff link to HUD's mission goals and objectives; skills gaps are assessed and corrected; and human capital management accountability systems are in place to support effective management of HUD's human capital.

As Deputy Secretary, I would strive to complete and support the workforce analyses and planning process to address critical staffing and skill gaps in HUD's core program areas and occupations. Addressing those gaps would be accomplished through targeted training and development, controlled hiring, and realignment where necessary.

Expanded Electronic Government and Financial Performance. While HUD is pursuing increased electronic commerce and actively participating in governmentwide "e-Gov" projects, this PMA initiative is also focused on more fundamental, HUD-specific needs to: Improve the information technology (IT) capital planning process; complete a systems modernization blueprint or enterprise architecture to guide future systems development; convert to performance-based IT service contracts and strengthen IT project management to produce better results; and provide a secure systems environment for all platforms and applications. In addition, HUD is continuing its efforts to improve financial performance and eliminate material weaknesses.

HUD has already established measures for tracking its participation and performance on fifteen major e-Government projects that support PMA objectives to simplify the delivery of services to citizens, enable the agency's business processes to be more efficient, and reduce costs through integration and elimination of redundant systems.

It has received an unqualified or "clean" audit opinion on HUD's consolidated financial statements for the last 4 consecutive fiscal years (2000–2003), and it has reduced the number of material weaknesses from 5 to 3 to 2 over the past 3 years, with plans to eliminate the remaining 2 in fiscal year 2005 and fiscal year 2006.

Having served as a HUD program Assistant Secretary, I would serve as Deputy Secretary to improve program management participation in IT investment decisions and project management to better assure HUD's IT systems efficiently and effectively fulfill the information needs of HUD programs and program participants. Completing the HUD Integrated Financial Management Improvement Project (HIFMIP) to better manage HUD financial systems projects and fulfill unmet financial reporting and internal control needs would be one of my priorities.

Improved Acquisition Management. HUD acquires over $1 billion in contracted services and goods each year. As part of an overall strategy to improve HUD's acquisitions management, actions are

being taken to ensure that HUD's centralized contracting management information system contains reliable data on the number of active contracts, the expected cost of the contracts, and the types of goods and services acquired, and that its financial management information systems provide complete and reliable obligation and expenditure information on HUD's contracting activities across the Department. Other aspects of HUD's acquisitions management improvement strategy are being addressed through the human capital management strategy, which incorporates actions to enhance HUD's procurement staff capacity and improve guidance and training for HUD's acquisition officials. Given the significance of contracted services to the delivery of HUD programs, improving HUD's procurement capacity and acquisition management skills and information systems would be among my highest priorities as Deputy Secretary.

Reduced Rent Subsidy Overpayments. HUD has developed a comprehensive plan for reducing the estimated $2 billion in net annual rental housing assistance overpayments. Establishing an adequate field monitoring capacity, with provisions for improved guidance, training, staffing, and action on monitoring results, is a key component of the strategy. Significant actions to date include: The Office of Public and Indian Housing's (PIH) conduct of over 700 Rental Integrity Monitoring (RIM) reviews at PHA's managing over 80 percent of PIH funding; PIH implementation of the Upfront Income Verification (UIV) System using State wage data; and the Office of Multifamily Housing's increased monitoring through the expanded use of Performance-Based Contract Administrators (PBCA's). These actions contributed to an estimated 30 percent reduction in the rental assistance payment errors attributed to program administrator performance in fiscal year 2003. The recent Congressional enactment of HUD's legislative proposal for increased computer matching and data-sharing authority to allow upfront verification of tenant income in all rental assistance programs has the potential to reduce the estimated payment error by over one-half. As Deputy Secretary, effective implementation of this new computer matching authority would be among my highest priorities.

