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THE FUTURE OF HOUSING IN AMERICA: OVERSIGHT OF HUD'S PUBLIC AND INDIAN HOUSING PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND INSURANCE

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

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CONTENTS

	Page
Hearing held on:	
July 10, 2015	1
Appendix:	
July 10, 2015	25

WITNESSES

FRIDAY, JULY 10, 2015

Castro Ramirez, Lourdes, Principal Deputy Assistant Secretary, Office of Public and Indian Housing, U.S. Department of Housing and Urban Development (HUD)	3
Garcia-Diaz, Daniel, Director, Financial Markets and Community Investment, U.S. Government Accountability Office (GAO)	5

APPENDIX

Prepared statements:	
Castro Ramirez, Lourdes	26
Garcia-Diaz, Daniel	36

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Kildee, Hon. Daniel:	
Written responses to questions for the record submitted to Daniel Garcia-Diaz	65

THE FUTURE OF HOUSING IN AMERICA: OVERSIGHT OF HUD'S PUBLIC AND INDIAN HOUSING PROGRAMS

Friday, July 10, 2015

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND INSURANCE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Blaine Luetkemeyer [chairman of the subcommittee] presiding.

Members present: Representatives Luetkemeyer, Westmoreland, Royce, Garrett, Pearce, Posey, Barr, Rothfus, Williams; Cleaver, Velazquez, Green, Moore, Ellison, Beatty, and Kildee.

Ex officio present: Representative Waters.

Chairman LUETKEMEYER. The Subcommittee on Housing and Insurance will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Today's hearing is entitled, "The Future of Housing in America: Oversight of HUD's Public and Indian Housing Programs."

Before I begin, I would like to thank the witnesses for appearing before the subcommittee today. We look forward to your testimony.

And just as a sidenote, a housekeeping note: We expect votes sometime between 10:15 and 10:30, so we will have to recess for a period of time to go vote. And hopefully, we can get as much done as we can between now and then. We will come back after that if there are further questions or if we haven't gone through the substantive issues of the day.

So, with that, I recognize myself for 3 minutes to give an opening statement.

Since Fiscal Year 2002, the Federal Government has given more than $550 billion to HUD. Sixty percent of annual funding goes to the Office of Public and Indian Housing. The Section 8 budget alone has increased 71 percent between Fiscal Years 2002 and 2013.

Unfortunately for HUD, success isn't measured in the number of Federal programs or in dollars spent, and I have heard no indication from anyone that the growing need is anywhere close to being met.

Today we will hear from the lady in charge of managing the $26 billion annual budget and 1,300 employees. Ms. Lourdes Castro Ra-

mirez isn't a stranger to reform. She led the San Antonio Housing Authority, a Moving to Work (MTW) agency, and during her tenure, instituted a number of innovative changes that undoubtedly made the agency more efficient while providing new opportunities to residents.

Ms. Castro Ramirez, you are now in a position to allow other housing authorities and advocates to innovate and improve the services they deliver. It is my sincere hope that throughout your tenure, you champion the flexibility and innovation that will help pave the way for more efficient and modernized housing programs across the Nation.

We will also hear from Daniel Garcia-Diaz of the Government Accountability Office. Mr. Garcia-Diaz has extensive knowledge of HUD's housing programs and will testify on the progress HUD has made on previous GAO recommendations. It is my hope that we will hear that HUD has acted on these recommendations.

We spend a lot of time discussing the need for reform in our Nation's housing programs. It is particularly important that this year, which marks the 50th anniversary of HUD's creation, we take time to understand what is and isn't working and how success is measured in each office at the Department.

As I have stated in the past, the status quo isn't good enough. The reality is that the funding situation isn't going to get better. Despite even the best attempts, asking for more Federal dollars isn't the solution. It is time to roll up our sleeves and work together to build a stronger Office of Public and Indian Housing and a better HUD.

I thank both witnesses for appearing today. I look forward to a productive hearing.

And with that, I yield 5 minutes to the ranking member of the subcommittee, the gentleman from Missouri, Mr. Cleaver, for an opening statement.

Mr. CLEAVER. Thank you, Mr. Chairman.

And thank you very much to the witnesses. I think this subcommittee is perhaps one of the most active subcommittees in the House, certainly within the Financial Services Committee. So I appreciate all of the attention that you have given and are giving to the issues of housing.

I will keep my remarks under 3 minutes because of the change in the schedule today and the voting.

I wanted to just emphasize the important work that HUD does as it relates to Public and Indian Housing programs.

Since 1937, HUD has been in the business of trying to help the lowest-income Americans receive affordable and sanitary housing. And, although this Department was created as a result of what happened in the Depression, the truth of the matter is the Great Recession has already led to widespread losses in terms of housing and wealth in this country. People all over the country are still trying to recover from what happened during the Great Recession.

About 2.3 million individuals now live in over 1.1 million units of public housing. And I always like to try to do this, because I think there are a lot of misconceptions and misinformation. There are almost 1 million children living in public housing—almost 1 million in this country living in public housing. Thirty-one percent

of these households are led by the elderly, and 21 percent of the non-elderly are disabled. So about 52 percent of the individuals living in public housing either are elderly citizens, need some assistance, or they are disabled and need some assistance. And then, we have all of these children.

So, contrary to what is thrown out here, that public housing is for healthy people who just want to lay up and watch big-screen TVs, which I don't know where you buy them, living in public housing, but that kind of thing has to be eliminated.

The average length of time for families living in public housing, the non-elderly, disabled, is 6.8 years. I think that we have to do everything we can to help them. And I think the housing choice voucher program is one of the ways in which we can do that, and hopefully we can get into that a little more.

I yield back the balance of my time.

Chairman LUETKEMEYER. I thank the gentleman.

With that, we will go to our witnesses.

We welcome you to the subcommittee.

A quick tutorial on our lighting system there in front of you: you have 5 minutes to give your remarks. When you get to yellow, you have 1 minute left. Red means stop or close your remarks as quickly as possible. That same system will work whenever we are asking our questions here.

So, with that, we welcome Ms. Lourdes Castro Ramirez, the Principal Deputy Assistant Secretary for the Office of Public and Indian Housing at HUD, to the subcommittee. You are now recognized for 5 minutes for your testimony.

STATEMENT OF LOURDES CASTRO RAMIREZ, PRINCIPAL DEPUTY ASSISTANT SECRETARY, OFFICE OF PUBLIC AND INDIAN HOUSING, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

Ms. CASTRO RAMIREZ. Thank you, Chairman Luetkemeyer and Ranking Member Cleaver, for inviting me to testify this morning about what has been my life's work: providing quality affordable housing for our Nation's most vulnerable citizens and supporting families and their efforts to improve their circumstances.

HUD serves 4.6 million households through its rental assistance programs, with 3.3 million of them either living in public housing or participating in the housing choice voucher program. As the Principal Deputy Assistant Secretary for the Office of Public and Indian Housing, I oversee the public housing and housing choice voucher programs as well as the Office of Native American Programs, which provides affordable housing funds to 556 federally-recognized tribes.

The vast majority of the 3.3 million households served are elderly or disabled or families with children. In fact, elderly or disabled adults represent 51 percent of all households, and families with children represent 38 percent.

Rental assistance programs—

Chairman LUETKEMEYER. Ms. Ramirez, can you pull the microphone around so they can hear you a little better? Thank you. We are being recorded here, and they are having a little difficulty picking up your words.

Thank you very much.

Ms. CASTRO RAMIREZ. Okay.

Rental assistance programs help improve lives by providing access to higher-quality housing, reducing homelessness, fostering stability, and making it possible for families with children to focus on improving their future.

I am deeply committed to working with Secretary Castro and the HUD team to move forward a bold agenda that includes expanding housing opportunities; promoting economic self-sufficiency; reducing family, youth, and veteran homelessness; bridging the digital divide; and improving health and educational outcomes for our residents.

We also want to expand housing opportunities for the nearly 13.7 million low-income households who are not receiving housing assistance and are paying more than half of their income on rent, live in substandard housing, or both. Despite a 96 percent occupancy rate in public housing and a 98 percent utilization level in the house choice voucher program, HUD is only able to serve one in four income-eligible households.

Since 1965, HUD has increased the number of households receiving housing assistance from 600,000 to 4.6 million. In the Indian Housing Block Grant Program, over the life of that program, grant recipients have built, acquired, or rehabbed 113 housing units.

Without providing this assistance, studies have shown that there would be a dramatic increase in homelessness and in the number of extremely-low-income families. The roof that we provide is making a difference in addressing the consequences of poverty by providing access to decent, safe, and affordable housing and promoting economic mobility.

It is important to note that a growing number, 42 percent, of adults that are receiving rental assistance have a job and earn wages.

Whether it is through the expansion of workforce development programs like the Family Self-Sufficiency Program and Jobs Plus, providing critical housing for veterans through the HUD-VASH program, or creating public-private investments through the Rental Assistance Demonstration and Choice Neighborhoods program, HUD is providing millions with stability and a better future.

HUD's rental assistance programs have been significantly underfunded for several years. I know firsthand, as the former executive director of the San Antonio Housing Authority, just how difficult it is for public housing agencies to develop and preserve an adequate supply of affordable housing. Despite these funding limitations, HUD, in partnership with public housing agencies and Native American communities, is doing its best to responsibly manage and maximize scarce resources to provide good housing, build strong neighborhoods, and promote opportunities.

The funding levels in the Fiscal Year 2016 housing appropriations bill would make serving even our current program participants much more difficult. Let me give you an example. Compared to the President's budget, the House bill would serve roughly 100,000 fewer families in the housing choice voucher program. Not only does the House bill fail to provide funding to help restore

vouchers lost to sequestration, the funding level is also insufficient to renew the 28,000 existing vouchers.

In summary, all of our work to expand access to higher-quality affordable housing, create and preserve that housing, and to connect residents to jobs and educational opportunities is about one simple thing: providing more families with an opportunity to share in the American Dream.

We appreciate the invitation to discuss HUD's rental assistance programs with our colleagues from the Government Accountability Office. I thank you for the invitation, and I look forward to the conversation.

[The prepared statement of Ms. Castro Ramirez can be found on page 26 of the appendix.]

Chairman LUETKEMEYER. Thank you, Ms. Ramirez.

I now recognize Mr. Garcia-Diaz, the Director of Financial Markets and Community Investment at GAO, for 5 minutes.

STATEMENT OF DANIEL GARCIA-DIAZ, DIRECTOR, FINANCIAL MARKETS AND COMMUNITY INVESTMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

Mr. GARCIA-DIAZ. Thank you.

Chairman Luetkemeyer, Ranking Member Cleaver, and members of the subcommittee, thank you for the opportunity to discuss GAO's work on programs administered by HUD's Office of Public and Indian Housing (PIH).

PIH administers several programs including housing choice vouchers, public housing, and Indian Housing Block Grants, that assist the Nation's poorest and most vulnerable households in obtaining safe, decent, affordable housing. PIH also operates programs designed to help assisted households become more economically independent through programs such as Moving to Work and Family Self-Sufficiency.

My opening statement is based primarily on reports GAO issued from 2012 through 2014 and will be limited to three areas: first, HUD's performance assessment of the MTW program; second, opportunities for greater efficiencies in the voucher program; and third, general observations on key challenges faced by PIH.

The MTW program provides selected PHAs regulatory flexibilities to design and test new models for administering their public housing and voucher programs. Because MTW agencies are testing new ideas to improve agency and tenant outcomes, robust assessment is necessary to determine the relative success of different program models.

However, in our April 2012 report on MTW, we identified a number of weaknesses that limited HUD's ability to determine outcomes in light of the program's objectives, including a lack of performance indicators and inconsistent information reported by individual MTW agencies.

We are happy to report that HUD has implemented three of our four recommendations addressing these weaknesses. For example, in May 2013, HUD revised its reporting policies to require MTW agencies to disclose quantifiable, outcome-oriented information on their activities. In 2013, HUD established standard measures that correlate with the program's statutory objectives. In addition, HUD

has recently provided us with information on the steps it will take to identify lessons learned in a more rigorous fashion. We are currently reviewing this information.

I now turn to PIH's largest program, the housing choice vouchers.

In our 2012 report, we found that improved information on the level of subsidy reserves that PHA should maintain could aid budget decisions and reduce the need for new appropriations or be used more effectively to assist additional households. Unused subsidy funding can accumulate in reserve accounts when PHAs are not able to spend all the funding they receive in a given year. HUD has requested the authority to offset and in some cases redistribute excess reserves, but HUD has not developed specific or consistent criteria defining what constitute excess reserves and how it would redistribute funding among PHAs, as we recommended in our 2012 report. I have received recent information that HUD is starting to take action on that recommendation.

Another area for potential efficiencies involves streamlining the administration of the voucher program. We recommended in our 2012 report that HUD consider proposing to Congress options for streamlining the program's administrative requirements. HUD has implemented our recommendation. Specifically, HUD proposed a number of statutory changes in its recent budget request. After receiving authorization in 2014, HUD published a proposed rule in January of this year that would permit, among other things, PHAs to conduct streamlined reexaminations of families with fixed income. HUD expects to publish a final rule by the end of the year.

I would like to conclude by briefly mentioning three ongoing challenges that PIH will have to continue to manage.

First, improper payments. Public housing and vouchers are among the programs at risk of having improper payments. We have noted that HUD has significantly reduced improper payments since 2000. Further reductions will require sustained management attention.

Second, preservation of public housing units. A 2010 report estimated $26 billion in capital needs for public housing. HUD has multiple efforts under way that may help address these needs. Continued HUD oversight of implementation of preservation efforts will be critical to its success.

Finally, PHA monitoring. Work conducted by GAO and the IG have identified issues with the effectiveness of HUD's tools for monitoring PHAs. The large number of PHAs nationwide and the significant physical and financial challenges some of them face highlight the importance of effective HUD oversight.

This concludes my opening remarks. I would be glad to answer any questions you may have.

[The prepared statement of Mr. Garcia-Diaz can be found on page 36 of the appendix.]

Chairman LUETKEMEYER. We thank Mr. Garcia-Diaz for his testimony.

And, without objection, the written statements of both witnesses will be made a part of the record as well.

Let me begin by recognizing myself for 5 minutes for questioning.

Ms. Castro Ramirez, as I understand it, the overwhelming majority of PIH funding is spent through formula grants. Yet, you have a staff of more than 1,300. What do these 1,300 employees do if the bulk of your budget is billed out through formula grants?

Ms. CASTRO RAMIREZ. Thank you, Mr. Chairman, for the question.

As it relates to the Office of Public and Indian Housing and the responsibility that we have to manage a $26 billion budget with 1,300 staff members, as we all know, we are entrusted to ensure that these dollars are spent to enhance and provide adequate housing. And so the employees who work in the Office of Public and Indian Housing are responsible for ensuring that the regulatory requirements, statutory requirements of these programs are being monitored. They are also responsible for ensuring that we are tracking performance.

And they are also responsible for providing adequate technical assistance and oversight in the field level. We have a number of field offices across the United States that work closely with PHAs and also with Native American communities to ensure that the local needs, the local housing needs, of their citizens and residents of those communities are appropriately addressed.

Chairman LUETKEMEYER. Okay. You said you are tracking performance. Do you have some metrics to show or that you are following to show success for your programs?

Ms. CASTRO RAMIREZ. Yes, we do have some metrics, Mr. Chairman.

One metric is our occupancy rate in public housing. Since this Administration, since President Obama's Administration, occupancy in public housing has increased significantly. Six years ago, it was at about 90 percent. We are now at 96 percent.

Another measurement of performance is how well public housing agencies are spending their dollars to serve families from the waiting list. As I indicated in my testimony, 98 percent of housing choice voucher dollars are being used.

Chairman LUETKEMEYER. Mr. Garcia-Diaz, you are the ones who sort of look over everybody's shoulders, make sure things are being done right. And I am sure you have some ideas. Do you believe 1,300 employees are necessary to oversee this program when a lot of it is done on a contract basis?

Mr. GARCIA-DIAZ. While the funding of the programs is formula-based, extensive oversight is required of the individual PHAs. There are over 3,300 of them of varying size and complexity. I can't comment if 1,300 is exactly the right number or not, but that is the kind of assessment that we would hope HUD would be doing.

As these programs are changing and evolving through things like MTW, we would hope that HUD is looking at their structure, their organizational structure, to make sure that it is responsive to the current program needs and make any changes that they need to.

Chairman LUETKEMEYER. Okay. I guess the question is, are they being well-managed and are they being well-run? Are those 1,300, are they doing their job, or do we have some waste there?

Mr. GARCIA-DIAZ. Again, we haven't looked at that particular issue.

Chairman LUETKEMEYER. Okay.

With regards to the number of vouchers that go unused, it looks like we have stagnated between the 92 percent range to the 90 percent range. Why do you believe that is so, Mr. Garcia-Diaz?

Mr. GARCIA-DIAZ. Was it regarding the public housing—

Mr. LUETKEMEYER. Yes.

