

**TRANSPORTATION AND HOUSING AND URBAN
DEVELOPMENT, AND RELATED AGENCIES
APPROPRIATIONS FOR FISCAL YEAR 2008**

THURSDAY, MAY 3, 2007

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Patty Murray (chairman) presiding.
Present: Senators Murray, Lautenberg, Bond, and Allard.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF THE SECRETARY

STATEMENT OF HON. ALPHONSO JACKSON, SECRETARY

ACCOMPANIED BY:

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OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Good morning. This subcommittee will come to order. I'm going to be joined by Senator Bond in just a minute, but we have a vote in about 40 minutes, so we're going to go ahead and get started with this hearing.

Housing is one of the most important, but least talked about, challenges across our country today. People don't want to talk about how close they are to losing their homes or not being able to afford their rent. I think there's something in our society that makes people feel like they've somehow failed if they can't afford housing.

But with housing prices on the rise, it is a challenge facing more and more American families. In fact, housing has become the silent epidemic facing far too many communities across our country.

The reach of this epidemic was reinforced, for me, last month, when I convened a roundtable on affordable housing in the Puget Sound region of my State. I brought together realtors, bankers, along with representatives from public housing agencies and transit agencies. Together, we discussed the extraordinary financial pressures being placed on working families in the Puget Sound, and how we might address them.

As families are forced to move away from their jobs in order to obtain affordable housing, citizens in a great many cities across the

Nation are spending an inordinate number of hours commuting from their neighborhood to their workplace and back. These are hours that they can't spend with their children and their families. These are hours when parents could be supervising homework or watching a little league game. Instead, they're spent crawling through punishing traffic jams.

Swedish Hospital is one of the premier medical centers in downtown Seattle in my home State of Washington. The recruitment director at Swedish Hospital recently told the Seattle newspaper that more than one-half of the employees don't actually live in Seattle proper, and it's typical for their employees to commute for at least a full hour to a home or a rental property they can afford.

It's not just young families seeking to own a home that can't find affordable housing. HUD section 8 voucher recipients struggle to find affordable rental units, and landlords that will take vouchers. That means endless hours, often on public transportation, just to get to and from work. As a result, Seattle continues to rank as one of the most congested cities in the country, and we have a great many cities facing the identical mix of challenges across the country.

The congestion problem has gotten so troubling that our Transportation Secretary, Mary Peters, has made funding for a number of new congestion mitigation initiatives the cornerstone of her 2008 budget. However, as I review Secretary Jackson's 2008 budget for the Department of Housing and Urban Development (HUD), I do not see the same sense of urgency or importance being devoted to the problem of affordable housing. Instead, what I see is a budget that abdicates responsibility and shortchanges programs that serve some of our most—neediest citizens.

Despite the strong support by Republican and Democratic mayors and Governors across the country, President Bush's housing budget again proposes to slash the Community Development Block Grant Program. This year, it's a cut of 20 percent, a reduction of almost three-quarters of \$1 billion. The President's budget fails to provide even an inflation adjustment for the section 8 tenant-based housing assistance program. That means that as rents rise, public housing agencies will have to trim the ranks of their section 8 recipients, potentially throwing some of them into homelessness.

HUD's program for housing the elderly is cut by 22 percent. That is a reduction of \$160 million, despite the fact that the number of needy seniors continues to rise.

And HUD's program to house citizens with disabilities is slashed by 47 percent, almost in half, a cut of almost \$110 million.

Funds to ensure that public housing is maintained and brought up to safety codes, slashed by 17 percent, \$415 million.

Even programs designed to remove lead paint from low-income housing units with children, cut by 23 percent.

And the HOPE VI program that has allowed us to tear down some of the most dilapidated public housing and replace it with modern mixed-income units is proposed for complete elimination.

In fact, the President wants this subcommittee to go a step further when it comes to HOPE VI by reopening the appropriations bill that he already signed for 2007, so we can eliminate the funding we provided for HOPE VI for this current fiscal year.

The President's budget for HUD is irresponsible and unacceptable on its face, but it is all the more startling considering his investment in housing infrastructure in Iraq. Over the past 4 years, the President has asked American taxpayers to spend almost \$36 billion on building housing and utilities and other necessary infrastructure in Iraq.

Unfortunately, the Special Inspector General for Iraq Reconstruction has reported to us that a frightening percentage of that \$36 billion has been wasted or stolen. Despite these reports, the President has sought, and received, an additional \$2 billion to rebuild Iraq in the supplemental appropriations bill he vetoed 2 days ago.