Improved FHA Risk Management. Several new risk management rules have been completed or proposed to protect both the FHA fund and homebuyers from predatory lending practices like property flipping. Under the new "Appraiser Watch" process, appraisers with poor performance records are now automatically targeted for monitoring, or even disqualified from program participation, when they hit unacceptable performance thresholds. FHA is also implementing a measure of the effectiveness of its targeted compliance monitoring efforts, which are proving to be more effective in identifying problems and protecting FHA through increased indemnifications and sanctions. FHA's new automated underwriting system, the Technology Open To Approved Lenders (TOTAL) Scorecard, will improve the automated underwriting process to increase lender efficiency and decrease losses to the FHA fund through more consistent, objective evaluations of the credit worthiness of borrowers, and better integration of the automated underwriting systems usage into FHA's existing processes and workflow. FHA also believes that the objectivity and broad availability of the TOTAL

Scorecard will increase homeownership opportunities for minority families. As Deputy Secretary, I will continue to pursue efforts to reduce FHA's financial risks while promoting increased homeownership goals for first-time and minority homeowners and other underserved areas.

Q.2. President's Management Agenda highlights "strategic management of human capital" and "electronic government" (encompassing improved information systems) as 2 of 5 governmentwide reform initiatives. The President's Agenda also includes a specific initiative regarding HUD management and performance, citing among other things "weak information systems and controls, staff misallocation, and the retirement of many experienced employees." The GAO and many housing groups have indicated that HUD's information technology systems continue to have severe problems, despite additional Congressional appropriations provided specifically to correct HUD's deficiencies.

- What are your plans to correct these information system deficiencies? Please elaborate.

A.2. The bottom line is this: HUD has to improve its IT systems. The Department has to ensure that the diverse operating platforms can talk to each other. Data has to be accessible and managers have to be able to use it in a timely and efficient manner. Important steps have been taken that I will influence, if confirmed. For example, HUD has made important progress in implementation of an Enterprise Architecture (EA) program and the Capital Planning and Investment Process (CPIC). These two initiatives help ensure that information systems are in alignment with HUD's business and that systems are reviewed and approved based on cost, schedule, and performance.

The EA program has developed a target architecture that serves as a blueprint for modernization of HUD systems in the future. The EA program now reviews all requests for information technology services.

HUD'S CPIC process governs decisions on the use of the Working Capital Fund by selecting investments to receive funding, tracking the achievement of project cost/schedule/performance goals through quarterly control reviews, and evaluating the success of the investments through post-implementation reviews.

Both of the above programs are helping direct better investment decisions for HUD and are leading to more efficient and effective delivery of information technology systems.

Q.3. The GAO's November 2002 report, *HUD Management: Actions Needed to Improve Acquisition Management (GAO–03–157),* March 2004 report, *HUD Single-Family and Multifamily Property Programs: Inadequate Controls Resulted in Questionable Payments and Potential Fraud (GAO–04–390),* and a number of other GAO and HUD Inspector General Reports have clearly demonstrated that HUD relies heavily on contractors to carry out its programs, and it is essential that these contractors are held accountable by HUD for their performance. These previous reports have shown how deficiencies in these areas—the lack of properly trained and equipped staff, poor information systems, and insufficient oversight of contractors—negatively affects the performance of HUD programs.

- What are your plans to improve oversight of HUD contractors? Please elaborate.

A.3. Because we are improving our information systems, because managers are better trained and because Secretary Jackson has made this a priority for himself, HUD is taking the right steps to improve oversight of HUD contractors. HUD now uses and enters contractor performance data in to the National Institutes of Health Contractor Performance System (CPS) Implementation and training was completed in early 2003.

In December 2003, HUD implemented the HUD Procurement System (HPS) Version 3.6 which addressed GAO recommendations.

HUD established, in early 2004, an Acquisition Workforce Council (AWC) that will focus on training and development of HUD's acquisition workforce.

As indicated in my comments on acquisition management in response #1, the Department is making significant progress to ensure that HUD's centralized contracting management information system contains reliable data on the number of active contracts, the expected cost of the contracts, and the types of goods and services acquired, and that its financial management information systems provide complete and reliable obligation and expenditure information on HUD's contracting activities across the Department.

Further, the Department has taken strong action to deal with HUD IG and GAO concerns about management of single and multifamily housing.

Multifamily Housing: On February 27, 2003, the HUD Multifamily Property Disposition oversight contract with Management Solutions of America Inc. (MSA) was modified to require additional monitoring of work completed by HUD's Property Management contractor.