Mr. GARCIA-DIAZ. —occupancy—

Chairman LUETKEMEYER. Yes. Section 8.

Mr. GARCIA-DIAZ. —or Section 8?

Chairman LUETKEMEYER. The Section 8 tenant-based voucher programs from 2011 to the present have stagnated in the 90 percent to 92 percent range.

Mr. GARCIA-DIAZ. Okay. There is a variety of reasons that could explain why not all the funding in the Section 8 programs gets utilized. And it could be partly the PHA and their ability to manage the program to their optimal occupancy rate. That requires PHAs to manage attrition in the program. And so, depending on how effectively they manage that process, you could have a situation where they don't utilize all of the funding for that program.

Chairman LUETKEMEYER. Ms. Ramirez, what do you think is the reason for that?

Ms. CASTRO RAMIREZ. There are several reasons. In addition to what Mr. Garcia-Diaz mentioned, I would specifically stress that not providing sufficient funding to housing agencies to administer the housing choice voucher has decreased and impacted their ability to deliver this program appropriately.

As an example, in the last few years the administrative fee, which supports the housing agencies' ability to be able to use those vouchers, has been cut by about 25 percent. In some cases, we have received requests from housing agencies that are administering the housing choice voucher program that they can no longer manage or administer the program because there is not sufficient funding.

Chairman LUETKEMEYER. Thank you. I see my time is up.

With that, I will recognize the ranking member for 5 minutes, the distinguished gentleman from Missouri, Mr. Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman.

And thank you. I failed to thank you in my opening comments, but thank you for being here.

I was on the city council in 1990 and elected to mayor in 1991, and President Bush—and it is little discussed—President Bush, the first, promoted and eventually signed into law one of the best-kept secrets of HUD, I think. It is called the Family Self-Sufficiency Program. It is, I think, very creative. It allows for the promotion of employment, and it asks that expansion for residents.

But maybe it would be of some help if you shared just an overview of the program, because, since I have been on this committee, which is 11 years, I am not sure we have ever talked about it, and I guess one of the reasons is because it works well. So would you, Ms. Ramirez, please?

Ms. CASTRO RAMIREZ. Yes. Thank you, Representative Cleaver, for the question regarding the Family Self-Sufficiency Program.

The Family Self-Sufficiency Program is a program that has been proven to improve the economic standing and opportunities for the families that we serve both in public housing and the housing choice voucher program. Specifically, one of the key elements of the

Family Self-Sufficiency Program is for public housing staff to work closely with participants to develop a 5-year plan that leads to employment, educational opportunities, and, in many cases, to homeownership.

Let me share with you two important performance figures or metrics. In the first year of participating in the Family Self-Sufficiency Program, 71 percent of adults who participate show an increase in their income. Another important metric is we are monitoring homeownership rate at the end of the FSS program, and, in 2014, 11 percent of FSS graduates, those that have completed the program, moved into homeownership, became homeowners.

Mr. CLEAVER. And after the 5 years, what happens to the money that they have been paying for the increased rental rate?

Ms. CASTRO RAMIREZ. Yes. So, during the course of the 5-year program, families, as their incomes increase, there is an escrow that is set aside that allows for families to be able to save those dollars for homeownership, for education, or for expenses related to the goals that they want to achieve.

Mr. CLEAVER. So they are able to collect that money that—

Ms. CASTRO RAMIREZ. Yes.

Mr. CLEAVER. —they have actually been paying?

I am not sure how many people are aware that I had to appoint the housing authority, as mayor, and became extremely supportive of this program, because my residents, my citizens, were involved in the program and they were praising it.

And I just think—you know, I was in a parade on Saturday. And one person, as I was walking down the street, only one person out of maybe 3,000 wouldn't take my candy. And I focused the rest of the day on this one person. Now, 2,999 took it; I focused on one. And I think it is a human characteristic that maybe we can't move, but we tend to go to the negative. And the programs that are functioning, I think, like this program, many of the Members may not even know about it because that is not what humans do. So I appreciate that explanation of the program.

And I yield back the balance of my time.

Chairman LUETKEMEYER. The gentleman yields back.

With that, we go to the distinguished gentleman from Georgia, the vice chairman of the subcommittee, Mr. Westmoreland, for 5 minutes.

Mr. WESTMORELAND. Thank you, Mr. Chairman.

Ms. Ramirez, are you familiar with the Small Housing Authority Reform Program proposal, the SHARP?

Ms. CASTRO RAMIREZ. Yes, I am somewhat familiar with it.

Mr. WESTMORELAND. We have met with all of our—well, 90 percent of our housing authorities in the district, and they are very concerned. Most of my authorities are of the smaller type—35, 50, 70 units. And they are very concerned about some of the regulations and requirements that are put on them.

Is there anything that you can think of that HUD could do administratively, some things out of this proposal, that could be put into effect immediately?

Ms. CASTRO RAMIREZ. Yes, Representative. Thank you very much for the question.

I am keenly aware that many of the housing agencies that participate in and administer these programs are small housing authorities. And so our Department is focused on greater efficiency and also identifying opportunities for flexibility and reducing administrative burden.

Three examples that I would provide of the efforts: First, in the President's budget, there is language that would enable PHAs to be able to have flexibility and fungibility in the use of their capital funds and their operating funds, up to 30 percent. So, greater flexibility in terms of the use of those dollars.

Second, we are finalizing a streamlining rule that will enable small PHAs and also large PHAs to exercise some additional flexibilities, such as moving to triannual certifications.

And lastly, the physical needs assessment, we are in the process of developing a proposed rule to exempt small PHAs.

Mr. WESTMORELAND. Thank you. Because I think if you will go and especially if you want to come visit some in my district, you will find that these are very well-kept, very well-managed, residents love them, but they are under a tremendous amount of pressure on some of the things that they have to do.

Let me ask you again, you came from the San Antonio Public Housing Authority, which is a Moving to Work authority, is that correct?

Ms. CASTRO RAMIREZ. That is correct.

Mr. WESTMORELAND. Do you think that the San Antonio benefited from the Moving to Work status?

Ms. CASTRO RAMIREZ. Yes, I think it did benefit.

Mr. WESTMORELAND. So you and I both are fans of Moving to Work.

As a former director with the Moving to Work status, would you ever want to relinquish that Moving to Work status and go back to just a normal public housing authority?

Ms. CASTRO RAMIREZ. I think that the Moving to Work program provides greater flexibility and enables PHAs to address local needs and to be innovative in the way that they address local affordable housing needs.

There is also responsibility associated with being an MTW agency, including ensuring that the families who are being housed continue to be—that MTW agencies are doing their best to substantially serve the same number of families.

So the flexibilities that are afforded through MTW—one of the reasons why we are so focused on improving monitoring and evaluation, as mentioned by GAO, is because we believe that those innovative practices that are taking place within the MTW agencies are practices and policies that could be scaled up.

But, in order for us to be able to identify those policies that are working, we need more data, more evaluation. And, in fact, our Office of Policy Development and Research is in the process of undertaking a comprehensive study that would enable us to identify some of those best practices.

Mr. WESTMORELAND. Most of us who have visited our public housing authorities (PHAs) and are lucky enough to have some of the Moving to Work authorities in our district have seen the tremendous progress that they have made. And we are trying to en-

courage that, but it seems like HUD kind of pushes back on us, when we want to help people. And we really don't understand that. So hopefully, we can work together and make some of this move a little bit faster.

I yield back.

Chairman LUETKEMEYER. The gentleman's time has expired.

With that, we go to the gentlelady from California, the distinguished ranking member of the full Financial Services Committee, Ms. Waters.

Ms. WATERS. Thank you very much.

I would like to continue this conversation about Moving to Work programs. And let me just say that I think that probably every Member of Congress and certainly members of this committee would like to see people working, we would like to see them independent, we would like to see them earning money and being able to live where they want to live.

So when we talk about Moving to Work, those of us who question it are not opposed to people becoming independent and being able to make choices in their lives. But we don't understand this Moving to Work program. There are currently 39 Moving to Work agencies with 430 units, or 13 percent of the total stock, and, after 20 years, there is nothing to show for it.

So we find that, supposedly, we are told that in these Moving to Work programs that people are employing work requirements, time limits, higher rent requirements, et cetera, et cetera. But Moving to Work agencies in 2014 shifted to other purposes or left unspent $590 million of their voucher subsidy funds, which they could have used to support 63,000 additional vouchers. And they used 81 percent of their total appropriated voucher funds for vouchers, meaning they spent 19 percent on other things, including reserves, on and on and on.

So why don't we know the results of Moving to Work programs? Who can tell us about the success of them in real numbers? How many people were trained, were given jobs? How many people transitioned out of public housing into market-rate housing? What is going on with voucher programs?

It sounds good. Moving to Work sounds excellent. And for people who think that everybody in public housing is worthless and don't want to work—and they can get up and they can pound their fist and talk about this great Moving to Work program. It sounds good. But what is it, Ms. Ramirez? Tell me about Moving to Work and the success of it.

Ms. CASTRO RAMIREZ. Thank you, Representative Waters, for the question regarding Moving to Work.

In the President's budget, our Department is proposing a modest increase in the number of MTW agencies by 15 new MTW agencies that would have to be high-performing agencies. And one of the reasons why we are proposing a very modest increase is because we agree with the statements that you have made, that it is very important for us to be able to have good performance information, good metrics that demonstrate the positive impact and also that demonstrate the policies that have not worked to ensure that as the Moving to Work demonstration and designation grows, we are very mindful about the policies that are being implemented.

I would just share, in my experience, in San Antonio, as a Moving to Work agency, we did not have time limits. The focus there was about partnering with agencies to bring in workforce development and education programs. And we did develop very specific metrics. And I think one of the challenges in terms of macro information is that each agency has developed very specific plans to their local need—

Ms. WATERS. Okay. And I am going to interrupt you for a moment because—

Ms. CASTRO RAMIREZ. Yes.

Ms. WATERS. —I only have a short period of time left.

Ms. CASTRO RAMIREZ. Thank you.

Ms. WATERS. But why don't you take the Moving to Work programs now and start demanding the information, come up with some standards, so that you could get some credible information, instead of expanding on Moving to Work that has not proven or shown what they can do?

I know a lot about this. I created programs in South Central Los Angeles that I actually wrote using Wagner-Peyser moneys and Project Bill in Nickerson Gardens, Jordan Downs, and all those public housing programs. I know what can be done. But I just don't see Moving to Work doing any of that.

And why are you expanding? Take the ones that are already in existence and get that information from them.

Ms. CASTRO RAMIREZ. I completely agree. And we are in discussions with all 39 agencies currently to make several improvements to existing agreements, or agreements as we move to execute new agreements.

And one of the elements that is under discussion with all 39 is improving monitoring and evaluation, ensuring also that agencies clearly understand the responsibility of continuing to substantially serve the same number of families.

So that is well under way, and we look forward to following up with your office with some additional information on that.

Ms. WATERS. Thank you.

Chairman LUETKEMEYER. The gentlelady's time has expired.

With that, we will go to the gentleman from New Mexico, Mr. Pearce, for 5 minutes.

Mr. PEARCE. Thank you, Mr. Chairman.

I thank both of the witnesses for being here and for your work on improving housing for those who need it.

I appreciated your comments, Ms. Ramirez, and your testimony.

I think that I actually sense a feeling of excitement, really, for the opportunity to reform some of the programs. When we began work on NAHASDA 3 years ago, HUD was pretty resistant to some reforms in HUD, and then they got supportive because they realized that these would actually be productive, that they were reforms that made sense.

Likewise, many of the Indian tribes, the housing authorities were resistant, but then they began to say: But we need to find the efficiencies. Sometimes we have corruption; we need to get rid of that. And we began to have very straightforward conversations.

So, I am actually approaching this piece of the housing with some anticipation that you all, no matter what happens on the leg-

islation, there are things I think you all can do internally, and I would encourage that.

So I would like to kind of drill down in one specific area, if we can. And I am not trying to catch you in a corner or anything, but do you have a rough cost for Indian housing per square foot nationwide? Is that something that you all work on? Because the numbers I get in our district are very high, $200 to $300 a foot, when BIA or some agency is in charge of getting the houses built. Do you have any figures like that nationwide?

Ms. CASTRO RAMIREZ. I don't have those figures with me, but I can definitely follow up with—

Mr. PEARCE. Is $200 kind of out of the range? Is that abnormally high, or is that something that you see occasionally? Do you have a figure, the cost per square foot on the housing?

Ms. CASTRO RAMIREZ. Specific to Native American communities?

Mr. PEARCE. I am just talking about Native American housing right now. That is the total focus.

Ms. CASTRO RAMIREZ. I would have to follow up with you in terms of what the specific—

Mr. PEARCE. Okay. Let's just begin the discussion that I think I have seen those numbers and you would be far better—it looks like you might have a note coming up, so if you need to read that, that is fine.

But, again, my point is that I have just been going to the Indian tribes and saying, look, why are you waiting on Washington? Just build your own. Why don't you get it set up to where private banks can come on and lend money on the reservation? It is actually much simpler than what you would think. And so we need longer-term leases, because banks don't want to build a house on a property that might not be there next year.

So, many of the tribes are now doing that. They are asking us to come in. The ones in New Mexico are saying, you all come help us write our mortgage rules. Because we would be happy to do it. We just weren't aware there was a problem.

And if we can get it to where more people can get private financing, we don't have to wait for government financing. A lot of the Indians are making very good money. And they would rather live on the tribal lands, but they can't get the loan. And so they stay in the town, they build a community there, and then the fabric of the tribes begins to break down.

So that is the first thing, to see if we can't ease those rules. And you all could do that. We have suggested this in our legislation, in that pilot program, that you all, frankly, I think, could get that done internally.

The second piece is that the tribe should be the first repossessing agent, because they don't want banks repossessing property that is on the tribal grounds. I said, look, you know who culturally wouldn't fit in that neighborhood and who would. And they are, again, very receptive to that.

So this year I visited a tribe in New Mexico that is building their own houses, and they are using tribal labor. There are actually a couple that are doing this, and one tribe is at $57 a foot. So if you all could figure out how to get past the bureaucracy that is driving this thing towards $200 a foot back into the $57 per foot—another

tribe had $48 a foot—we could start building 4 and 5 times the houses. And I think that is what we are after.

So I will give you the last minute to—so tribal-owned institutions, you all need to be backing them up, make sure they are not building junk houses, because you know how that would work. But, anyway, comment, if you would?

Ms. CASTRO RAMIREZ. Yes.

First, Representative Pearce, let me thank you for introducing the reauthorization of NAHASDA, the Native American Housing Self-Determination Act. For the last 18 years, this specific Act has empowered Native American communities to ensure that they are deciding and determining how best to address the needs within Indian country, and there is tremendous work that has been done.

As it relates to the specific information on the cost per unit, we will follow up and look forward to visiting with you on this.

Mr. PEARCE. Just count us in as a partner.

I yield back my time.

Ms. CASTRO RAMIREZ. Thank you.

Chairman LUETKEMEYER. The gentleman's time has expired.

We do have votes that have been called. I am going to try and squeeze in two more people, if we can, before we have to recess.

With that, I recognize the gentlelady from New York, Ms. Velazquez, for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman, and Mr. Ranking Member.

I would like, Ms. Ramirez, to continue and to expand on the questions that were asked by Ms. Maxine Waters.

In your submission of limited expansion of the MTW, the request does not, however, include the full set of protections contained in the 2012 stakeholder agreement. Why is that?

Ms. CASTRO RAMIREZ. Yes, Representative Velazquez. Thank you for your question.

The request to expand to 15 agencies does include some elements of the discussions that were contained in the stakeholder—

Ms. VELAZQUEZ. But my question is, there was an agreement that was negotiated and committed to by HUD. Why wasn't that included in your request? And how, then, are you going to make sure that tenants will be protected from the unintended consequences of the Moving to Work program?

Ms. CASTRO RAMIREZ. Yes, thank you for the follow-up question.

So there are some inherent—

Ms. VELAZQUEZ. I understand. Why some and not the full agreement? Because there is going to be a lack of credibility.

Ms. CASTRO RAMIREZ. Right.

So the protections—one of the statutory provisions in MTW is that an MTW agency that is participating in the demonstration must demonstrate that they are substantially serving the same number of families as they were prior to moving to MTW. And we believe that is an important element of ensuring that residents are protected and ensuring that those services continue.

Ms. VELAZQUEZ. That doesn't answer my question. Okay. And I just would like to hear—people are frustrated, Members are frustrated, because you continue to ask for expansion of the program,

and yet we don't know if tenants are being protected, if their rights have been violated.

Mr. Garcia-Diaz, the GAO has found that HUD has not adequately monitored the performance of MTW agencies, and this lack of oversight often comes at the expense of residents. HUD has proposed a limited expansion of MTW but still has not provided Congress with any real data on the program. Can you please explain your findings and why a rigorous, standardized evaluation of MTW is so critical?

Mr. GARCIA-DIAZ. Yes.

So our work in the past has shown that, really, for the longest time this program has been operating with no systematic data on the statutory objectives of the program. MTW is not just about efficiency and cost-effectiveness, but it is also about improving work opportunities and housing choice.