The President sees no problem in investing up to \$38 billion to rebuild the nation of Iraq, but when it comes to rebuilding America's struggling communities through the Community Development Block Grant Program, the President is calling for a cut of three-quarters of \$1 billion. In fact, the President is unwilling to provide even 10 percent of what we've invested in Iraq's reconstruction to rebuild and provide some hope to the rundown neighborhoods right here at home.

The President's budget and supplemental request are a clear statement of his priorities. Unfortunately, far too frequently these priorities are out of step with the American people. As chair of this subcommittee, I will work to put our budgets and priorities back on track.

Earlier this year, we held a hearing with Secretary Jackson's Federal Housing Commissioner, Brian Montgomery. During that hearing, it became clear that at a time when we are facing an historic level of foreclosure and a potential crisis in the availability of loan capital for low- and middle-income homebuyers, the Federal Housing Administration (FHA) has become an increasingly irrelevant player in the market.

In my home State of Washington, while the FHA covered 80 percent of the home loan activity of the Washington State Housing Finance Commission some 10 years ago, it covers only 20 percent today. Nationwide, it represents only 3 percent of total mortgage volume.

I believe it's essential that we revive the FHA and make it a relevant player in the market again, especially now, when we have a great many families facing foreclosure because of the upheaval in the subprime market. I look forward to discussing with Secretary Jackson this morning how the FHA might develop solutions to keep these families in their homes.

I also want to talk about how the FHA can get back to the business of providing access to first-time homebuyers who want to live near where they work, who want to spend time with their families, rather than in ever-worsening traffic jams.

And, finally, I'd like to examine with the Secretary what HUD is doing to address the housing crisis that faces the communities that were devastated by Hurricanes Katrina and Rita. For weeks, Americans across the country were glued to their televisions, simply overwhelmed by the pictures of tremendous devastation and unfathomable suffering of so many of our fellow Americans. The images were too much to bear, watching families without food and water, people trapped on their roofs and searching for their loved

ones. And although the TV cameras have left the gulf coast, for far too many the suffering continues still.

Damage estimates indicate that over 300,000 homes were damaged or destroyed by those hurricanes, at a cost of over \$67 billion. Mr. Secretary, this is arguably the biggest housing crisis of the modern era. This subcommittee invested an unprecedented level of resources to rebuild the housing stock and assist in that region in their recovery. I want to hear from you how the resources and legal authorities that we granted HUD are being used now to improve the lives and communities of our gulf coast residents.

With that, I will turn it over to Senator Bond for his opening statement.

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Madam Chair, for calling this important hearing on the budget for fiscal year 2008 of the Department of Housing and Urban Development.

And I welcome my old friend, Secretary Jackson, back to this—
Secretary JACKSON. Thank you.

Senator BOND. [continuing]. Subcommittee. You're playing a very difficult hand, and this budget that the Office of Management and Budget (OMB) has given us is not adequate in many areas. I share the concerns raised by the chair of this subcommittee. But since this is the Senate, and even though it's already been said, I'm going to say, essentially, many of the same things as she has said.

The subcommittee's already held an in-depth hearing on the state of HUD's FHA mortgage insurance programs, where serious concerns were raised about the FHA's challenges in meeting the needs of new homeowners, and the implication of certain reforms to address the FHA mortgage insurance problems.

Today's hearing should provide us insights into the remainder of HUD's programs, including the reforms in funding needed to ensure that our Nation's affordable housing and community development needs are being adequately met.

Secretary Jackson has been a good friend and a strong and committed advocate of housing. He served this administration first as Deputy Secretary and now as HUD Secretary. Prior to that, Secretary Jackson served as president and chief executive officer (CEO) of the housing authority of the city of Dallas, Texas, and as executive director of the St. Louis Housing Authority, where I came to know and respect his good work. And I think his past experience has contributed significantly to his work in the very challenging structure, both legally and bureaucratic, of HUD.

Before I discuss this budget and other matters, I would like to express my strong appreciation for Mr. Robert Kenison, who recently retired from HUD after 40 years of dedicated public service as the dean of HUD lawyers. Mr. Kenison contributed positively to almost every housing and community development legal issue. He's known for a bright, inquisitive, and creative mind. To say that he will be sorely missed is a major understatement, due, not only to his legal insights, but his contributions to the always growing body of housing and community development law, but also for the many friends he leaves behind at HUD, and I personally wish Bob and his family all the best in his retirement.

Secretary JACKSON. Thank you.