Specifically, this modification requires that, prior to a site visit, the Oversight Contractor (currently MSA) generate a report listing all purchaser orders and contracts issued for the site over the previous 6 months. The Oversight Contractor will select a sample of 15 percent of these actions on which to review invoices as follows: (1) 5 percent of those actions issued in the previous 30 days but not yet shown as paid for the type of work that, in the judgment of the contractor is likely to be still going on; (2) 5 percent of those actions issued in the previous 90 days and shown as paid; and (3) 5 percent of those actions issued during the first 90 days of the 6-month period.

The actions selected shall be for varying types of requirements (including supply purchases), varying dollar levels, and varying vendors. The Oversight Contractor shall then request the property management contractor to provide, via overnight mail, copies of the invoices where they have been received, relevant contract documents, and evidence of competition (or justification as to why competition was not obtained) if the purchase order is over the micropurchasing level. The contractor will not include major construction projects in the sample as that work is inspected by HUD's architectural and engineering contractors.

Once on-site, the Oversight Contractor will, for actions where the invoices have been processed, compare the item bought against the associated contract document (with specifications) and invoice to

ensure that what was purchased per those documents was received. For actions/orders where the work is still on-going, the contractor shall review the work against the contract document (with specifications) and determine if work is being performed as procured. The Oversight Contractor will take at least one digital photograph of each work product reviewed and additional digital photographs as needed to illustrate problems identified by the contractor during its review.

Also, while on-site, the Oversight Contractor shall review the site's rotation lists for purchases of less than $2,500 and provide written comments as to the adequacy of those lists for the area in which the site is located and kinds and volume of purchases being made.

The Oversight Contractor will identify in its written report the results of its entire site visit, which actions were reviewed, and any problems identified with those actions. The contractor shall also identify any situations where it appears the PM contractor placed repetitive purchase orders in order to avoid HUD approval levels set forth in the PM Contracts.

The MFPD Centers have been routinely requiring the Oversight Contractor (MSA) to follow the revised scope of work as outlined above since it was approved on February 27, 2003.

Single Family Housing: For single family housing, the current Management and Marketing (M&M) contracts expire July 31, 2004. The Department is currently in the process of awarding new *performance-based* contracts to manage, market, and sell its single family properties throughout the United States owned by or in the custody of HUD. Award on these contracts are expected by July 2004. Contract requirements include a provision to allow electronic monitoring of the contractors working files, as well as on-site and physical property inspections.

Staff training on management controls over the Management and Marketing (M&M) contractors is scheduled for June 15–17, 2004 for HUD Real Estate Owned staff, both in headquarters and at the four Homeownership Centers (HOC's). The purpose of the training is to provide direction to the HOC and headquarters' staff on improved monitoring responsibilities involved with the implementation of the new M&M contractors. The core issues to be discussed are: Contract administration (which includes start-up related activities, transition activities, GTR approval standards and procedures requiring GTR action and review); contract monitoring and management controls; systems controls and access; financial controls on disbursements, sales closings and collections; and regulations and notices.

The Department is currently in the process of procuring for the services of property maintenance of the occupied 203k properties in New York City. HUD previously terminated the task order with ARCO for these services, and hired NHG (National Housing Group) on an interim 8a sole source contract, whose options run out in September. A revised performance-based statement of work will be issued prior to June 2004.

A contract which provides expanded financial support services to the four HOC's will be awarded by September 2004. This contractor works closely with the HOC REO staff that monitors activities con-

ducted by HUD's M&M contractors and closing agent contractors, including monitoring of disbursements made for pass-through expenses, monthly contractor fees, and real estate property taxes, and researching and resolving inconsistencies resulting from sales closings, as necessary. The reprocurement will be one competition for four separate 8a set-aside contracts for each of the HOC's.

In addition to the above training, a contractor was hired by the Office of Single Family Asset Management to review and analyze its procedural functions. The Real Estate Owned operation was reviewed in each of the four HOC's, headquarters, and the National Servicing Center in Oklahoma City, OK. The staffing allocated to the Real Estate Owned operation and the internal control procedures necessary for the Office of Single Family Asset Management to maintain programs and procedures to protect the integrity of the FHA mortgage insurance funds, as well as achieving its program objectives, were reviewed by this contractor. The contractor will provide the Office of Single Family Asset Management with a final report which will contain its findings and recommendations for improvement, if necessary, in functional, staffing and/or internal control areas. The final report is due in June 2004.