And we had recommendations that HUD develop standard definitions on how it defines these objectives so that it could be applied and that the agencies can collect consistent data and report it up.

So, for the longest time, we have had a huge missed opportunity to find out what is going on with this program. And, now, recently, starting from 2013 and on, HUD has started to define terms, encourage a little more consistency in the data collection, and have amended contracts so that all the MTW agencies are collecting and reporting similar data to HUD that can be consolidated so that we can say something about the program.

Ms. VELAZQUEZ. But, to this day, based on the facts, we cannot conclude that it is working.

Mr. GARCIA-DIAZ. Until the data results come out—

Ms. VELAZQUEZ. Thank you.

Mr. GARCIA-DIAZ. —it is hard to judge on the effectiveness of the program.

Ms. VELAZQUEZ. Thank you.

Ms. Ramirez, conversions on the RAD would create construction and rehabilitation jobs subject to Section 3 requirements. However, Section 3 has not been properly enforced. And I am concerned that inadequate oversight causes residents to miss out on job opportunities. What are HUD's specific plans to ensure that Section 3 is enforced, specifically as related to RAD?

I have been working on Section 3 for almost 20 years, and for 20 years it has been a missed opportunity, a real disaster. So can you please—because when we deal with the backlog that exists in New York City with NYCHA in terms of repairs, this is a way to get able bodies to get jobs—and they are seeking jobs, because every week we do workshops trying to get residents to find jobs. But yet you don't have the proper mechanisms in place 20 years later.

Chairman LUETKEMEYER. The gentlelady's time has expired.

With that, we go to the gentleman from California, Mr. Royce, for 5 minutes.

Mr. ROYCE. Thank you, Mr. Chairman.

And thank you very much to our witnesses here.

And, Deputy Assistant Secretary Castro Ramirez, I would like to address an issue with you briefly that was touched on in your prepared testimony, and also Mr. Westmoreland brought this up.

Your predecessor in your position made a public commitment at a February 2014 Moving to Work summit in support of extending for 10 years all MTW contracts for public housing authorities with rental assistance utilization rates of 90 percent or higher.

And specifically, last March, she wrote the housing authority of the County of San Bernardino, and I will quote from her letter: "I am willing to extend your MTW agreement to the fiscal year ending in 2028, providing your HCV utilization level is at or above 90 percent."

And she continued in that letter: "An amendment to the MTW agreement is being drafted for those agencies that are already demonstrating a high utilization level and will be provided as soon as possible."

This amendment hasn't materialized. And, in fact, rather than offering a contract extension last fall, the Department began to push more restrictive provisions for existing MTW agencies.

So San Bernardino County has implemented a 5-year-term-limit program for tenants, which has increased family incomes and helped many find gainful employment. And, in fact, in between April 2013 and September 2014, their MTW initiatives saw a 24.6 percent reduction of unemployed household heads and a 52.4 percent average income jump.

The current uncertainty created by HUD threatens this success. Many of these 5-year contracts now extend beyond the scheduled 2018 MTW expiration date. San Bernardino does not know whether they will keep their program flexibility past 2018 and whether they can fulfill current commitments to their tenant families.

And, Deputy Assistant Secretary, can you explain, particularly since HUD committed to doing this 16 months ago, why MTW agencies like San Bernardino have not been granted an extension, provided they are well-run, their utilization exceeds 90 percent, and HUD is not disputing their funding formula?

Ms. CASTRO RAMIREZ. Yes. In response to the question about the existing MTW discussions to extend agreements, I do want to point out that, as mentioned earlier by Representative Waters and Representative Velazquez, it is very important that, as we continue to both extend or expand the Moving to Work demonstration, we need to ensure that there is strong language about monitoring and evaluation and that MTW agencies are serving families and expanding housing opportunities.

And the ongoing discussions that are happening with the 39 agencies have enabled us to be able to identify four new things that are important in ensuring the success of MTW. One is that the discussions that we are having with the 39 agencies include updating administrative and legal requirements. The second is ensuring that there is a strong evaluation component. The third is addressing funding inequities that affect a few of the agencies.

Mr. ROYCE. Right.

Ms. CASTRO RAMIREZ. And, lastly, that there is strong language about how we are going to ensure that families are being served.

Mr. ROYCE. But when could we expect to see an amendment to the current MTW agreement? That is the question for me. Because it doesn't make sense for HUD to let well-run agencies twist in the

wind, and so my hope was that it could be resolved very expeditiously.

Ms. CASTRO RAMIREZ. Our hope is that could also be achieved, Representative Royce. In fact, we have provided the draft contract language to all 39 agencies just in the last 2 weeks.

Mr. ROYCE. So maybe in a couple of months? What do you think?

Ms. CASTRO RAMIREZ. We are hoping that can be done. We have provided the contract language that includes these four principles that I have just outlined for you.

Mr. ROYCE. Okay. Let's hope it could be done very soon, and I appreciate your good efforts if it can be.

And thank you so much.

Chairman LUETKEMEYER. The gentleman yields back.

With that, we are going to go vote. We expect to be back in 30 to 45 minutes. For those Members who haven't asked questions, we will be back. Hopefully, we will be back shortly.

With that, the committee stands in recess, subject to the call of the Chair.

[recess]

Chairman LUETKEMEYER. The subcommittee will reconvene. And I thank the witnesses for your indulgence.

We expect a couple more Members here shortly, but in the meantime we will go to the gentleman from Texas, Mr. Williams, for 5 minutes.

Mr. WILLIAMS. Thank you, Mr. Chairman.

And I would like to say hello to a fellow Texan, Ms. Ramirez.

It is nice to see you both. Thank you for being here.

Ms. Ramirez, if you were able to create a program from scratch for public and assisted housing, what would it look like in 2015? And how would it differ from programs created back in the 1960s?

Ms. CASTRO RAMIREZ. Thank you, Representative Williams, for the question.

I would focus on strengthening the programs that are already in place. The housing choice voucher program, as we all know, serves 2.2 million households across America. And, recently, there was a study released that demonstrates that the housing choice voucher program is lifting families up. It is reducing homelessness. And so, I would ensure that rental assistance programs are at the core.

I would also continue to invest in public housing. We know that just over a million households are served by the public housing program, but it is critically important to provide the capital funds that are necessary.

And then the third element is invest in opportunities that create jobs, further job opportunities, education, and supportive services. I firmly believe that affordable housing is a platform to improve the lives of the families who are served, and I have seen firsthand that quality affordable housing coupled with services and resources enables families to do better.

Mr. WILLIAMS. Thank you.

And let me move on. As I was preparing for this hearing, I was given an article on what the Dallas Housing Authority, which neighbors the district I represent in Texas, was doing to change the model for how housing vouchers are currently being used by low-income families. And when I read that—I support new ideas and

new concepts like they talk about; I am not so sure that this may be the answer.

So my question to you, Ms. Ramirez, again—and it came out of The New York Times. In that article published on July 7th, entitled, "Vouchers Help Families Move Far From Public Housing," it was reported that housing vouchers were created in the 1970s to help poor families and their children escape from public housing, but they largely failed to improve the prospects of their recipients. Many of the 2.2 million households that are receiving them at any given moment, particularly minorities, remain clustered in low-income neighborhoods in what amounts to virtual housing projects.

So three questions, really quickly. Do you agree with the statement reported by The New York Times?

Ms. CASTRO RAMIREZ. I agree with the fact that the housing choice voucher program provides families opportunities to access communities of opportunity.

Mr. WILLIAMS. Second, to what extent does HUD measure how families and children escape public housing and improve their prospects?

Ms. CASTRO RAMIREZ. We do have very specific measurements within our Family Self-Sufficiency Program and also within our Jobs Plus program.

Within public housing and the Section 8 housing choice voucher program, while families and children are participating in the program, as we all know, we are required to ensure that adequate subsidy is being provided, and we track and ensure that families are being served through the rental assistance programs that we provide.

Mr. WILLIAMS. Okay.

And, lastly, do you believe that HUD has made progress in the last 20 years in improving the lives of families receiving housing assistance?

Ms. CASTRO RAMIREZ. I do believe that HUD and specifically the Office of Public and Indian Housing has improved the lives of the families that we serve. As I stated at the beginning, we have increased rental housing assistance from 400,000 in 1965 to 4.6 million in 2015.

And, beyond that, we have also established some very important and innovative and interagency collaborative efforts, such as the partnership that we have with the VA that enables us to house veterans who are homeless. In fact, this is a priority for this Administration, and it is a priority for our Secretary and for our Department. And the progress that we are making is significant. There has been a drop of 33 percent in homelessness among veterans in the last 4 years.

Mr. WILLIAMS. Thank you. If you haven't read that article, it is a good article to read. Thank you for your testimony.

Mr. Chairman, I yield back.

Chairman LUETKEMEYER. I thank the gentleman for yielding back.

And we go to the ranking member, Mr. Cleaver, for some follow-up. You are recognized for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman.

Are we involved in any efforts to make improvements in the housing voucher program? And what are the deficits that you see now? Either of you, Mr. Garcia-Diaz or Ms. Ramirez?

Ms. CASTRO RAMIREZ. Yes, Representative—

Mr. CLEAVER. Let me—I—

Ms. CASTRO RAMIREZ. Yes.

Mr. CLEAVER. I have a rural county, Saline County. I was stunned to find out when the head of the economic development corporation there said that they had over 1,000 homeless people throughout 2 of the rural counties, Lafayette and Saline Counties, which means nothing here, but homelessness is still a very serious problem. And it is no longer just an urban problem.

But the problem is we have very little effort in the rural parts of the country to deal with the homeless issue. And so, if you can tell me the deficits. I would also like to know about how we can expand these programs to the rural areas successfully.

Ms. CASTRO RAMIREZ. Yes, Representative Cleaver.

As it relates to the housing choice voucher improvements, there are a number of efficiencies and improvements that have been instituted, including being able to track information on units that are leased and ensuring that we are providing funding that is very close to what the utilization has been by producing more accurate data, more reports to the public housing agencies, and monitoring their utilization rate.

In fact, two-thirds of the staff who are in PIH are out in the field, on the ground, working closely with PHAs to ensure that the housing choice voucher program is serving the needs of the jurisdictions that they serve.

As it relates to rural housing and, more specifically, I would say, as it relates also maybe to Native American communities, one of the things that we are doing is, largely because of the recommendation from the GAO with regard to improvements, we have created a series of resources including a Web site that is very robust in speaking to best practices and opportunities for Native American communities to leverage their existing Federal resources to create more housing. We also have focused our training and technical assistance to build greater capacity, because we know that there is ongoing need for additional resources across Indian country.

Mr. GARCIA-DIAZ. And I would add three areas that I would see where improvements could be made in the voucher program.

One is certainly continued oversight of the PHAs to ensure that they are managing their programs as effectively as possible, that they are utilizing, using, as many of those vouchers as possible.

The other area is administrative streamlining. I think there are a lot of opportunities there to turn a very complicated program into something that is a little more simple. And PHA staff can actually, rather than worry about 44 income exclusions and deductions, they can look at how they can perhaps do outreach to landlords to help success rates for the voucher program. So, aside from the administrative efficiencies, I think there are potentially some positive spillover effects for the tenants.

And then, finally, understanding how vouchers in a service-rich environment, what kind of impact that might have on tenants, in particular to the FSS programs and other initiatives that may be

happening under the MTW program. Voucher traditionally is one that has been viewed as being just housing, just rental assistance, but this combination of service coordinators or case management seems to have some potential to, in some cases, break the poverty cycle.

Mr. CLEAVER. I don't think we will have time for an answer, but one of the things that I have observed with the housing voucher program is you still end up essentially putting people in virtually the same area. I think when the program was started, there was this belief that you can have what we have euphemistically called scattered site housing. I am not sure that does it, because of the cost difference in the various parts of the community. I am not sure I know how to solve that problem.

Thank you.

Chairman LUETKEMEYER. The gentleman yields back.

With that, we go to the gentleman from Minnesota, Mr. Ellison, for 5 minutes.

Mr. ELLISON. Allow me to thank the Chair, and the ranking member, and the witnesses today.

Mr. Garcia-Diaz, sir, I want to thank you and the GAO for doing some good reports about CDFIs. And the GAO did report, as you noted, it found that collateral restrictions—well, let me put it like this. Did the GAO report find that the collateral restrictions discouraged some non-depository CDFIs from joining the Federal Home Loan Bank?

Mr. GARCIA-DIAZ. Yes, that is correct. We interviewed Federal Home Loan Bank officials and interviewed individual CDFIs and asked them about the range of challenges they face in not only becoming members of the Federal Home Loan Bank System, but also obtaining low-interest-rate advances to help finance some of the economic development activities that they undertake.

And one of the key challenges to obtaining advances was that CDFIs didn't have the eligible collateral. They tend not to hold mortgage-related assets. They hold small-business loans, for instance. And so non-depository CDFIs are not subject to the same exception that some smaller banks enjoy under the Federal Home Loan Bank System.

Mr. ELLISON. What good for community development could come if CDFIs were allowed to pledge non-mortgage collateral?

Mr. GARCIA-DIAZ. In theory, it should expand their capacity to lend for the CDFI purposes of community development. And the Federal Home Loan Bank advances are a good source of capital financing assistance for these institutions.

Mr. ELLISON. So, me and my Republican colleague Steve Stivers of Ohio have a bill called the Small Business and Community Investment Expansion Act of 2015, and we are looking for cosponsors. Thank you.

Anyway, Ms. Ramirez, thanks for your excellent work, and I am glad to have a chance to talk to you about affordable housing. I know, in my own district, we have a lot of problems. I am sure you are not surprised.

Experts say that about 80 percent of families earning below $30,000 a year pay more than half their income in housing. There is a shortage of more than 7 million affordable rental homes in low-

income. Nationwide, only one in four eligible families receive housing assistance. And in my own town of Minneapolis-Saint Paul area, there are more than 14,000 families waiting for housing assistance.

Can you talk about the critical role that HUD's Public and Indian Housing plays in providing affordable rental housing for the lowest-income Americans?

Ms. CASTRO RAMIREZ. Thank you very much, Representative Ellison, for your question about the importance of continuing to preserve and expand affordable housing.

As it relates to the Office of Public and Indian Housing, one of our core goals and priorities is to ensure the preservation of existing resources, because, as you pointed out, there is a growing need. In fact, at this point in time, we are only able to serve one in four income-eligible households.

Beyond the core public housing and housing choice voucher programs, many investments also have occurred in the redevelopment and creation of mixed-income communities by public housing agencies in partnership with HUD and other public and private developers or partners. Specifically, I think that it is important for us to continue to invest in the Choice Neighborhoods initiative that has demonstrated successful models to redevelop and attract private investment.

Mr. ELLISON. Thank you, ma'am.

And I just would like to ask you to offer your views on this issue. Sometimes in this body we talk in terms of cultures of dependency and how HUD programs and programs like it create dependency and thereby somehow harm low-income people. But my experience has been that, when people get an opportunity for some housing assistance, that puts them in a position to really move on to more self-dependence, independence.

Do you have any views on this issue?

Ms. CASTRO RAMIREZ. Representative Ellison, I completely agree with you.

I started my work in public housing working at Imperial Courts in South L.A., leading a program called the Jobs Plus National Demonstration Program. And I saw firsthand that families desire and are working to improve their lives, and, if appropriately supported and provided with the resources, they will take advantage of that.

And, in fact, the Jobs Plus National Demonstration Program, which ran over 5 years, is an evidence-based program that demonstrated that investing in families, providing greater opportunities to jobs, and creating a community that supports work has an impact in improving the quality of life and the trajectory for families.

So I think it is important to acknowledge that the housing programs that we provide are not being just simply delivered to families; families are actively engaged in improving their lives.

Mr. ELLISON. I have to yield back now, but I want to thank you both for being awesome public servants.

Ms. CASTRO RAMIREZ. Thank you.

Chairman LUETKEMEYER. The gentleman's time has expired.

With that, I will wrap up the questions for today.

And I want to just mention that, Ms. Ramirez, you have your son with you this afternoon—

Ms. CASTRO RAMIREZ. Yes.

Chairman LUETKEMEYER. —Jorge. Is that right?

You are a student at the University of Boulder; is that right? I have a daughter who lives in Denver—it is a great place out west, right? Very good. Well, welcome.

Ms. CASTRO RAMIREZ. Thank you.

Chairman LUETKEMEYER. And I didn't realize that until now.

I have a couple of questions. Ms. Ramirez, to start with you, I know that in one of the documents with regard to some of the planning that you were doing, you intended to raise or proposed to raise the minimum rent from what was $50 up to $135.

Can you expand on that a little bit—why were you going to do that, how you were going to structure that?

Ms. CASTRO RAMIREZ. Currently, there is a study that is under way that involves five Moving to Work agencies that will enable them to test out various rent reforms, including whether or not raising the minimum rent would improve and save funds but also not impact families.