Senator BOND. Now, in terms of this budget, we begin the appropriations process being hamstrung by OMB's apparent mission to underfund most HUD programs. This is not new, unfortunately. We have seen this in administration after administration, and this budget request is simply a rerun of a bad budget movie that I'm tired of watching. Frankly, it has become predictable and frustrating because of its potential negative impact on our most needy Americans in communities across the Nation.

Unfortunately, nondefense discretionary shortfalls are more problematic than in just Transportation/HUD appropriations. This is a challenge I think Congress is recognizing, as evident in the budget resolutions recently passed by the House and Senate. Nevertheless, I know that Chair Murray shares these concerns, as she's already outlined. I look forward to working with her, the chairman—and the chairman and the ranking member of the House Appropriations Subcommittee to fund, adequately, the needs of HUD.

Let me highlight a few areas of concern. My first area of concern is the HOPE VI program, which the administration, again, proposes to zero out. The administration didn't propose it. The past administration didn't propose it. And nobody in the administration seems to support it. But I strongly support HOPE VI, which Senator Mikulski, a previous partner on the VA/HUD Appropriations Subcommittee, and I helped initiate. As the HOPE VI program demonstrates, it has helped to rebuild and transform blighted communities by leveraging other funding and program commitments. This has resulted in stable and safe communities and new homes, increased tax bases for these communities and new job opportunities.

A second area of concern is the proposed elimination of the Bond-Mikulski Lead Hazard Reduction Demonstration Program. It is absolutely unforgivable that we have a significant health threat to a whole generation of young people because of lead based paint hazards that can be resolved fully, in particular, this program has made substantial inroads against the hazards of lead-based paint, which has placed many children in situations constituting unacceptable health risks, including diminished IQs, brain damage, and sometimes health impacts that are even worse.

My most significant concern, however, is the Section 8 Project-based Rental Assistance Program. Frankly, I am extremely troubled. Based on a reasonable assumption, my staff has calculated that the budget request underfunds section 8 project renewals by almost \$1.2 billion. We're not talking about a simple rounding error here. We're talking about a major funding gap which could impact some 176,000 affordable housing units. I'm not here to point fingers, but I emphasize the shortfall is unacceptable, and I expect resolution.

I recall an incident several years ago, when the HUD Secretary at that time contacted the then-chair of the VA/HUD Appropriations Subcommittee on the eve of the bill's markup to inform us that HUD had underestimated section 8 funding by over \$1 billion. Let's just say that that HUD Secretary did not get a very pleasant reception. I hope history is not repeating itself, and that the administration plans to address this matter in the very near future.

I'm equally troubled by the administration's proposal for tenant-based section 8 programs. Under this proposal, the administration proposed to lift the cap on the number of section 8 vouchers that can be utilized by public housing authorities.

The budget request for fiscal year 2008 for the tenant-based section 8 program appears to rely on the fact that a number of public housing authorities (PHA) are sitting on some \$1.3 billion in section 8 reserves. Under HUD's proposal, PHAs with reserves would be permitted to use these funds for vouchers in excess of their authorized level. Unfortunately, PHAs without reserves would not appear to receive funding for additional vouchers, regardless of need or the effectiveness of their section 8 program. This seems both inequitable and counter-intuitive; PHAs which have done a good job should not be penalized but should be rewarded, assuming there is adequate funding. This is a complex and sensitive issue, and any decision on the use of the excess reserves will have a significant impact on PHAs throughout the Nation.

I'll not get into questions I have about this proposal right now. But I emphasize the fact that PHAs must be treated fairly, and that any new vouchers, or use of vouchers, must be implemented with criteria that is objective, balanced, and equitable in the allocation of any new vouchers.

Other areas of concern of mine include the section 202 Elderly Housing Program, and the section 811 Housing for the Disabled Program, which are both severely underfunded. This is not the time to cut the development of housing for seniors and those with disabilities. Their needs are significant, and cutting programs for these vulnerable citizens is simply harsh.

Finally, I emphasize my strong objection to the proposed cuts to the Community Development Block Grant Program, or CDBG, and the elimination of the Rural Housing and Economic Development Program. Despite criticism of the effectiveness of CDBG, it remains a critical resource for leveraging other public and private dollars for local affordable housing and economic development process.

In addition to my concerns about HUD funding, I highlight HUD's efforts in the rebuilding of the gulf coast region that were devastated by Hurricanes Katrina, Rita, and Wilma. Despite the negative press and criticism from some on Capitol Hill, it appears that real progress is being made, and much of the success is the result of funding made available under the emergency CDBG Program, the Public Housing Program, and section 8. It's important that we understand how these funds are being used, any mistakes that have been made, and the success stories. This is important, because any misuse or fraud in the use of Federal funding undermines the credibility of any future request for Federal funds.