HUD recently awarded a contract to conduct operational, management, and performance reviews of each of the current M&M contract areas and any subsequently awarded M&M contract areas, including a consolidated review of each M&M contractor of those contractors having multiple areas. The purpose of these reviews is to analyze and assess the performance of the M&M contractors. The reviews will be conducted at all M&M office locations on a monthly basis. The contractor will develop and maintain a risk-based methodology for selecting on-site reviews of M&M contractor compliance, with property specific and overall program support activities that includes a statistically valid file/item sampling methodology. The contractor will perform a monthly review of all relative activities performed by all of the M&M contractors and report its findings to the respective HOC and headquarters. The contractor will also maintain a national web-based database file previously developed for and owned by HUD that is compatible with HUD's current operating environment that can be used to perform detailed analysis of the results of the reviews at various levels of risk. A monthly risk analysis report will be furnished to headquarters and the respective HOC on the M&M contractors reviewed that summarizes the current performance of the M&M contractors for each area of risk.

Q.4. Secretary Jackson has informed me that HUD and the Association of Federal Government Employees (AFGE) have agreed in principle to a student loan repayment program to address HUD's strategic human capital needs, but had not funded it. He also mentioned that the program is in departmental clearance.

- In light of the fact that many Federal agencies and the Senate have successfully implemented *and* funded student loan repayment programs, why has HUD not allocated funds for its proposed student loan repayment program to address the need HUD has itself identified as a significant part of its strategic human capital needs? Please elaborate.

- Is the proposal still in departmental clearance? When can it be expected to be approved? When can we expect to see it fully funded? Please elaborate.

A.4. The Department believes that a student loan repayment program is an important component of its human capital needs strategy. HUD'S Student Loan Repayment Policy has completed the departmental clearance process. Comments are being reviewed currently. Comments will be shared with AFGE. Upon agreement HUD will prepare a supplement to the AFGE agreement and will insert Student Loan Repayment Policy into the HUD handbook.

Three hundred fifty thousand dollars has been identified for fiscal year 2004 to support this program.

Q.5. As a part of its HUD's strategic human capital planning, it implemented the Resource Estimation and Allocation Process (REAP) to determine appropriate staffing levels, and followed that initiative with periodic Total Estimation and Allocation Mechanism (TEAM) measurements of staffing needs.

Q.5.a. To what extent has HUD implemented and used the results of REAP and TEAM to determine staffing levels and locations?

A.5.a. Both REAP and TEAM have been implemented. REAP establishes a staffing baseline that is used for budget formulation and execution, strategic planning, and management and organizational analyses. TEAM validates the REAP baseline on a regular basis by capturing and reporting actual workload.

REAP and TEAM were the underlying systems used to develop the staffing requests in the fiscal year 2003, 2004, and 2005 Budgets and was the basis for the fiscal year 2002–2004 staffing plans. REAP is now used by the Appropriations Committees to allocate workyears and associated funding by Office in HUD's Appropriation Acts.

Q.5.b. What factors, if any, impede application of this process? How accurate is REAP and TEAM in its estimation of actual staffing needs?

A.5.b. There are no impediments to REAP and TEAM, but both must be updated on a regular basis to reflect organizational changes, changes in program content, and the implementation of the Strategic Plan. The original REAP baselines were developed in 2000–2001. HUD is currently completing the first round of updates of the original studies. This update covers approximately 80 percent of the Department's FTE's. The remaining programs will be restudied by the end of this calendar year. REAP "refreshes" will be conducted approximately every 2 years for every HUD program or sooner if required by changes in programs, functions, processes, or organizational structure.

REAP establishes a baseline of staffing needs based on current program requirements; TEAM measures actual staff usage and work performed and compares them against the REAP baseline by function, location, and programs for possible adjustment or updating. To date, TEAM reports demonstrate that REAP estimates of workload are accurate to within the 95 percent confidence limits. This result validates the accuracy of the methodology developed by HUD and the National Academy of Public Administration (NAPA).