Our current policy is—we are at a $50 minimum of rent, but local jurisdictions and PHAs, based on the needs, based on the population they are serving, establish whether it needs to be adjusted downward.

I think one of the things that is important to point out, Chairman Luetkemeyer, is that in the programs that we administer, both the housing choice voucher program and the public housing program, families are contributing to the cost of rent. Thirty percent of their income goes towards rent. And so I just want to reemphasize that there is a 30 percent requirement.

Chairman LUETKEMEYER. Okay.

One more question for you, and then we will get to Mr. Garcia-Diaz here. Very quickly, what is HUD's perspective on the stakeholder agreement on Moving to Work that was created in 2012 by then-Secretary Donovan with regard to public housing authorities and advocacy groups?

Ms. CASTRO RAMIREZ. Our current proposal is, as I mentioned earlier, we are working and in discussions with the 39 MTW agencies to improve the agreements moving forward. We also have in the President's budget a request for a modest increase in the number of MTW agencies—

Chairman LUETKEMEYER. Can you specifically direct your comments to the stakeholder agreement?

Ms. CASTRO RAMIREZ. I think one of the important aspects of the stakeholder agreement was ensuring that there is proper evaluation and monitoring. And so those elements are included and embedded in the extension agreement—

Chairman LUETKEMEYER. Does HUD still support the stakeholder agreement, is the question.

Ms. CASTRO RAMIREZ. We have adopted and included elements of the stakeholder agreement in our existing discussions with the 39 MTW agencies.

Chairman LUETKEMEYER. Okay. That really doesn't answer it.

Mr. Garcia-Diaz, as a GAO oversight specialist here, with regards to the PIH, specifically that group, can you point out the weaknesses that we need to be concerned about as a committee?

Mr. GARCIA-DIAZ. For PIH, the three areas I would focus on would be monitoring and oversight of the public housing agencies, modernization and streamlining, and performance measurement and evaluation. HUD needs to ensure that they are providing the support and oversight to ensure that funds are being used appropriately, that the programs at the local level are as effective as possible.

The other area is modernization and streamlining. A lot of these programs are essentially legacy programs, either coming from the Great Depression or from the 1960s or the 1970s—

Chairman LUETKEMEYER. How do you streamline?

Mr. GARCIA-DIAZ. And then streamlining.

Chairman LUETKEMEYER. Give me an example.

Mr. GARCIA-DIAZ. Of streamlining?

Chairman LUETKEMEYER. Yes.

Mr. GARCIA-DIAZ. Opportunities exist for streamlining in how it is administered. So, in the intake process, there are a lot of requirements in documenting people's incomes, and that takes a lot of time. In fact, a lot of those things take up almost half of the time of the PHAs, which is time that detracts from other things that might provide immediate supports to the tenant.

Chairman LUETKEMEYER. Okay. Very good.

I was curious whether we had in report form some of your comments here. Do you have a study on that, or have you had a report out that we could look at?

Mr. GARCIA-DIAZ. Yes. And I can send you the references.

Chairman LUETKEMEYER. Okay. Because I think it is important that we look at that.

With that, I am out of time here, so let me be respectful of everybody else's time and move on. I would like to thank the witnesses for being here today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

With that, this hearing is adjourned.

[Whereupon, at 11:58 a.m., the hearing was adjourned.]

A P P E N D I X

July 10, 2015

Written Testimony of Lourdes Castro Ramírez
Principal Deputy Assistant Secretary, Office of Public & Indian Housing (PIH)
U.S. Department of Housing and Urban Development (HUD)
Hearing before the House Financial Services Subcommittee on Housing and Insurance
"The Future of Housing in America: Oversight of HUD's Public & Indian Housing Programs"
July 10, 2015

Thank you Chairman Luetkemeyer, and Ranking Member Cleaver for inviting me to testify this morning about what has been my life's work – providing quality, affordable housing opportunities for the nation's most vulnerable families, and supporting efforts to improve their circumstances. We appreciate the invitation to discuss HUD's rental assistance programs with our colleagues from the Government Accountability Office. Their Office and ours have worked successfully together to improve the nation's assisted housing programs.

The Department of Housing and Urban Development (HUD) serves 4.6 million households through rental assistance programs, with 3.3 million of them either living in public housing or participating in the Housing Choice Voucher (HCV) program. Of those 3.3 million, 1.1 million households are living in public housing and 2.2 million households receive assistance through the HCV program.

I am honored to have recently joined the dedicated HUD team and the Office of Public and Indian Housing, overseeing the public housing and voucher programs, as well as the housing assistance provided to the 566 federally recognized tribes we support through the Indian Housing Block Grant Program.

Each year, HUD's rental assistance programs help improve families' lives, by providing access to higher quality affordable housing, reducing homelessness, fostering stability, revitalizing neighborhoods, and making it possible for families with children to focus on improving their children's future.

The vast majority of the 3.3 million households receiving rental assistance are elderly or disabled, or families with children. In fact, elderly or disabled adults represent 51 percent of all households. Families with children represent 36 percent of all households. Additionally, approximately 76 percent of households served are at or below 30 percent of area median income.

As we responsibly carry-out our work, we are constantly reminded of the millions of low-income American households who are not receiving government assistance, and pay more than half of their income in rent, live in substandard housing, or both.

Thus, even at current funding levels, with 96% occupancy in our public housing program and at 98% budget utilization in our HCV program, HUD is only able to provide rental assistance to 24 percent of the 19 million income-eligible households, or one of every four eligible households.

When Secretary Castro testified before this committee in June 2015 there was considerable attention paid to HUD's 50th anniversary and questions about our role as one of the federal agencies critically engaged in America's effort to end poverty. Since 1965, HUD has increased the number of households receiving housing assistance from 600,000 to 4.6 million.

The roof that HUD provides may not end poverty, but it is certainly making a significant difference in addressing the consequences of poverty by providing access to decent, safe and affordable housing and creating opportunities for self-sufficiency.

This year also marks the 78th anniversary of the U.S. Housing Act of 1937, the national legislation creating housing opportunities for lower-income people. Today's hearing provides me with an opportunity to discuss in more detail the positive impact of the Public and Indian Housing programs on the millions of families receiving housing assistance and to share with the Committee HUD's vision for the future of these programs.

Creating a Better Future for Low-Income Families

From tackling the rental affordability crisis and promoting self-sufficiency, to bridging the digital divide and improving health and education outcomes – the Office of Public and Indian Housing (PIH) has worked closely with Public Housing Authorities and Native American communities, to provide good housing, build strong neighborhoods, and promote opportunities.

PIH is focused on building that brighter future for our public housing and voucher participants, and tribal communities by focusing on five major areas:

1. Preserving and expanding affordable housing;
2. Improving family opportunities;
3. Enhancing program flexibilities for Public Housing Authorities (PHAs);
4. Reducing administrative and regulatory burden; and
5. Improving PIH oversight and strengthening PHA governance.

Preserving and Expanding Affordable Housing

It's no secret that much of our nation's public housing is in need of significant investment. There is currently a backlog in capital needs, and we have lost an average of 12,000 units of public housing every year, mainly due to disrepair. The truth is, federal dollars will not fully address these issues and there is no "one size fits all" solution for the public housing stock. HUD, PHAs and other public and private partnerships are necessary to reduce the capital backlog, rehabilitate the current stock and continue to serve low-income families.

Congress gave us some breathing room by lifting the Rental Assistance Demonstration (RAD) cap to convert 185,000 units in FY2015. And it is clear that this program is necessary, as HUD currently has 915 active transactions, representing 109,429 units in the RAD conversion process.

RAD is a public-private partnership that's working and while it is not the only tool, it is a vital tool that is helping us preserve and sustain public housing for the long term.

To bring our rental housing system into the 21st century and continue to address the capital backlog, the President's Budget eliminated the cap on the number of conversions and contained other proposals that would facilitate the conversion and preservation of additional public housing and other HUD-assisted properties under RAD.

In addition to addressing obsolete housing units, we remain focused on revitalizing communities and expanding affordable housing options. Choice Neighborhoods is a critical component of the Administration's place-based efforts to target high poverty communities with joint federal investments, working together with local partners to increase economic activity, improve educational opportunities, leverage private investments, reduce violent crime, and enhance public health.

One great example is Choice Neighborhoods' transformative work in the City of Boston. The City's Quincy Corridor Choice Neighborhoods Transformation Plan has resulted in the redevelopment of Woodledge/Morrant Bay, including the renovation of Quincy Commons, Upham West, and mixed-income units, and the construction of 129 replacement units and 33 non-replacement units (with an additional 40 non-replacement units under construction). To date, HUD's investment of $15 million has leveraged an additional $78 million in other funds.

Over a four-year period, HUD has provided $350 million for Choice Implementation grants, which have leveraged more than $2.6 billion of additional public and private investment.

Due to the success of the program and high demand for Choice Neighborhoods grants, the President proposed $250 million in the Fiscal Year 2016 Budget to support the transformation of additional severely distressed public and assisted housing in underserved communities. The President's 2016 Budget also proposes to give the Secretary discretion in awarding up to 5 percent of Choice Neighborhoods Initiative funds to small community Main Street grants. Since FY 2004, 22 Main Street grants have been awarded, for a total of approximately $17.5 million.

In addition to emphasizing reinvestment in our public housing stock and communities, the President's Budget also recognizes the need for additional Housing Choice Vouchers and requested an additional 67,000 vouchers ($512 million) to restore vouchers lost due to sequestration. These vouchers would help homeless families, Native Americans, youth, and survivors of domestic and dating violence, among others.

Preserving and expanding affordable housing is also a critical component in PIH's Native American housing programs. The President's 2016 Budget proposed to fund the Indian Housing Block Grant (IHBG) at $660 million. The Indian Housing Block Grant (IHBG), the largest program under NAHASDA, has infused almost $11.3 billion to support a range of affordable

housing and community development activities in Native American communities over the past 18 years. Over the life of the program, IHBG recipients have built or acquired more than 37,000 affordable housing units in Indian Country, and substantially rehabilitated more than 76,000 affordable housing units. IHBG recipients also currently maintain more than 46,000 HUD units developed under the Housing Act of 1937. IHBG units also play a critical role in preventing and ending homelessness in tribal communities.

As of July 1, 2015, the Indian Housing Block Grant program had obligated almost $11.3 billion to recipients (FYs 1998 through 2015), which was reflected in the Line of Credit Control System (LOCCS). Of that amount, 91.52 percent had been disbursed.

Lastly, one of HUD's highest priorities is to prevent and end homelessness among Veterans experiencing homelessness. In 2010, the President set ambitious goals to end homelessness, including veteran homelessness. Since that time, we have made significant progress. The number of Veterans experiencing homelessness has declined significantly and communities like New Orleans and Houston are leading the way in ending Veteran homelessness.

But despite the best efforts of PHAs, States, local communities, and non-profit partners, progress in ending homelessness for other populations – people experiencing chronic homelessness, families, and youth – has been set back by the 2013 sequestration and by a continued lack of new resources.

Improving Family Opportunities

A budget reflects one's values, and it's clear to me that the President's 2016 Budget reflects the ideals and values that we hold dear.

The President's Budget recognizes that accelerating growth begins with an economy that strengthens the middle class and lifts more hardworking Americans of modest means into the middle class. That's why the President's Budget empowers HUD to continue building on its mission of supporting equitable community development, promoting responsible homeownership, and expanding access to rental subsidy and affordable housing programs that are both free from discrimination and available to Americans with the lowest incomes.

In addition to increasing access to affordable housing, the 2016 Budget would also provide additional support for programs that enhance stability, promote economic mobility, and decrease dependency on government. A growing number – 42 % - of adults receiving rental assistance (non-elderly, non-disabled) have a job and earn wages. This is a promising statistic and reinforces the need to provide low-income families with opportunities to promote workforce development and increase their income through evidence-based programs.

The President's Budget requests $100 million for Jobs-Plus, a job creation program that helps public housing residents increase their employment potential and earned wages. Through Jobs-Plus, public housing residents will receive on-site employment and training services, financial incentives that encourage work and "neighbor-to-neighbor" information sharing about job openings, training, and other employment-related opportunities. In the Jobs-Plus demonstration,

residents in developments where the program was well-implemented earned about 14 percent more per year than residents in comparison developments. Subsequent research by MDRC indicates that this earnings difference was sustained—and could even grow--after the program ended.

The Budget also calls for an expansion of the Family Self-Sufficiency (FSS) program to allow owners of project-based rental assistance (PBRA) projects to compete for funding. The FSS program helps public housing, voucher and PBRA participants save money. As part of the five-year program, participants set goals for themselves related to their education, job prospects, homeownership, and meet with case managers on a regular basis to track their progress. FSS participants put any extra money earned from salary increases into an escrow instead of paying higher rent, which helps them build assets and puts them on the right track to self-sufficiency.

Since the program's inception, 72,000 households have participated in the program and 56 percent of FSS participants in the program for at least a year show an increase in earned income. In 2014, 11.3 percent of FSS graduates went on to become homeowners.

PIH is also focused on expanding opportunities for American Indian and Alaska Native communities.

I want to thank Representative Pearce and the Members of the committee for making the reauthorization of the Native American Housing Assistance and Self Determination Act (NAHASDA) a priority – it is essential to furthering housing opportunities and building sustainable communities throughout Indian Country.

The President's Budget proposes opening the Jobs-Plus program to tribes with a $15 million set-aside. This competitive program would provide support to help residents living in housing assisted under the NAHASDA obtain employment and increase earnings. There is also $10 million for a teacher housing pilot through the Indian Community Development Block Grant.

Since joining HUD four months ago, I have had the opportunity of visiting both the Salt River Pima Maricopa Reservation in Arizona and the Pine Ridge Reservation in South Dakota. I have come away with both a deep respect for the work that is underway to address the challenges in Indian Country and with a greater determination to continue government-to-government efforts to bring additional housing, education and self-sufficiency support to these communities.

Enhancing Program Flexibilities

HUD's "Moving to Work" (MTW) demonstration allows PHAs to make local decisions about how to operate their programs rather than be constrained by a one-size-fits-all approach. The demonstration also affords PHAs the opportunity to test innovative solutions designed to reduce costs, enhance tenant outcomes, and promote the program's overall effectiveness. MTW PHAs have implemented a range of policies designed to preserve and increase the overall affordable housing inventory, increase housing choice, achieve administrative efficiencies, increase earnings for low-income families, reduce homelessness and improve educational outcomes.

I know first-hand just how impactful these program and funding flexibilities can be from my time as the CEO of the San Antonio Housing Authority, an MTW agency. I was able to implement several programs that enabled my former agency to increase the number of families served, and to help public housing residents prepare for employment through a variety of job readiness programs.

Under the President's FY 2016 request, HUD would responsibly and incrementally expand the number of MTW agencies by 15 PHAs. The President's 2016 Budget request establishes the core foundation of HUD's critical policy and program parameters for an MTW expansion, focusing on strengthening reporting and evaluations while retaining core tenant protections and providing the flexibilities that PHAs need to be the nation's housing policy innovators. HUD's Office of Policy Development and Research is presently conducting two major evaluations related to MTW, to measure the effectiveness and performance of the current demonstration program.

Since 2008, HUD has undergone extensive efforts to improve evaluation and monitoring of the MTW demonstration including: standardizing program terms, conditions and flexibilities by establishing a Standard MTW Agreement; requiring additional evaluative information from MTW agencies through common reporting tools; enhancing monitoring by integrating MTW agencies into current HUD data systems; and establishing dedicated staff to provide technical assistance and monitor the program. HUD has also implemented seven of GAO's eight recommendations to improve oversight of the program. HUD has defined program terms and requirements; implemented standard performance metrics for similar MTW activities; and established additional controls and monitoring strategies to better oversee the demonstration.

HUD is further strengthening the MTW demonstration for the existing 39 MTW PHAs. Discussions with the 39 PHAs are ongoing, and continuing the negotiation process is critical for the sustained success of the MTW program. HUD has focused on four principles: 1) making necessary legal and administrative changes to the agreements, 2) enhancing monitoring and evaluation, 3) addressing funding inequities, and 4) ensuring that the number of families served is commensurate with funding levels. We are incorporating into the new agreement a more detailed evaluation component for activities that most directly affect program participants. This aspect addresses the GAO's concern about how HUD measures the effectiveness and performance of the MTW demonstration.

In this time of scarce resources and in recognition that the "one size fits all" approach doesn't work for the public housing stock, HUD is committed to providing additional funding flexibilities for the remaining 3,950 non-MTW agencies. The President's Budget has two proposals that would provide additional tools for PHAs that could assist in preserving their public housing stock.

First, PHAs with 250 or more units would be allowed to transfer up to 30 percent of their capital or operating funds to be used for both operating and capital needs. Currently, large PHAs can only use operating funds for capital improvements to pay debt service, rather than for direct expenditure on capital improvements, even when operating funds could meet capital backlog needs. As a result, PHAs must pay financing charges to use existing funds for rehabilitation of

development costs. With this flexibility, approximately 800 large PHAs could transfer an additional $162 million of capital funds to operations, as well as use their operating reserve directly for capital expenditures.

Second, HUD proposes to allow PHAs to establish a capital fund replacement reserve, eliminating the two-year obligation and four-year expenditure requirements. HUD would specify a new timeframe for expenditure and limits on the reserves, and those reserve amounts would be held by Treasury. The replacement reserve would improve the ability of PHAs, especially smaller PHAs, to address their backlog of capital needs by allowing PHAs to accumulate funding for large capital projects.

Taken together, both of these proposals would provide PHAs with more options, in addition to or in place of RAD and Choice Neighborhoods for preserving their affordable housing stock.

Reducing Administrative & Regulatory Burden

There are a number of proposals in the President's FY16 budget request that are focused on providing additional flexibilities and reducing administrative burden for PHAs. Some of those provisions have been discussed in this document (e.g., expansion of MTW agencies, establishment of a capital fund replacement, allowing for PHAs with 250 units or more of public housing to transfer up to 30% of their capital funds to operating funds, or vice versa). Other proposals that provide flexibilities and streamline operations are as follows:

Unreimbursed Medical Expenses:
This proposal revises the threshold for deduction of medical and related care expenses. The change would increase the threshold for the deduction of medical and related care expenses from 3 to 10 percent of family income, reducing administrative burden for PHAs and generating savings.

Streamlining Fair Market Rents (FMR):
Currently, HUD publishes two Federal Register Notices per year that includes information pertaining to any and all Fair Market Rent methodology changes as well as the actual FMR values themselves (resulting in a 50-60 page document in the Federal Register). While the Department still intends to publish Federal Register notices announcing the Proposed and Final FMRs, including information pertaining to any and all methodology changes, the language in the 2016 President's Budget would provide cost savings and administrative relief for HUD from the burden of publishing the actual values in the Federal Register and instead direct readers to a HUD website maintained by the Office of Policy Development and Research.

Utilities Conservation Pilot:
This proposal would streamline the application process for PHAs and also extend energy initiatives to a broader range of PHAs by adjusting the rolling baseline of utility consumption if PHAs commit to achieving a reduction in energy consumption within a certain timeframe.

Sponsor-Based Voucher Assistance:
This is a proposal from the President's Budget in prior years. It allows PHAs to use 5 percent of their Section 8 vouchers as a set aside for assisting homeless persons who are screened and admitted by a non-profit organization – ultimately streamlining the intake process and leveraging the non-profit's supportive services.

PIH appreciates the work of Congress in recent years to reduce burdens on PHAs by enacting streamlining provisions such as biennial Housing Quality Inspections for the HCV program and a multi-year NOFA for the Family Self-Sufficiency program. These changes allow PHAs to better focus their resources in operating the core programs.

PIH understands that PHAs are currently operating major housing programs in an environment of insufficient funding and a complex regulatory structure. PIH is therefore committed to proposing not only legislative changes, but also reviewing and streamlining existing regulations and PIH/PHA processes to create efficiencies. A Proposed Streamlining regulation was issued in January[1] and the Final Streamlining regulation is currently under development. PIH believes that streamlining the programs processes and operations is an iterative process, and an ongoing effort.

Improving PIH oversight and Strengthening PHA Governance

The vast majority of PHAs overseen by HUD deliver exceptional service in spite of constrained funding and increased workload. With nearly 4,000 PHAs nationwide, PIH has moved to a risk-based approach to strengthen our oversight.

PIH adopted an Enterprise Risk Management (ERM) program to facilitate early detection of problems and target intervention at PHAs that fall short of standards. This model allows us to target limited resources to higher risk PHAs nationwide, and to prioritize intervention as appropriate.

In addition to ERM, PIH's field operations utilizes a standardized risk assessment tool that includes key data from existing HUD systems with a qualitative survey completed by HUD staff to determine if a PHA is high, moderate, or low risk. By identifying the level of risk posed by an agency or property, PIH can then direct appropriate resources and take a proactive approach.

For PHAs that are designated as troubled or substandard under the Public Housing Assessment System (PHAS), PIH implements the PHA Recovery and Sustainability (PHARS) model. PHARS promotes improvement of financial management and governance, which are common root causes of troubled or substandard status.

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[1] "Streamlining Administrative Regulations for Public Housing, Housing Choice Voucher, Multifamily Housing, and Community Planning and Development Programs – Proposed Rule", published January 6, 2015, http://www.gpo.gov/fdsys/pkg/FR-2015-01-06/pdf/2014-30504.pdf

Since incorporating substandard PHAs into the PHARS process, there has been a 15% improvement in performance, with 158 substandard PHAs now achieving standard performer or better status.

Reducing the number of troubled and substandard PHAs also means fewer agencies in administrative receivership. It should be noted that of the 4,000 PHAs we oversee, only 4 (.1 percent) find themselves in receivership – that is a 60 percent reduction since 2009.

Lastly, PIH will be launching a free, web-based, 9-module training tool called "Lead the Way: Public Housing Agency Governance and Financial Management Training for Board Members and Executive Staff" later this month. The training is designed to assist board members and PHA executives in understanding their governance and fiduciary responsibilities and to give them the skills to become better stewards of federal resources. We are also working closely with the Office of the Inspector General to develop a module on Risk Management, Internal Controls and Program Integrity.

I would be remiss if I did not acknowledge the support of the Office of Inspector General and the Departmental Enforcement Center in helping PIH's field operations team improve and strengthen oversight and controls. PIH has and will continue to work closely with both offices to improve our level of PHA oversight and training.

Resource Challenges

The work happening in PIH is exciting and I am extremely proud of it. However, for every policy and program step forward, funding cuts place both HUD and PHAs in a "do more with less" position, forcing choices that to lead to program and operational cutbacks and ultimately, serving fewer families.

As I stated earlier, current funding levels only provide enough funding to assist one in four income-eligible families. The funding levels in the FY2016 House appropriations bill released last month would make serving even our current program participants more difficult, and would certainly challenge PIH's goals to increase and preserve affordable housing and contribute to other Department goals.

In particular, PIH is concerned about the significant cuts for the following programs:

- **Housing Choice Vouchers**: The House bill is six percent less than the President's Budget. Compared to the President's Budget, the House bill would serve roughly 100,000 fewer families. Not only does the House bill fail to provide funding as requested to help restore vouchers lost due to the 2013 sequestration, the funding level is insufficient to renew 28,000 existing vouchers or provide full funding for tenant protection needs.

- **Choice Neighborhoods**: The House Budget significantly underfunds this program, funding it at only $20 million or 92 percent less than the President's budget request.

Each Choice Neighborhoods implementation grant is approximately $30 million, so the House bill will not even fund one full grant.

- **Public Housing Capital Fund**. The House bill's 15 percent cut of $289 million to the Public Housing Capital Fund from HUD's Budget would cause further deterioration of public housing.

- **Rental Assistance Demonstration**. The House bill would prevent the modernization of more public housing and affordable housing units by maintaining the cap for HUD's RAD. In addition, HUD requested $50 million in incremental subsidies for the RAD program, which was not included in the House bill. RAD transactions thus far have leveraged roughly $1 billion in construction improvements to HUD-assisted properties.

- **Jobs-Plus.** The House bill would prevent HUD from providing more low-income Americans an opportunity to obtain job training and a good salary by only funding the Jobs-Plus program with $15 million, well below HUD's requested $100 million.

Conclusion

This Administration has been focused on developing new, innovative policies that use rental housing assistance as a platform for helping family's access opportunities and make other life improvements. Whether it is through expansion of workforce development programs, or creating communities of choice and opportunity: HUD is providing millions with stability and a better future.

PIH programs are more important than ever for low-income and working class families seeking decent, safe and affordable housing.

I look forward to working with each of you to ensure that we are building on best practices, measuring our progress, and meeting the critical demand for resources necessary to preserve and improve the quality of HUD housing, revitalize neighborhoods, catalyze private investment, and give families struggling to make ends meet the support they need to realize their dreams.

Thank you for the opportunity to appear before you today. I would be pleased to answer your questions.

United States Government Accountability Office

Testimony

Before the Subcommittee on Housing and Insurance, Committee on Financial Services, House of Representatives

For Release on Delivery
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HUD PUBLIC AND INDIAN HOUSING PROGRAMS

Progress on Prior GAO Recommendations to Enhance Accountability and Efficiency

Statement of Daniel Garcia-Diaz, Director
Financial Markets and Community Investment

GAO-15-747T

GAO Highlights

Highlights of GAO-15-747T, a testimony before the Subcommittee on Housing and Insurance, Committee on Financial Services, House of Representatives

July 10, 2015

HUD PUBLIC AND INDIAN HOUSING PROGRAMS

Progress on Prior GAO Recommendations to Enhance Accountability and Efficiency

Why GAO Did This Study

HUD's Office of Public and Indian Housing (PIH) administers programs that help some of the nation's most vulnerable households—including low-income families and members of Native Americans tribes—obtain safe, decent, and affordable housing. PIH also operates complementary programs, such as FSS, that are designed to help assisted households become more self-sufficient. PIH programs accounted for about 60 percent of HUD's budget authority for fiscal year 2015, or about $26 billion.

GAO has issued four reports since March 2012 on PIH programs, including the MTW, FSS, voucher, and IHBG programs, that contained recommendations to HUD (see GAO-12-300, GAO-12-490, GAO-13-581, and GAO-14-255). This testimony is based on these four reports. It discusses, among other things, HUD's progress in addressing prior GAO recommendations on the MTW and FSS programs, the voucher program, and the IHBG program.

To update the status of prior recommendations, GAO reviewed new or revised HUD policies, procedures, and reports and interviewed officials.

View GAO-15-747T. For more information, contact Daniel Garcia-Diaz at 202-512-8678 or garciadiazd@gao.gov.

What GAO Found

As of June 2015, the Department of Housing and Urban Development (HUD) had addressed some of GAO's 16 prior recommendations for four programs: Moving to Work (MTW), Family Self-Sufficiency (FSS), Housing Choice Voucher (voucher), and Indian Housing Block Grant (IHBG). But other recommendations require further attention. Specifically:

- HUD has addressed seven of eight recommendations GAO made in April 2012 to improve assessment of MTW, capture lessons learned, and enhance program oversight. The MTW program is intended, among other things, to give state and local housing agencies flexibility to design and test innovative strategies for providing housing assistance. HUD agreed or partially agreed with most of GAO's recommendations. However, it has yet to fully implement a process for systematically identifying lessons learned.

- HUD has taken initial steps to address GAO's two recommendations from a July 2013 report to develop and implement (1) a process to better ensure that data on FSS grants were complete and (2) a strategy for regularly analyzing FSS participation and outcome data. The FSS program is designed to help families receiving HUD housing assistance become self-sufficient through case management and referrals to supportive services such as education and training. HUD agreed with the recommendations and has revised its data collection and analysis procedures. But it has not yet provided full documentation of these efforts so that GAO can assess its actions.

- HUD has implemented one of three recommendations GAO made in a 2012 report on the voucher program. The voucher program subsidizes private market rents for about 2 million low-income households. HUD neither agreed nor disagreed with these recommendations. But HUD has addressed one that is aimed at streamlining the program's administration by, among other things, publishing a proposed rule that includes measures to simplify administrative processes. HUD has not yet provided GAO evidence that it has implemented the two other recommendations, one on informing Congress about excess state and local housing agency reserves and one on informing Congress about HUD's criteria for redistributing these reserves.

- HUD has implemented two of three GAO recommendations from a March 2014 report on the IHBG program. IHBG annually provides more than $600 million in housing assistance to about 570 federally and state-recognized Indian tribes. Consistent with GAO's recommendations, HUD has broadened its solicitation of input from block grant recipients and developed a location on its website to collect and disseminate best practices on housing development. HUD has also taken steps to address a third recommendation to collaborate with other agencies that work with Indian tribes to improve interagency coordination on environmental reviews for tribal housing development. The agencies' efforts to develop a coordinated environmental review process are ongoing.

Chairman Luetkemeyer, Ranking Member Cleaver, and Members of the Subcommittee:

I am pleased to be here today to discuss our work on programs administered by the Office of Public and Indian Housing (PIH) within the Department of Housing and Urban Development (HUD). PIH programs help some of the nation's most vulnerable households—including low-income families and members of Native Americans tribes—obtain safe, decent, and affordable housing. PIH also operates complementary programs designed to help assisted households become more self-sufficient and economically independent. PIH programs accounted for approximately 60 percent of HUD's budget authority for fiscal year 2015, or about $26 billion. The size of this investment, coupled with the nation's fiscal challenges and unmet affordable housing needs, underscores the importance of managing these programs as efficiently and effectively as possible.

My testimony today is based primarily on four reports we issued between March 2012 and March 2014.[1] Appendix I provides a list of recommendations from these reports and their status. I will discuss (1) HUD's progress on our prior recommendations to improve assessment of the Moving to Work (MTW) demonstration program and Family Self-Sufficiency (FSS) program; (2) our previously reported options and recommendations to HUD to increase the efficiency of the Housing Choice Voucher (voucher) program; (3) HUD's actions to address our prior recommendations on the implementation of the Indian Housing Block Grant (IHBG) program; and (4) additional ongoing challenges facing PIH.

To conduct the work for the four reports issued from 2012 to 2014, we relied on several analytical methods, including reviewing legislation, regulations, and studies; analyzing HUD and public housing agency budget, financial, and program data; and reviewing HUD policies, procedures, and program documentation and comparing them to federal

[1]GAO, *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies*, GAO-12-300 (Washington, D.C.: Mar. 19, 2012); *Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring*, GAO-12-490 (Washington, D.C.: Apr. 19, 2012); *Rental Housing Assistance: HUD Data on Self-Sufficiency Programs Should Be Improved*, GAO-13-581 (Washington, D.C.: July 9, 2013); and *Native American Housing: Additional Actions Needed to Better Support Tribal Efforts*, GAO-14-255 (Washington, D.C.: Mar. 27, 2014).

requirements. We also interviewed officials from HUD and public and tribal housing agencies, as well as representatives from organizations advocating for affordable housing, residents of federally subsidized housing, and American Indians, Alaska Natives, and Native Hawaiians. Our prior reports each include a detailed description of our scope and methodology. To update the status of recommendations from these reports, we reviewed new or revised HUD policies, procedures, and reports and interviewed HUD officials. For this testimony, we also reviewed information on HUD's estimates of improper rental assistance payments reported for fiscal years 2010 through 2013 (the most recent estimate available). We performed the work on which this testimony is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The assistance PIH provides to low-income families encompasses three broad program areas:

- public housing, which offers units for eligible tenants in properties generally owned and administered by state and local public housing agencies (PHA);
- tenant-based rental assistance, which provides vouchers that eligible households can use to rent houses or apartments in the private housing market; and
- Native American programs, which provide block grants and loan guarantees to tribal entities for housing development and assistance and housing-related services.

Specific programs administered by PIH include, but are not limited to, the following:

- **MTW Demonstration Program.** HUD implemented the MTW demonstration program, which was authorized by the Omnibus Consolidated Rescissions and Appropriations Act of 1996, in 1999.[2]

[2]Pub. L. No. 104-134, 110 Stat. 1321, 1321-281.

The program is intended to give participating PHAs the flexibility to design and test innovative strategies for providing and administering housing assistance. The program has three statutory purposes: to reduce costs and achieve greater cost-effectiveness in federal housing expenditures, give families with children incentives to obtain employment and become self-sufficient, and increase housing choices for low-income families.[3] To put in place the innovations intended under the program's authorizing legislation, PHAs may request waivers of certain provisions in the United States Housing Act of 1937, as amended.[4] For example, PHAs may combine the funding they are awarded annually from different programs—such as public housing capital funds, public housing operating funds, and voucher funds—into a single, authority-wide funding source. As of June 2015, 39 PHAs were participating through the end of their fiscal year 2018.

- **FSS Program.** FSS was authorized in 1990 to help families receiving vouchers or living in public housing become self-sufficient through case management and referrals to education, training, and other supportive services. HUD has historically received separate FSS appropriations for public housing residents and Housing Choice Voucher recipients, but Congress combined the appropriations in fiscal year 2014.[5] PHAs use grant funds to pay program coordinators who link residents to the supportive services they need to achieve self-sufficiency. Families in the FSS program sign contracts with their PHAs requiring that all family members become independent of cash welfare assistance and that the head of the family seek and maintain

[3]In addition to addressing the program's three statutory purposes, agencies participating in MTW must meet five requirements. They must (1) serve substantially the same total number of eligible low-income families that they would have served had funding amounts not been combined; (2) maintain a mix of families (by family size) comparable to those they would have served without the demonstration; (3) ensure that at least 75 percent of households served are very low income, as defined by Section 3 of the United States Housing Act of 1937; (4) establish a reasonable rent policy to encourage employment and self-sufficiency; and (5) assure that the housing provided meets HUD's housing quality standards.

[4]42 U.S.C. §§ 1437 et seq.