Q.6. In response to my question regarding funding the commitment to end chronic homelessness and the Samaritan Initiative, then-Acting Secretary Jackson stated that the Administration has provided sufficient resources to meet the commitment. However, in order to meet the goals the Administration has set, the budget for supportive housing would have to be $100 million a year ($1 billion over the decade) to fund 15,000 units a year (150,000 a year). The Samaritan Initiative is authorized and proposed to be funded at $50 million a year.

- How do you reconcile those numbers? Please elaborate.

A.6. The Samaritan Initiative will be a dedicated program targeted to the chronically homeless. HUD proposes $50 million for Samaritan to provide permanent housing for this population. It is important to note that Samaritan is by no means the only resource that will be used to end chronic homelessness. In addition to the Samaritan Initiative, HUD's proposed consolidated homeless assistance program, requested at a 2005 funding level of $1.282 billion (including $25 million for the proposed "Prisoner Re-entry" program), will be a significant resource in ending chronic homelessness. Communities will be able to tap into these funds to house chronically homeless persons. In addition to the targeted homeless assistance programs, communities will be able to use HUD's mainstream housing programs (including HOME, Section 8, and public housing) to help end chronic homelessness. Finally, HUD is not the only housing resource that communities will tap to achieve this important goal. Resources from States, localities, and organizations committed to providing affordable housing, such as Fannie Mae, will also be used to end chronic homelessness.

RESPONSE TO A WRITTEN QUESTION OF SENATORS SHELBY AND SARBANES FROM DENNIS C. SHEA

Q.1. Do we have your commitment that HUD will provide all information requested by any Member of the Committee regarding program operations, management, and other information relevant to the Committee's oversight activities, as soon as such information is available, without delay?

A.1. Yes, you have my commitment.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM DENNIS C. SHEA

Q.1. The first major report of the year from the office you are nominated to head, HUD's Office of Policy Development and Research, was "Trends in Worst Case Needs for Housing," which documents the significant challenges that too many of America's working families experience in finding an affordable place to live. It states, "*Worsening* shortages of housing affordable and available to extremely low-income renters . . . show that the underlying gap between demand and supply continues." The report indicates that the number of renter households with worst case needs rose by 210,000 to 5.07 million in 2001, and that "there were only 42 units affordable and available for every 100 families with extremely low-incomes," an astounding deficit of almost 5 million units. In my own

State of Rhode Island, one of every two renters is unable to afford the two bedroom HUD Fair Market Rent levels.

Furthermore, the gap between demand and supply is going to increase. Based on the most recent Census data, demographic trends indicate that the United States will grow by 30 million households by 2025 and at the current annual rate of the loss of units, we will lose another 15 million units also by 2025. Combined with the 5 million deficit indicated by the Worst Case Needs report, this means that we will need to build at least 50 million units by 2025—almost 2.5 million units a year—just to keep up with demand. We are not building at that rate, especially for rental housing affordable for low-income and minority families.

In light of these trends, what policy development and research initiatives do you believe are important to address the upcoming demand for housing, especially regarding rental housing for low-income and minority families?

A.1. As you point out, HUD's "worst case needs" reports have historically highlighted the need for a greater supply of affordable housing for low-income households. In the future, this overall need will be compounded by the unique challenges of meeting the housing needs of the elderly, who will make up a larger portion of the population, as well as the disabled and the homeless.

The latest "worst case needs" report released by the HUD Office of Policy Development and Research indicated that the percentage of households with worst case needs in 1999 stood at 4.72 percent, the lowest percentage ever recorded. While this percentage increased slightly to 4.77 percent in 2001, the latest "worst case needs" report indicated that this increase was not statistically significant. Since 1977, the percentage of U.S. households with "worst case needs" has hovered around 5 percent, with the highest percentage recorded in 1983 (6.03 percent).