[5]See Pub. L. No. 113-76, 128 Stat. 5, 611 (2014).

employment.[6]

- **Voucher Program.** The voucher program was authorized under Section 8 of the United States Housing Act of 1937, as amended.[7] In recent years, the voucher program has helped provide affordable rental housing to about 2 million very low- or extremely low-income households annually.[8] Approximately 2,400 PHAs administer the voucher program on HUD's behalf. Under the program, an assisted household pays either 30 percent of its monthly adjusted income in rent or the PHA-established minimum rent (up to $50). The remainder of the rent—the difference between the lesser of the unit's gross rent (rent plus utilities) or a local "payment standard" and the household's payment—is paid through a HUD-subsidized "voucher." The payment standard is based on the HUD-determined fair market rent for the locality, which HUD annually estimates for metropolitan and nonmetropolitan areas.[9] Participating PHAs can set payment standards (that is, pay subsidies) of between 90 and 110 percent of the fair market rent for their areas. The voucher program is not an entitlement program. Therefore, the amount of budget authority Congress provides through annual appropriations limits the number of households that the program can assist. Historically, appropriations for the voucher program (or for other housing programs) have not been sufficient to assist all households that HUD identified as having worst-case housing needs—households with very low incomes that pay more than 50 percent of their incomes in rent, live in substandard

[6]For the FSS program, welfare assistance means income assistance from federal or state welfare programs and includes only cash maintenance payments designed to meet a family's ongoing basic needs. It does not include nonrecurrent, short-term benefits or food assistance and emergency rental and utilities assistance, among other things. See 24 CFR § 984.103. Completion of the contract occurs when the PHA determines that (1) the family has fulfilled all of its responsibilities under the contract; or (2) 30 percent of the family's monthly adjusted income equals or is greater than the Fair Market Rent amount for the unit size for which the family qualifies. 24 C.F.R. § 984.303(g). Families are expected to complete their contracts within 5 years, although a PHA may extend a family's contract for up to 2 additional years in some circumstances. 24 C.F.R. § 984.303(c), (d).

[7]42 U.S.C. § 1437f(o).

[8]Very low-income households are those with incomes at or below 50 percent of the area median income, extremely low-income households are those with incomes at or below 30 percent of the area median income.

[9]Under 42 U.S.C. § 1437f(c)(1), HUD annually must publish fair market rents for the voucher program. See related regulations at 24 C.F.R. Part 888.

housing, or both.[10]

- **IHBG Program.** Native American tribes primarily receive assistance for low-income housing through the IHBG program under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) program.[11] NAHASDA reorganized the system of housing assistance that HUD provided to Native Americans by eliminating or incorporating several separate programs into a single block grant program—the IHBG program—and created the Title VI Loan Guarantee (Title VI) program to assist grant recipients with private market financing. HUD's Office of Native American Programs within PIH administers NAHASDA. IHBG is a formula grant program, and participating tribes may choose to receive housing funds directly or through a tribally designated housing entity (TDHE) that administers the housing program on their behalf. As of January 2015, 566 federally recognized and 5 state-recognized Indian tribes with membership levels ranging from a few hundred to a few hundred thousand are eligible to receive IHBG funds annually to provide their members with adequate and affordable housing. Families eligible for NAHASDA-funded assistance must be low-income Indian families—those whose income does not exceed 80 percent of the area median income—residing on a reservation or in an Indian area.

[10]Each year, Congress appropriates funding for subsidies for renewal (existing) and incremental (new) vouchers and administrative expenses. HUD then allocates the program funding to PHAs, which are expected to use all allocated subsidy funding for authorized program expenses. However, if PHAs' allocated amounts exceed the total cost of their program expenses in a given year, their unused subsidy funds must be maintained in subsidy reserve accounts. HUD also pays administrative fees to PHAs based on the number of units leased (vouchers used) as of the first of each month. As with subsidy funding, if the appropriated amount does not fully cover agencies' fees, HUD will reduce the amount of funding each PHA receives to fit within the appropriated amount.

[11]Pub. L. No. 104-330, 110 Stat. 4016 (1996) (codified, as amended, at 25 U.S.C. § 4101 et seq.).

HUD Has Taken Initial Actions to Better Assess the Moving to Work and Family Self-Sufficiency Programs

In our prior work on the MTW and FSS programs, we concluded that HUD could take additional steps to understand program outcomes. We made eight recommendations in our April 2012 report on the MTW program, seven of which have been implemented.[12] We made two recommendations to HUD concerning FSS in a July 2013 report on self-sufficiency programs.[13] HUD has not fully implemented either of these recommendations. The following discussion addresses selected recommendations from these reports that focus on improving program assessment. (See app. I for a full list of the recommendations from these reports and their status.)

HUD Has Taken Steps to Improve What is Known about the Moving to Work Program

In our April 2012 report on the MTW program, we identified a number of weaknesses that limited HUD's ability to determine program outcomes as they related to statutory purposes.[14] First, we found that guidance on reporting performance information did not emphasize the importance of accurate outcome-oriented information. We noted that PHAs participating in MTW (MTW agencies) reported annually on their activities, including efforts to reduce administrative costs and encourage residents to work. But the usefulness of this information was limited because it was not consistently outcome oriented. For example, for similar activities designed to promote family self-sufficiency, one MTW agency reported only the number of participants, which is generally considered an output, and another agency did not provide any performance information. To be consistent with the GPRA Modernization Act of 2010 (GPRAMA), we noted that HUD's guidance on reporting performance information should indicate the importance of outcome-oriented information.[15]

Second, we reported in 2012 that HUD had not identified the performance data needed to assess the results of similar MTW activities across PHAs

[12]GAO-12-490.

[13]GAO-13-581. This report also addressed HUD's Resident Opportunity and Self-Sufficiency Service Coordinators program, which provides funding to hire service coordinators to assess the needs of public housing residents and coordinate available resources in the community to meet those needs. The report made two recommendations to HUD concerning this program, both of which have yet to be implemented (see app. I).

[14]GAO-12-490.

[15]Pub. L. No. 111-352, 124 Stat. 3866 (2011).

or of the program as a whole.[16] Obtaining performance information from demonstration programs is critical, because the purpose of a demonstration is to test approaches to identify those that provide positive results.[17] Since 2009 HUD had been requiring agencies to provide information on the impact of MTW activities, including benchmarks and metrics, in their annual MTW reports. We found that while these reports were informative, they did not lend themselves to quantitative analysis because the reporting requirements did not call for standardized data, such as the number of residents who found employment.

Further, we found that HUD had not established performance indicators for MTW. According to GPRAMA, federal agencies should establish efficiency, output, and outcome indicators for each program activity as appropriate. Federal internal control standards also require the establishment of performance indicators.[18] As we noted in 2012, specific performance indicators for the MTW program could be based on the three statutory purposes of the program. For example, agencies could report on the savings achieved (reducing costs).

In light of these shortcomings, we recommended that HUD (1) improve its guidance to MTW agencies on providing performance information in their annual reports by requiring that such information be quantifiable and outcome oriented, (2) develop and implement a plan for quantitatively assessing the effectiveness of similar activities and the program as a whole, and (3) establish performance indicators for the program.

HUD subsequently implemented all three of these recommendations. Specifically, in May 2013 HUD revised the reporting requirements for MTW agencies and began requiring them to report quantifiable and outcome-oriented information on MTW activities. Also, in 2015 HUD developed a five-step plan to quantitatively assess both the effectiveness of similar activities across agencies and the program as a whole. According to this plan, HUD will assign standard metrics for all of the implemented and proposed activities of each MTW agency and ensure

[16]GAO-12-490.

[17]GAO, *Program Evaluation: Improving the Flow of Information to the Congress*, GAO/PEMD-95-1 (Washington, D.C.: Jan. 30, 1995).

[18]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

that agencies conducting similar activities report annually on the same set of metrics. HUD has taken steps to implement this plan by, for example, issuing guidance to MTW agencies on how to assign the metrics to activities. Additionally, in 2013 HUD established standard measures that correlate with each of the statutory objectives of the MTW program. For each measure, HUD will be able to calculate quantitative results for the program as a whole and determine whether they are positive, neutral, or negative.

Finally, we indicated in our 2012 report that while HUD had identified some lessons learned on an ad hoc basis, it did not have a systematic process in place for identifying them. As previously noted, obtaining impact information from demonstration programs is critical.[19] Since 2000, HUD had been identifying some activities that could be replicated by other PHAs. For example, a HUD-sponsored contractor developed five case studies to describe issues and challenges involved in implementing MTW. However, these efforts had shortcomings. In most cases, the lessons learned were chosen based on the opinions of HUD or contracted staff and largely involved anecdotal (or qualitative) data rather than quantitative data. We reported in 2012 that because HUD had not developed criteria and a systematic process for identifying lessons learned, HUD was limited in its ability to promote useful practices for broader implementation. We recommended that HUD create a process to systematically identify lessons learned. HUD agreed and in response stated that once its revised reporting requirements were implemented, the resulting data would inform an effort to establish lessons learned. As of June 2015, HUD had provided information on the steps it will take to systematically identify promising practices. We are in the process of reviewing this information to determine if it fully satisfies our recommendation.

[19]GAO/PEMD-95-1.

HUD Has Begun Taking Steps to Improve Participation and Outcome Data on the Family Self-Sufficiency Program

In a July 2013 report, we found that the number of families participating in HUD's FSS program could not be reliably assessed.[20] According to HUD guidance, PHAs that received FSS grants were required to update information about each participating family at least annually. As a part of these updates, PHAs were expected to indicate whether the family was actively participating in or had exited the program. For those families that had exited the program, PHAs were required to indicate whether they had completed the program or stopped participating for other reasons. In general, PHAs were to report these data using HUD's Public and Indian Housing Information Center (PIC) system.

We found that many PIC records lacked information on when and why the participating family exited the FSS program before completion. For example, while HUD's PIC data indicated that 14,690 families began participating in the FSS program in fiscal year 2006, data on exits for the 5-year program were missing for nearly half of these families. According to HUD officials with responsibility for implementing the FSS program, the records could have been incomplete or incorrect for several reasons. For example, if a participating family had left public housing or the voucher program, the responsible PHA might not have updated the FSS portion of PIC to reflect the departure. The officials also told us that no HUD staff had been given specific responsibility for monitoring the completeness of participants' records in PIC. We determined that not analyzing the extent to which PHAs had reported required data limited HUD's ability to effectively oversee the program.

During our work for the July 2013 report, we also noted that HUD required PHAs to enter summary output and outcome data annually in a spreadsheet-based reporting tool. These data were to include, among other things, the number of households that had increased their incomes or moved to nonsubsidized housing and the number of residents that had obtained high school diplomas. However, we found that PHAs also had not consistently reported such information, a condition that was exacerbated by a lack of program-specific reporting guidance. Further, we found that HUD lacked a strategy for using the data it collected on the FSS program, whether through PIC or its spreadsheet-based reporting tool. Internal control standards underline the importance not only of

[20]GAO-13-581.

collecting but also using information to achieve programmatic goals—in this case, helping families increase self-sufficiency.

To address limitations in HUD's oversight of the FSS program, we recommended that HUD develop and implement a process to better ensure that data on FSS participant grants were complete.[21] We stated that such a process should include steps to identify missing data and the reasons for the omissions and to help ensure that the data were complete. HUD agreed with this recommendation and in May 2014 implemented modifications to the PIC system. According to HUD, the modifications established a system of checks within PIC that would alert PHA users if the information they submitted was incomplete or appeared to be incorrect. In June 2015, HUD reported that between June 2014 and May 2015 the new system had generated 36,802 alerts notifying PHAs that they needed to correct their information before resubmitting it to HUD. According to HUD, the agency also has taken initial steps to improve its spreadsheet-based tool and prevent PHA users from submitting incomplete data. HUD officials told us that they would provide documentation of PHAs' use of the tool and HUD's analysis of the data collected by July 30, 2015. While HUD's actions to date appear to be broadly consistent with our recommendation, we will determine whether HUD has satisfied our recommendation after we obtain and review this documentation.

While acknowledging the difficulty of determining the outcomes of self-sufficiency activities, our July 2013 report concluded that HUD could have done more to review participant accomplishments across programs. To improve what is known about and better inform Congress on residents' progress towards self-sufficiency, we recommended that HUD develop and implement a strategy for regularly analyzing FSS participation and outcome data. We noted that such a strategy could include identifying PHAs from which lessons could be learned as well as PHAs that might need assistance improving completion rates or outcomes. HUD agreed with this recommendation, and in March 2014 the agency established criteria for identifying high-performing and poorly performing FSS grantees using data from PIC. According to HUD, the agency will annually

[21]Federal internal control standards state that transactions should be promptly recorded to maintain their relevance and value to management, and HUD's own reporting guidance also directs grant recipients to record program start dates, exit dates, reasons for exiting the program prior to completion, and completion dates.

assess changes in earned income and FSS program graduation rates, among other factors. In June 2015, HUD stated that it would provide documentation of the use of the criteria to identify high-performing and poorly performing FSS grantees. We will determine whether HUD has fully implemented our recommendation when we receive this documentation.

HUD Has Taken Steps to Streamline the Voucher Program, but Further Opportunities Exist to Increase Efficiencies

In our March 2012 report, we identified several options that, if implemented effectively, could reduce voucher program costs or allow PHAs to assist additional households.[22] First, improved information on the level of subsidy reserves that housing agencies should maintain could aid budget decisions and reduce the need for new appropriations. Second, agency officials have noted that the voucher program's requirements are complex and burdensome and that streamlining these requirements could reduce costs. Finally, changing the method for calculating households' payments toward rent—known as rent reform—and consolidating voucher administration under fewer housing agencies could also reduce program costs. These options involve difficult policy decisions that will affect some of the most vulnerable members of the population and alter long-standing program priorities and practices. Our 2012 report made recommendations to HUD that pertain to the subsidy reserve and administrative streamlining options we identified.

Improved Information on Public Housing Agencies' Subsidy Reserves Could Aid Budget Decisions

As we reported in March 2012, improved information on the level of subsidy reserves PHAs should maintain could aid budget decisions and reduce the need for new appropriations. PHAs had accumulated subsidy reserves—that is, unspent funds—that Congress could use to (1) reduce program appropriations through a rescission and offset and potentially meet other needs or (2) direct HUD to assist more households.[23] PHAs may under-lease or receive more funding than they can spend in a year. Unless rescinded and offset, PHAs can accumulate unused subsidy funding in reserve accounts held by HUD and spend it for authorized

[22]See GAO-12-300. We also discussed steps Congress and HUD had already taken to manage cost increases. For example, in 2003, Congress changed the voucher program's funding formula to tie renewal funding for vouchers to actual costs and leasing rates, rather than the number of authorized vouchers (used or unused).

[23]A rescission is legislation enacted by Congress that cancels the availability of previously enacted budget authority before it would otherwise expire.

expenses in future years. HUD has requested the authority to offset and, in some cases, redistribute "excess" reserves—those beyond what is needed to fund defined contingencies. But HUD has not developed specific or consistent criteria defining what constitutes excess reserves or how it would redistribute funding among PHAs.

In our March 2012 report, we concluded that providing Congress with better information on subsidy reserves could help ensure that disbursed funds would be used to assist households rather than remain unused. This assessment was consistent with the results of previously issued work, in which we concluded that agency reporting about key areas such as financial management or program reforms should inform congressional decision making.[24] We recommended in our 2012 report that HUD provide information to Congress on (1) the estimated amount of excess subsidy reserves and (2) criteria for redistributing excess reserves among PHAs, while also determining a level of subsidy reserves PHAs should retain on an ongoing basis to effectively manage their voucher programs. HUD neither agreed nor disagreed with our recommendations. HUD officials subsequently told us that, upon request, they provide information to congressional appropriators on subsidy reserve levels, including balances above certain minimum reserve levels. However, HUD has not yet determined what level of subsidy reserves PHAs should retain or provided Congress with criteria for redistributing excess reserves. As a result, we consider these recommendations to not be implemented.

Administrative Reforms Could Streamline Burdensome Requirements and Reduce Costs

As we indicated in our March 2012 report, in various budget requests for 2004 through 2012 HUD requested the authority to put in place reforms that could decrease voucher program subsidy costs, administrative costs, or both. These reforms include streamlining complex and burdensome requirements and improving the delivery and oversight of rental assistance.

We recommended in our March 2012 report that HUD consider proposing to Congress options for streamlining and simplifying the administration of the voucher program and making corresponding changes to the administrative fee formula to reflect any new or revised administrative

[24]GAO, *Government Performance: GPRA Modernization Act Provides Opportunities to Help Address Fiscal, Performance, and Management Challenges*, GAO-11-466T (Washington D.C.: Mar. 16, 2011).

requirements.[25] We stated that such proposals should be informed by the results of HUD's administrative fee study and the experience of the MTW program. HUD neither agreed nor disagreed with our recommendation. However, consistent with our recommendation, in the President's budgets for fiscal years 2013-2016, HUD proposed a number of statutory changes to streamline administrative requirements for the voucher program. In addition, in January 2015 HUD published a proposed rule that included a number of program and administrative simplification measures for the voucher program.[26] For example, the proposed rule includes a provision that would permit PHAs to conduct streamlined annual reexaminations for families with fixed incomes. According to HUD, the department will publish a final rule no later than December 2015. Further, in April 2015 HUD released its voucher program administrative fee study.[27] The study found that the current administrative fee funding did not fully cover the amount needed to effectively and efficiently administer the voucher program. HUD has indicated that it plans to commence work on developing a proposed rule for a new administrative fee formula based on the findings of the study. On the basis of HUD's actions, we consider our recommendation to be implemented.

Rent Reform and Consolidation Could Reduce Costs or Increase Households Served, but Both Actions Involve Trade-offs

As we indicated in our March 2012 report, changes to the calculation of households' payment toward rent (rent reform) and the consolidation of voucher administration under fewer PHAs could yield substantial cost savings, allow PHAs to serve additional households if Congress were to reinvest annual cost savings in the voucher program, or both. Furthermore, these options are not mutually exclusive—that is, the cost

[25]In that report, we noted that efforts to identify specific reforms were in line with the goals of the Government Performance and Results Act of 1993 (GPRA), which Congress enacted in part to inform its decision making by helping to ensure that agencies provided objective information on the relative effectiveness and efficiency of their programs and spending. GPRA, § 2(b)(5). The GPRA Modernization Act of 2010 updated the federal government's performance measurement framework established in GPRA.

[26]80 Fed. Reg. 423 (Jan. 6, 2015). In part, the proposed measures are pursuant to authorization provided by Congress in the Consolidated Appropriations Act, 2014. For example, see Pub. L. 113-76, Division L, § 220, 128 Stat. 630 (2014) (authorizes PHAs to inspect voucher units not less than biennially rather than annually).

[27]HUD, *Housing Choice Voucher Program Administrative Fee Study*, draft final report prepared by Abt Associates and RHS Phineas Consulting (Washington D.C.: April 2015).

savings or additional households served could be greater if both options were implemented.

We found that because about 90 percent of voucher program funds are used to pay subsidies, decreasing the subsidy, which would increase the household contribution toward rent, would yield the greatest cost savings. Our March 2012 report estimated the effect of several options that changed either the minimum rents households were required to pay or used different formulas for calculating required household payments. In identifying and assessing these options, we reviewed proposals included in draft legislation and reports from HUD, the Congressional Budget Office, and housing industry groups. We also considered changes certain PHAs had implemented. We estimated the effect—both in terms of cost savings and the additional households that could be served if Congress chose to reinvest the savings in the program—of requiring assisted households to pay

- higher minimum rents (ranging from $50 to $300),
- 35 percent of their adjusted income in rent,
- 30 percent of their gross income in rent (with no adjustments), or
- a percentage of the applicable fair market rent.

For example, increasing minimum rents to $75 would yield an estimated $67 million in annual cost savings or allow PHAs to serve an estimated 8,600 additional households. Requiring assisted households to pay 30 percent of their gross income (rather than income adjusted for certain deductions and exclusions) in rent would yield an estimated annual savings of $513 million or allow PHAs to serve an estimated 76,000 additional households, based on household characteristic and rent data as of December 2010. A rent structure based on gross income would eliminate the deductions and exclusions that households currently may claim. Simplification of the rent calculation could also reduce the potential for improper payments resulting from program administrator rent calculation errors.

While each of these options could reduce costs or create administrative efficiencies, each also involves trade-offs that should be considered before any changes are implemented. Under each option, some households would have to pay more in rent than they currently pay. Setting a minimum rent of $75 would increase the rent for 11 percent of

assisted households, and requiring households to pay 30 percent of gross income would increase the rent for 86 percent of households.[28] The options also would have varying effects on different types of households, such as families with children, persons with disabilities, and the elderly. We also noted disparities by geographic area, such as high-cost versus low-cost rental markets. For example, setting household rental payments based on a percentage of the applicable fair market rent would place greater burdens on households in high-cost areas.

Finally, our March 2012 report found that consolidating voucher program administration under fewer PHAs could yield a more efficient oversight and administrative structure and cost savings for HUD and PHAs. HUD spends considerable resources in overseeing the more than 2,400 PHAs that administer the voucher program. According to a 2008 HUD study, the department dedicated from more than half to two-thirds of its oversight resources to PHAs that administered 400 or fewer vouchers and 10 percent of all units. According to agency officials, consolidating voucher administration under fewer agencies would decrease HUD's oversight responsibilities.

HUD Has Begun Collecting Additional Feedback and Disseminating Promising Approaches for Indian Housing Block Grant Activities

In our March 2014 report on tribal housing challenges, we found that Indian tribes and TDHEs participating in the IHBG program faced both external and internal challenges in carrying out affordable housing activities.[29] Some of the challenges that tribes faced included the following:

- **Remoteness and lack of adequate infrastructure.** Many of the tribal housing officials we interviewed told us that tribes' remote locations or lack of adequate infrastructure to support housing led to higher development costs. For example, one Arizona tribe saw its costs double because materials had to be brought in by helicopter. Officials from a Nevada tribe told us that the tribe's land base was undeveloped, requiring the tribe to invest resources to put infrastructure in place before building homes for tribal members.

[28]Across all the scenarios we considered, we estimated that from 2 to 92 percent of households would experience an increase in their monthly payment. Setting a minimum rent of $50 would affect the fewest households and increasing rent to 35 percent of adjusted income would affect the most.

[29]GAO-14-255.

According to the officials, sewer pipes in one of the tribe's communities were failing and in need of upgrades. The officials added that another community had significant bedrock that likely would require blasting before infrastructure could be added to the area, and the nearest main road was 5 miles away.[30]

- **Differing federal environmental review requirements.** NAHASDA regulations state that the environmental effects of activities carried out with assistance from the program must be evaluated in accordance with the National Environmental Policy Act of 1969 (NEPA), as amended (42 U.S.C. §§ 4321-4347), and related authorities. Under NEPA, agencies evaluate the likely environmental effects of projects they are proposing using an environmental assessment or, if the project is more likely to significantly affect the environment, a more detailed environmental impact statement.[31] When tribes combine IHBG and other federal funds on a project—something NAHASDA allows—they must follow each agency's particular NEPA requirements.[32] IHBG recipients identified mandatory environmental reviews as an area in which differing federal agency requirements contributed to project delays and increased costs when IHBG and other funds were combined.

  We concluded that a coordinated environmental review process for tribal housing similar to one proposed for water and wastewater projects by a federal infrastructure task force would address the issue

[30]Our 2010 report on NAHASDA previously identified housing-related infrastructure as a pressing need in tribal areas. See GAO, *Native American Housing: Tribes Generally View Block Grant Program as Effective, but Tracking of Infrastructure Plans and Investments Needs Improvement*, GAO-10-326 (Washington, D.C.: Feb. 25, 2010).

[31]Under NAHASDA regulations, an Indian tribe may choose to assume environmental review responsibilities. Should a tribe decline to accept the responsibilities, HUD will perform the environmental review. In general, a HUD environmental review must be completed for any NAHASDA-assisted activity before a recipient may acquire, rehabilitate, convert, lease, repair, or construct property. Should a tribe assume environmental review responsibilities, no funds may be committed to a grant activity before the tribe's completion of the environmental review, HUD's approval of the request for release of funds, and certification by a certifying officer of the tribe that the tribe, among other things, has fully carried out its environmental review responsibilities.

[32]While this practice, known as leveraging, provides recipients with additional funding to meet their housing needs, it can also trigger a complicated and costly exercise for them.

of costly multiple reviews.[33] We recommended that to increase consistency and reduce time and cost for IHBG recipients HUD, the U.S. Department of Agriculture, the Department of the Interior, and the Indian Health Service should initiate an interagency effort to develop and implement a coordinated environmental review process for all agencies overseeing tribal housing development. We suggested that the agencies determine if designating a lead agency would be appropriate. HUD agreed with the recommendation. In June 2015, HUD told us it would continue collaborating with the other agencies to develop a coordinated environmental review process that would simplify efforts to develop tribal housing.[34] HUD said that the collaborating agencies hoped to have some recommendations on the process by September 2015.

- **Potential reduction in training opportunities and program support.** In fiscal year 2012, HUD instituted new training and technical assistance procedures according to revised language in the NAHASDA appropriation legislation. These procedures changed both the way that HUD made funds available to provider organizations and IHGB recipients' options for requesting training and technical assistance. Specifically, Congress stopped appropriating a set-aside to the National American Indian Housing Council (NAIHC)—which had previously served as the primary provider of external training and technical assistance to IHBG recipients—and directed HUD to provide grants on a competitive basis to national and regional organizations.[35] Also, as a result of the changes, recipients can no longer contact NAIHC directly to set up training as they had before, but instead must go through HUD. Some IHBG recipients were skeptical about changes that reduced NAIHC's role. We found that HUD was soliciting feedback to assess the provision of training and technical assistance, but only from tribes that were already using the new procedures. We

[33]The federal infrastructure task force we referred to in the 2014 report includes the Alaska Native Tribal Health Consortium, the Department of the Interior's (Interior) Bureau of Reclamation, the Environmental Protection Agency, HUD, the Indian Health Service (IHS), and the U.S. Department of Agriculture (USDA).

[34]IHS and Interior also concurred with our recommendation regarding interagency coordination on environmental reviews for tribal housing. USDA did not provide a written response but did not disagree with the recommendation.

[35]Until fiscal year 2012, Congress appropriated approximately $2 million to $3.5 million annually as part of a set-aside in the NAHASDA appropriation to NAIHC.

concluded that a more comprehensive approach would include input from tribes that had not yet used HUD's new procedures so that their concerns could be addressed. Additionally, we found that HUD had not shared promising housing practices across grant recipients in an easily accessible manner. We recommended that HUD (1) expand its training feedback mechanism to include input from recipients that had not yet used the new procedures, and (2) collect and disseminate promising approaches that recipients had used to address housing challenges.[36] HUD disagreed with the first recommendation, noting that it already had a fully functioning feedback mechanism for training and technical assistance. However, HUD subsequently outlined actions it had taken to broaden its solicitation of input from IHBG recipients through various outreach efforts, including events attended by tribal housing officials. HUD has also developed a location on its website that collects and disseminates best practices on housing development to tribes, TDHEs, and the general public. As a result, we consider both recommendations to be implemented.

HUD's Office of Public and Indian Housing Faces Other Ongoing Challenges

As we and HUD's Inspector General have found in previously issued work, PIH faces a number of ongoing program management challenges. Among these are reducing improper rental subsidy payments (over- and underpayments), preserving and improving affordable federally assisted rental properties, and overseeing the performance of PHAs.

- **Reducing improper rental subsidy payments.** HUD's rental assistance programs, which include public housing and voucher programs, are among the programs at risk of having significant improper payments. As we found in a 2005 report, HUD initiated the Rental Housing Integrity Improvement Project in 2001 to address this problem, which stems in part from tenant underreporting of income.[37] Under this effort, HUD has provided PHAs with fraud detection tools, such as the Enterprise Income Verification system, which makes tenant income and wage data available to PHAs. According to HUD

[36]In prior work, we found that collaboration among entities with a common goal is most effective when mechanisms such as a means of collecting input from all stakeholders are in place. See GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, GAO-12-1022 (Washington, D.C.: Sept. 27, 2012).

[37]GAO, *HUD Rental Assistance: Progress and Challenges in Measuring and Reducing Improper Rent Subsidies*, GAO-05-224 (Washington, D.C.: Feb. 18, 2005).

annual financial reports, steps taken by the agency reduced estimated improper rental assistance payments for the public housing and voucher programs from $2.4 billion in 2000 to $0.66 billion in 2010. HUD's most recent estimate, which applies to payments made in 2013, was $0.79 billion. Further reducing the amount of net overpayments could allow HUD to assist additional households but will require sustained management attention.

- **Preserving and improving affordable federally assisted rental properties.** A 2010 report by a HUD contractor estimated that the existing capital needs for public housing totaled $26 billion and that approximately $3.4 billion in ongoing capital needs would accrue annually.[38] Congress provided nearly $4 billion in funds under the American Recovery and Reinvestment Act of 2009 to help PHAs address the backlog of capital projects, and we reported several times between 2009 and 2012 on how PHAs were using these funds to rehabilitate and modernize public housing.[39] However, a substantial backlog of public housing capital projects remains. To address this backlog and improve the condition of public housing, the Rental Assistance Demonstration (RAD) program was created in 2011. RAD allows PHAs to convert units subsidized under the public housing program to long-term (typically 15 to 20 years), project-based voucher or rental assistance contracts.[40] In addition, RAD gives owners of properties receiving rental assistance under three HUD "legacy" programs the opportunity to enter into long-term contracts that facilitate the financing of improvements.[41] Over the next several years, rental assistance contracts will expire for about 38,000 affordable housing units currently subsidized through these legacy

[38]Abt Associates Inc., *Capital Needs in the Public Housing Program*, a report prepared for the Department of Housing and Urban Development (Cambridge, Mass.: Nov. 24, 2010).

[39]See, for example, GAO, *Recovery Act: Housing Programs Met Spending Milestones, but Asset Management Information Needs Evaluation*, GAO-12-634 (Washington, D.C.: June 18, 2012).

[40]Project-based vouchers tie the assistance to the property—and preserve the property's long-term affordability—because residents with project-based vouchers can benefit from the subsidy only if they remain in the specific unit.

[41]The three programs are the Rent Supplement, Rental Assistance Payment, and Moderate Rehabilitation programs. These programs are referred to as "legacy" programs because the contracts were entered into in the 1960s, 1970s, and 1980s, and no new contracts can be authorized under the programs.

programs. Absent new contracts, owners of these units will no longer be required to maintain affordable rents or make their units available to low-income residents. Property owners and PHAs (for the public housing program) can leverage the subsidy payments under the newly converted contracts to raise capital through private debt and equity investments to make improvements. In an April 2014 report, we found that HUD had developed an effective process for converting units subsidized under the legacy programs to project-based vouchers under RAD.[42] Continued HUD oversight of program implementation will be key to ensuring that RAD achieves its property preservation and improvement objectives.

- **Overseeing PHA performance.** PIH has faced challenges in overseeing the performance of PHAs that receive HUD funds to operate the public housing and voucher programs. HUD uses a rating tool called the Public Housing Assessment System to evaluate the overall condition of PHAs and measure their performance in several areas, including physical condition, financial condition, and management operations. Additionally, HUD uses its Section Eight Management Assessment Program to measure the performance of PHAs that administer the voucher program. PHAs that perform poorly on these assessments may be designated as "troubled," triggering enhanced HUD oversight. Further, HUD has the authority to place PHAs with severe, persistent management problems under administrative receivership. Our prior work and work conduct by HUD's Inspector General have illustrated the types of challenges HUD has faced in carrying out these oversight responsibilities. For example, as we found in a 2009 report, the Public Housing Assessment System was not intended to identify inappropriate uses of public housing funds and was limited in its ability to detect potential mismanagement.[43] Additionally, in a 2012 report, HUD's Inspector General found that HUD had not developed adequate controls to

[42]GAO, *HUD Rental Assistance Demonstration: Information on Initial Conversions to Project-Based Vouchers*, GAO-14-402 (Washington, D.C.: Apr. 24, 2014).

[43]GAO, *Public Housing: HUD's Oversight of Housing Agencies Should Focus More on Inappropriate Use of Program Funds*, GAO-09-33 (Washington, D.C.: June 11, 2009). In this report, we recommended that HUD (1) regularly summarize and evaluate the results of audits of PHAs to identify common problems, monitor emerging issues, and evaluate overall monitoring and oversight processes; and (2) develop mechanisms—such as financial indicators—and use them as part of its ongoing monitoring and review of housing agencies' use of public housing funds. HUD implemented these recommendations.

ensure that the Section Eight Management Assessment Program was effective in identifying underperforming PHAs.[44] That same year, the Inspector General found that HUD did not effectively oversee and manage the administrative receivership of the East St. Louis Housing Authority.[45] The large number of PHAs nationwide (about 3,300) and the significant physical and financial challenges some of them face highlight the importance of effective HUD oversight of these housing agencies.

In conclusion, our reviews of public and Indian housing programs since 2012 have identified a number of areas in which PIH could strengthen its program assessments, increase efficiencies, and enhance collaboration efforts. HUD has made progress in implementing some of our recommendations, but additional actions are needed to address others. We look forward to continuing to work with this committee in overseeing PIH and other HUD programs to ensure that they are operating in the most effective and efficient manner. As you know, we are conducting ongoing work for this committee examining broad management issues at HUD, including risk management and program oversight and evaluation, that may further address some of the topics I have discussed today.

Chairman Luetkemeyer, Ranking Member Cleaver, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to respond to any questions that you may have at this time.

[44]HUD, Office of Inspector General, *The Section Eight Management Assessment Program Lacked Adequate Controls To Accomplish Its Objective*, 2012-AT-0001 (Atlanta, Ga.: Aug. 3, 2012). The Inspector General recommended that HUD develop and implement improved controls over the Section Eight Management Assessment Program as it currently existed and improve its controls over how field offices performed program requirements. HUD has implemented these recommendations.