Working closely with the private sector and our State and local partners, the Federal Government clearly has an important responsibility to help respond to the need for more affordable housing. PD&R is uniquely positioned to assist in this effort by providing sound research and objective information to guide policymakers in their decisionmaking. Historically, PD&R has achieved this mission by examining housing and demographic trends through surveys and reports, including "worst case needs" analyses and funding for the American Housing Survey. We intend to continue this legacy through an aggressive research agenda that is tightly focused on key housing issues with high policy relevance. Some of our current research priorities include:

- *Affordable Housing.* PD&R has a number of projects underway or under consideration that will examine ways to expand affordable homeownership and rental opportunities. These include support for the goal of ending chronic homelessness in 10 years; studying ways of closing the minority homeownership gap and creating 5.5 million more minority homeowners by 2010; and critical support to FHA in the operation of its single family and multifamily insurance programs, including the introduction of new products to expand affordable housing opportunities.
- *Program Evaluations.* Improving the operation of HUD's current programs is a key PD&R priority. Examples of current and pro-

posed program evaluations include improving the delivery of Section 202 and Section 811 housing and evaluating the formulas for distributing HOME and CDBG funding. PD&R plays a key role in monitoring and evaluating the Low Income Housing Tax Credit program and will continue to do so, if I am confirmed.

- *Reducing Regulatory Barriers.* Working with HUD's Affordable Communities Initiative, PD&R is helping States and communities to reduce regulatory barriers that increase the cost of housing without improving the value to the residents or to their communities. By working collaboratively with developers and community groups, communities will be able to reduce delays and unnecessary costs, which constitute a barrier to affordable housing.
- *Housing Technology.* PD&R's Division of Research and Technology has helped shine the spotlight on innovative technologies that not only make American housing safer and more durable, but also more affordable. In addition, PD&R is sponsoring continuing research to improve the quality of manufactured housing.

Finally, to remain effective, PD&R needs the continuing support of Congress to provide funding for research and program evaluation.

I look forward to working together with you and the other Members of the Senate Banking Committee to expand opportunities for affordable housing. If confirmed, I hope to elevate PD&R's role in ensuring that the Department's policy decisionmaking process is informed by sound research. You have my assurance that, if given the opportunity to lead PD&R, the Office will continue to make affordable housing, particularly housing for low-income households, a key focus of its research and policy development efforts.

Q.2. In early April 2004, HUD released proposed new affordable housing goals for Fannie Mae and Freddie Mac, based largely upon recommendations and data from HUD's Office of Policy Development and Research.

Q.2.a. Do you believe that these proposed goals are rigorous enough to help address the need for affordable housing in many of the high housing cost communities across the Nation? Why or why not?

A.2.a. The Department is proposing higher goals than those in effect for 2004, and yes, I believe that the proposed goals are rigorous enough to help address affordable housing problems in all communities across the Nation. HUD's proposed higher housing goals for Fannie Mae and Freddie Mac for the 2005–2008 period were published in the *Federal Register* on May 3, 2004. Specifically, HUD is proposing to raise:

- the low- and moderate-income goal from 50 percent in 2004 to 52 percent in 2005, 54 percent in 2006, 56 percent in 2007, and 57 percent in 2008;
- the special affordable goal from 20 percent in 2004 to 22 percent in 2005, 24 percent in 2006, 26 percent in 2007, and 28 percent in 2008; and
- the underserved areas goal from 31 percent in 2004 to 38 percent in 2005, 39 percent in 2006 and 2007, and 40 percent in 2008. A portion of the proposed increase in the underserved areas goal

between 2004 and 2005 reflects the incorporation of data from the 2000 census on the prevalence of underserved (low-income and/or high-minority) areas.

In addition, HUD is proposing to establish home purchase subgoals for the GSE's to increase homeownership among American families, especially lower-income families and families in underserved areas.

In the past, the GSE's have generally lagged the market in funding mortgages for families in owner-occupied and rental properties targeted by the housing goals. In 1992, Congress said that one factor that HUD should take into account in setting the goals was the ability of the GSE's to lead the market, and the Department has done so in proposing the goals for 2005–2008. That is, the Department has proposed to increase the goals in steps, so that by the year 2008 the goals are set at the upper end of the estimated range of the goal-qualifying shares of mortgages originated in the primary mortgage market.

HUD is confident that the higher national housing goals proposed for the post-2004 period can only be met by GSE support of affordable housing in all parts of the country, including communities with high housing costs. I support the Department in this effort and believe that the proposed goals, if implemented, will help respond to the need for affordable housing in these communities.

Q.2.b. On Monday, April 19, at the Mortgage Banking Association's Secondary Market Conference, representatives from Fannie Mae and Freddie Mac alleged that HUD's proposed goals were too rigorous, and may even force them to reduce annual purchases of moderate or high-income mortgages.