[45]HUD, Office of Inspector General, *HUD Did Not Effectively Oversee and Manage the Receivership of the East St. Louis Housing Authority*, 2012-KC-0003 (Kansas City, Kans.: September 5, 2012). The Inspector General recommended that HUD develop and implement a receivership plan for the Authority that included sufficient assessments, decision points, measurable goals, and accountability mechanisms; improve its structure for managing receiverships; permanently fill the director position within the Office of Receivership Oversight; and develop adequate accountability mechanisms for HUD staff whose primary responsibilities involved receiverships. HUD has implemented the last three of these recommendations. According to the Office of Inspector General, action on the first recommendation has been suspended pending the outcome of a legal action.

GAO Contact and Staff Acknowledgments

For further information about this testimony, please contact me at 202-512-8678 or garciadiazd@gao gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Steve Westley, Assistant Director; Don Brown, Analyst-in-Charge; Bernice Benta-Jackson; Emily Chalmers; Andy Finkel; Tarek Mahmassani; Cory Marzullo; John McGrail; Lisa Moore; Josephine Perez; Paul Schmidt; and Paige Smith.

Appendix I: Content and Status of Relevant GAO Recommendations

The following table summarizes the status of our prior recommendations to the Department of Housing and Urban Development (HUD) from our April 2012, July 2013, March 2012, and March 2014 reports that discuss Office of Public and Indian Housing (PIH) programs. We classify each recommendation as either open (the agency has either not taken or completed steps to implement the recommendation) or implemented. The recommendations are listed by report.

Table 1: Status of Recent GAO Recommendations Concerning PIH, June 2015

Product	Recommendation	Status
GAO-12-490: Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring (April 2012)		
	To improve what is known about the effectiveness of the Moving to Work (MTW) program, the Secretary of HUD should improve HUD's guidance to MTW agencies on providing performance information in their annual reports by requiring that such information be quantifiable and outcome-oriented to the extent possible.	Implemented
	To enhance the ability to identify MTW practices that could be applied more broadly, the Secretary of HUD should create a process to systematically identify lessons learned.	Open
	To improve HUD's oversight of the MTW program, the Secretary of HUD should issue guidance that clarifies key program terms, such as the three statutory purposes of the program and the five statutory requirements that MTW agencies must meet.	Implemented
	To improve what is known about the effectiveness of the MTW program, the Secretary of HUD should develop and implement a plan for quantitatively assessing the effectiveness of similar activities and the program as a whole, including the identification of standard performance data needed.	Implemented
	To improve what is known about the effectiveness of the MTW program, the Secretary of HUD should establish performance indicators for the MTW program as a whole.	Implemented
	To improve HUD's oversight of the MTW program, the Secretary of HUD should develop and implement a systematic process for assessing compliance with statutory requirements.	Implemented
	To improve HUD's oversight of the MTW program, the Secretary of HUD should conduct an annual risk assessment for the MTW program and implement risk-based monitoring policies and procedures such as those currently being considered for site visits.	Implemented
	To improve HUD's oversight of the MTW program, the Secretary of HUD should implement control activities designed to verify the accuracy of a sample of the performance information that MTW agencies self-report.	Implemented
GAO-13-581: Rental Housing Assistance: HUD Data on Self-Sufficiency Programs Should Be Improved (July 2013)		
	To better inform Congress and improve what is known about residents' participation in key grant programs designed to facilitate resident self-sufficiency, and their progress toward self-sufficiency, the Secretary of the Department of Housing and Urban Development should develop and implement a process to better ensure that data on Family Self-Sufficiency (FSS) participant grants are complete; such a process should include steps for identifying missing data, identifying the reasons for missing data, and taking steps to help ensure data are complete.	Open

Product	Recommendation	Status
	To better inform Congress and improve what is known about residents' participation in key grant programs designed to facilitate resident self-sufficiency, and their progress towards self-sufficiency, the Secretary of the Department of Housing and Urban Development should develop and implement a process to better ensure that PHAs awarded Resident Opportunity and Self-Sufficiency Service Coordinators (ROSS SC) grants annually report required participation and outcome data that are comparable among grant recipients; this process should include the issuance of program-specific reporting guidance.	Open
	To better inform Congress and improve what is known about residents' participation in key grant programs designed to facilitate resident self-sufficiency, and their progress towards self-sufficiency, the Secretary of the Department of Housing and Urban Development should develop and implement a strategy for regularly analyzing FSS participation and outcome data; such a strategy could include identification of public housing agencies (PHA) from which lessons could be learned and PHAs that may need assistance improving completion rates or outcomes.	Open
	To better inform Congress and improve what is known about residents' participation in key grant programs designed to facilitate resident self-sufficiency, and their progress towards self-sufficiency, the Secretary of the Department of Housing and Urban Development should develop and implement a strategy for regularly analyzing ROSS SC participation and outcome data; such a strategy could include identification of PHAs from which lessons could be learned and PHAs that may need assistance improving participation rates or outcomes.	Open
GAO-12-300: Housing Choice Vouchers: Options Exist to Increase Program Efficiencies (March 2012)		
	To help reduce voucher program costs or better ensure the efficient use of voucher program funds, the HUD Secretary should provide information to Congress on housing agencies' estimated amount of excess subsidy reserves. In taking these steps, the Secretary should determine a level of subsidy reserves housing agencies should retain on an ongoing basis to effectively manage their voucher programs.	Open
	Further, the Secretary should consider proposing to Congress options for streamlining and simplifying the administration of the voucher program and making corresponding changes to the administrative fee formula to reflect any new or revised administrative requirements. Such proposals should be informed by results of HUD's ongoing administrative fee study and the experience of the MTW program.	Implemented
	To help reduce voucher program costs or better ensure the efficient use of voucher program funds, the HUD Secretary should provide information to Congress on its criteria for how it will redistribute excess reserves among housing agencies so that they can serve more households. In taking these steps, the Secretary should determine a level of subsidy reserves housing agencies should retain on an ongoing basis to effectively manage their voucher programs.	Open
GAO-14-255: Native American Housing: Additional Actions Needed to Better Support Tribal Efforts (March 2014)		
	To increase consistency and reduce time and predevelopment cost for Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) grant recipients, an interagency effort similar to that of the federal infrastructure task force but specific to tribal housing should be initiated with participants from Indian Health Service, HUD, Department of the Interior, and the U.S. Department of Agriculture to develop and implement a coordinated environmental review process for all agencies overseeing tribal housing development. In addition, the agencies should determine if it would be appropriate to designate a lead agency in this effort.	Open
	To better ensure that NAHASDA grant recipients receive adequate training, technical assistance, and support, as the Office of Native American Programs (ONAP) finalizes new training and technical assistance procedures for NAHASDA grant recipients, ONAP should expand its existing mechanism to seek and incorporate feedback and input from all recipients, including input from recipients that have not yet used the new procedures, in order to better ensure that its training and technical assistance procedures meet recipients' needs.	Implemented

Product	Recommendation	Status
	To better ensure that NAHASDA grant recipients receive adequate training, technical assistance, and support, ONAP should collect and disseminate promising approaches that recipients have used to address housing challenges.	Implemented

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Questions for the Record
Response by
Daniel Garcia-Diaz, Director
U.S. Government Accountability Office

Rep. Dan Kildee – July 10, 2015 – Housing and Insurance Subcommittee Hearing Entitled "The Future of Housing in America: Oversight of HUD's Public and Indian Housing Programs"

Question 1

I have been a champion of NAHASDA long before I came to Congress, and I have been happy to see that the House has passed a reauthorization bill in both the 113th and 114th Congress. The bill we passed is a compromise bill, and while I don't agree with all of it, I know it is incredibly important that we act to ensure we fulfill our trust obligations to Indian Country.

That said, with the exception of one or two tribes, the funding for NAHASDA is not enough to ensure that there is enough safe and affordable housing for everyone on tribal lands.

Can you briefly discuss what resources and funding are necessary to ensure that tribal communities are able to improve and build the full amount of housing that is needed?

Please also discuss what the level of interest has been in the demonstration pilot program that is outlined in Title VII of H.R. 360 – the Native American Housing Assistance and Self-Determination Reauthorization Act of 2015.

GAO Response

We have not conducted work to determine the specific resources and funding needed to meet the housing needs of Native American tribes participating in NAHASDA. However, in 2011, the Office of Policy Development and Research of the Department of Housing and Urban Development (HUD) began a congressionally mandated study of the housing needs of Native Americans, Alaska Natives, and Native Hawaiians. HUD's interim report on this study was made

available online in March 2014.[1] The report found, among other things, that Native Americans living in large tribal areas were more than 3 times as likely as other Americans to live in overcrowded housing and more than 11 times as likely to live in housing without adequate plumbing facilities. The report also found that the percentage of Native American households with housing affordability problems had continued to increase. Some individual tribes and tribally designated housing entities (TDHE) have opted to conduct their own housing need assessments. For example, the Navajo Housing Authority, the largest Indian Housing Block Grant recipient, conducted an assessment of housing needs on the Navajo reservation from 2008 to 2011. The study found that not only did the reservation need 34,000 new housing units but also that 34,000 existing homes needed major rehabilitation. As the TDHE for the largest Native American tribe, the Navajo Housing Authority received an annual grant of $82 million in 2013. In addition, long-standing administrative challenges and other unique conditions that we reported on in 2014 allowed the TDHE to accumulate a reserve of grant funds that it could use to begin addressing a backlog of needs.[2]

Our 2010 report on NAHASDA focused in part on how NAHASDA met the housing needs of smaller tribes.[3] We characterized recipients as "small" if they received less than $250,000 annually in NAHASDA funds. We noted that roughly 20 percent of small tribes that received NAHASDA funding (22 out of 102) in fiscal year 2008 reported developing new housing while participating in NAHASDA. Those recipients told us that they generally had to accumulate grant funds over several years to develop housing and in the interim provided services such as tenant-based rental assistance to members. We also noted that NAHASDA allows tribes and TDHEs to leverage funding from other sources to finance eligible housing activities. But NAHASDA participants experienced some barriers to leveraging, including participants' limited administrative capacity and burdensome requirements associated with multiple funding sources.

HUD's Office of Native American Programs stated that it had not received any inquiries from NAHASDA recipients regarding the demonstration program proposed in the Native American Housing Assistance and Self-Determination Reauthorization Act of 2015 (H.R. 360) as of

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[1]HUD, *Continuity and Change: Demographic, Socioeconomic, and Housing Conditions of American Indians and Alaska Natives* (Washington, D.C: Jan. 2014). Report available online at http://www.huduser.org/portal/publications/commdevl/housing_conditions.html.

[2]GAO, *Native American Housing: Additional Actions Needed to Better Support Tribal Efforts*, GAO-14-255 (Washington, D.C.: Mar. 27, 2014).

[3]GAO, *Native American Housing: Tribes Generally View Block Grant Program as Effective, but Tracking of Infrastructure Plans and Investments Needs Improvement*, GAO-10-326 (Washington, D.C.: Feb. 25, 2010).

September 1, 2015. The proposed demonstration program would require interested NAHASDA recipients to enter into partnership with an investor to address the tribe's housing needs. HUD would need to approve the plan. According to the reauthorization language, the plan would be similar in content to the annual housing plans that all NAHASDA recipients were required to submit to HUD. It would also establish responsibilities and deadlines for the partnering tribe and investor and include any grant amounts the tribe had pledged as a return on investment. According to HUD, the agency does not plan to proceed with any tribal outreach unless the program is enacted into law.

The National American Indian Housing Council (NAIHC), which represents tribal housing interests, told us that as of September 1, 2015, NAHASDA recipients had not contacted the organization to express interest in the proposed demonstration. The NAIHC official told us that he believed the demonstration had value because it would give tribes and TDHEs the option to participate and seek additional opportunities to develop housing—an opportunity that was consistent with NAHASDA's underlying concept of tribal self-determination.

However, a tribal housing official with whom we had previous contact on NAHASDA-related engagements recently shared a different perspective with us. The official told us that the proposed demonstration could pose issues for tribes because it could negatively affect Indian preference in employment and contracts, as well as jurisdiction and quality control.[4] The official also indicated that tribes already had opportunities similar to those the proposal would offer through programs such as the Title VI Loan Guarantee under NAHASDA, Section 184 Indian Home Loan Guarantee, and the Low-Income Housing Tax Credit program.

Question 2

My second question is regarding our capital funding for public housing. We are in a self-fulfilling prophecy in that we bemoan the condition of our public housing, yet we specifically decline to allocate full funding for capital improvements for our public housing. H.R. 2577—the fiscal year 2016 appropriations bill for Transportation, HUD, and related agencies—included a 10% cut to an already underfunded Public Housing Capital Fund. How we expect to have quality public housing when we cannot find the wherewithal to fund improvements, I have no idea. Will you talk briefly about how much funding is needed in order to assure that we have safe and quality public housing for everyone who may need it?

[4]A recipient shall apply the tribal employment and contract preference laws adopted by the Indian tribe benefiting from funds received under NAHASDA.

GAO Response

A 2010 report by a HUD contractor estimated that the amount required to cover existing capital needs for public housing totaled $26 billion. The study further estimated that approximately $3.4 billion in ongoing capital needs would accrue annually. The capital fund program is the only source of federal funding dedicated to addressing the rehabilitation and development needs of the public housing inventory. However, funding from this program remains below annual accrued needs.

Congress provided nearly $4 billion in funds under the American Recovery and Reinvestment Act of 2009 to help public housing agencies (PHA) address the backlog of capital projects, and GAO reported several times between 2009 and 2012 on how PHAs were using these funds to rehabilitate and modernize public housing.

Another program intended to address this backlog and improve the condition of public housing is the Rental Assistance Demonstration (RAD) program, which was created in 2011. RAD allows PHAs to convert units subsidized under the public housing program to long-term (typically 15 to 20 years), project-based rental assistance contracts or project-based vouchers. As I noted in my statement, continued HUD oversight of program implementation will be key to ensuring that RAD achieves its property preservation and improvement objectives.

Question 3

There have been several proposals to expand the number of PHAs that participate in the Moving to Work program. Most recently, the Transportation, HUD, and related agencies appropriations bill, H.R. 2577, proposes requiring 300 additional PHAs to participate in the program, a major increase over the 39 agencies currently participating.

- How many staff does HUD currently have to administer the MTW program?
- Does HUD have the capacity—for example, staffing and travel funds—to oversee an additional 300 agencies?

GAO Response

According to HUD, as of August 2015, there were four full-time MTW Coordinators, who each manage from 9 to 15 agencies. The agency plans to hire one additional MTW Coordinator as well as a Financial Analyst.

In our 2012 report on the MTW program, we raised concerns about HUD's ability to effectively manage an expanded MTW program. At that time, 35 public housing agencies were participating in the MTW program. First, we found several weaknesses in the agency's oversight of the program, including a lack of risk-based monitoring. Specifically, HUD had not tailored its monitoring efforts to reflect the perceived risk of individual MTW agencies. We recommended that HUD implement risk-based monitoring procedures. In response to our recommendation, HUD provided GAO with updated procedures in March 2015 that described the factors that HUD officials would consider when determining whether to conduct site visits to individual MTW agencies every year or every other year.

Second, our 2012 report also found that some research organizations questioned HUD's capacity to oversee additional MTW agencies. For example, the Urban Institute reported that the approval process that HUD was using at the time of the institute's 2004 review of the MTW program would not be feasible for an expanded program because of the administrative burden involved.[5] At the time of our 2012 review, HUD had four full-time MTW coordinators.[6] According to the director of the MTW Office at the time, HUD needed more resources to oversee MTW agencies than it did to oversee non-MTW agencies. We concluded that if additional agencies were added under the current program design, HUD would likely need additional resources.

HUD officials told us that although the department considered a variety of factors such as agency size and the complexity of the MTW program being implemented, the agency's ability to conduct site visits depended on funding and staffing resources. For example, HUD's site visit schedule for 2013 and 2014 showed that in 18 cases, it could not conduct an in-person site visit (as its procedures required) because of insufficient funding, staffing, or both. Currently, HUD is overseeing 39 MTW agencies, 4 more than were participating in the program in 2012, with the same four full-time MTW coordinator positions that it had then. Although HUD plans to hire an

[5]Martin D. Abravanel, Robin E. Smith, Margery A. Turner, Elizabeth C. Cove, Laura E. Harris, and Carlos A. Manjarrez, *Housing Agency Responses to Federal Deregulation: An Assessment of HUD's "Moving to Work" Demonstration* (Washington, D.C.: The Urban Institute, 2004). At the time of the 2004 study as well as our review, HUD reviewed each individual request to waive specific provisions of the 1937 Housing Act before approving annual plans.

[6]There were three additional coordinators who were each responsible for a single MTW agency.

additional MTW coordinator and a dedicated financial analyst, questions remain about the agency's capacity to effectively monitor an expanded MTW program.

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