Do you think there is any merit to Fannie and Freddie's argument that the proposed goals may be too rigorous? Why or why not?

What effect, if any, do you think that the proposed goals will have on the purchases of moderate or high income mortgages? Please elaborate.

A.2.b. HUD has undertaken detailed analyses of the primary mortgage market and presented the results of such analyses in Appendix D of the proposed rule for 2005–2008 and in the regulatory analysis accompanying the proposed rule. These analyses demonstrate that there are many mortgages in the categories targeted by the housing goals that have not been purchased by the GSE's in the past. There have been ample opportunities for both Fannie Mae and Freddie Mac to increase their purchases of targeted loans and improve their overall goal performance. And projections indicate that there will be an ample number of such mortgages in the period covered by the proposed rule. Thus, there should be no need for the GSE's to curtail their purchases of mortgages for higher-income families or families living outside of underserved areas, as defined by the Department. The Department's regulatory analysis also demonstrates that the GSE's have earned a high return on equity (ROE) on their purchases of both targeted and nontargeted mortgages. This suggests that they will not be curtailing their regular business in order to meet the housing goals.

Q.2.c.1. Unlike every other goal established by HUD, which are proposed to be increased over the course of the next 4 years, the Special Affordable Housing Multifamily Goal is set at 1 percent of Fannie and Freddie's volume of mortgage purchases.

Do you think it is appropriate to have the multifamily goal able to be changed, as are the other housing goals? Why or not?

A.2.c.1. HUD has increased the minimum multifamily special affordable subgoal several times in the past. For Fannie Mae, the subgoal was $1.29 billion annually for 1996–2000 and $2.85 billion annually for 2001–2004, and the Department is proposing to raise this subgoal to $5.49 billion annually for 2005–2008. For Freddie Mac, the subgoal was $0.99 billion annually for 1996–2000 and $2.11 billion annually for 2001–2004, and the Department is proposing to raise this subgoal to $3.92 billion annually for 2005–2008. Thus, for both GSE's the proposed subgoals for 2005–2008 are approximately four times the subgoals that were established for 1996–2000. These changes have been made in order to reflect the overall growth in the multifamily mortgage market and the increased capacity and expertise of both GSE's in purchasing multifamily mortgages.

Q.2.c.2. Should the multifamily goal be set as percentage of volume or as a specific dollar amount? Why or why not?

A.2.c.2. As discussed in Chapter 3 of the regulatory analysis, HUD has considered alternative formulations of this subgoal, but has set it in terms of a minimum dollar volume of such mortgage purchases. Comments were invited regarding alternatives in the 2000 rule, and commentors generally supported the dollar-based approach followed in the past by the Department.

The Department believes it would not be feasible to establish these subgoals as a percentage of all units *currently* financed by the GSE's, because their total mortgage volume varies greatly between years, especially when refinance waves take place in the single-family mortgage market, as seen in the past few years. I share the Department's view that the dollar-based subgoals have helped ensure that the GSE's play at least a minimal role in the special affordable portion of the multifamily mortgage market.

OFFICE OF THE MAYOR

CITY OF CHICAGO

RICHARD M. DALEY
MAYOR

April 20, 2004

The Honorable Paul S. Sarbanes
Ranking Member
Senate Committee on Banking
Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Sarbanes:

I am writing to support the nomination of Roy A. Bernardi to become the Deputy Secretary of Housing and Urban Development.

As the Assistant Secretary for Community Planning and Development, Mr. Bernardi has demonstrated his understanding of how important HUD programs, such as CDBG and HOME, are to helping local governments tackle the most serious challenges facing our communities. He has worked in partnership with cities such as Chicago to help us address many difficult issues, including the creation of affordable housing, the expansion of economic development opportunities, and the reduction of homelessness.

As a former mayor, Mr. Bernardi will bring to his new position, as he did to his last, a wide range of hands-on experience in addressing the many serious issues facing our cities, both small and large. I believe he is an excellent choice to serve as HUD's Deputy Secretary, and I urge the Banking Committee to support his nomination.

Sincerely,

Richard M. Daley

Mayor