While I acknowledge that full recovery will take several years and significant challenges remain, I still have optimism that we are beginning to make some real progress in these areas.

I'll not belabor my concerns about FHA today, which I laid out in detail at a FHA hearing in March. I support reforming FHA if the reforms are tied to benchmarks that measure the success of the reforms while preventing fraud and abuse. However, I consider proposals like zero downpayment to be a nonstarter, because these types of products are marked by historically high rates of default,

substantial losses to FHA, damage to creditworthiness of families in default, and a negative impact on the community where there are large numbers of defaults, leading to severe community problems, not just for the families affected. FHA reform must balance the risk and benefits of homeownership so that the interests of the borrower, the American taxpayer, and the communities affected are adequately protected.

Before I close, however, I want to make sure there's no confusion by the media, by saying that I do not blame you, Mr. Secretary, for the funding gaps in the budget request. I am assuming that you fought hard on behalf of many of these programs, and I will expect you to work with Senator Murray and I throughout the appropriations process to assure that HUD programs are adequately funded and implemented.

Further, you've not gotten the credit you deserve in some areas of housing. I believe your most notable achievement in housing has been in the area of homelessness. I'm proud of the efforts to end chronic homelessness and the results we are beginning to see across the Nation, including in my own home State of Missouri, in St. Louis, where homelessness has decreased by 34 percent over the past 2 years. These results demonstrate that homelessness can be solved if properly addressed.

Last, I credit you, Mr. Secretary, and your senior management team, led by your Deputy Secretary, CFO, and CIO, for the management reforms and improvements over the past several months. For years, I and others on Capitol Hill have railed mercilessly on the longstanding and seemingly intractable management problems at the Department. But I give credit where credit is due, and I believe you and your team have made some significant progress and deserve credit for that progress.

Despite this progress, I still believe the Department has many challenges to overcome. Unfortunately, many of HUD's challenges are tied to inadequate budget funding. This is a failure that is largely the responsibility of the administration and its fiscal year 2008 budget. And without adequate funding of HUD programs, there cannot be true success.

Thank you very much, Senator Murray.

Senator MURRAY. Senator Lautenberg, do you have a statement?

STATEMENT OF SENATOR FRANK R. LAUTENBERG

Senator LAUTENBERG. Thank you very much, Madam Chairman.

This subject is such an important one, Mr. Secretary. And you have an enormous responsibility. But we're concerned about the availability of affordable housing. When you see the definition of what constitutes affordable housing in our State, and with a 30-percent maximum cost for housing, the income of a family's got to be \$44,000. Well, \$44,000 is in the middle-class category. And it's very hard to be spending \$3,600 a year on rent. And, you know, I don't understand where the numbers have come from that deal with inflation, cost of living, et cetera, these very modest gains in the index for inflation. They don't seem to stand up in the real world. If you look at gasoline, if you look at other things, things that are included in the calculations belie the fact that inflation

has been so modest, except, frankly, in wages for working people across the country.

And, above all, we have to be certain, Mr. Secretary, that when we award contracts for Government work, that they're done without any bias at all, that they're done—contracts given to the most efficient, best price that we can find in the market, and without any hint of any other suggestions involved that say, "Well, we'll give it to these guys because they smile right," or, "give it to these people for other reasons."

One of the things, in particular, that came up in your remarks in April of last year, when you posed the question, "Why should I reward someone who doesn't like the President, so they can use funds to try to campaign against the President? Logic says they don't get the contract. That's what I believe." Your statement. Do you still believe that contract awards should be—contain a political calculation when awarding that contract?

Secretary JACKSON. Are you asking me to answer that now?

Senator MURRAY. Senator Lautenberg, we're going to let the Secretary make his opening statement—

Senator LAUTENBERG. Oh, I'm sorry.

Senator MURRAY [continuing]. And then we'll move to—

Senator LAUTENBERG. Forgive me. Okay.

Senator MURRAY. We'll let you ask your questions—

Senator LAUTENBERG. Forget I asked the question—

Senator MURRAY. Yes, well, we'll—

Senator LAUTENBERG [continuing]. Mr. Secretary.

Senator MURRAY [continuing]. We'll come back to our—

Senator LAUTENBERG. I'm sorry.

Senator BOND. He got the first question in.

Senator LAUTENBERG. I didn't mean to do that.

Senator MURRAY. All right. No problem.

We're going to go ahead and let the Secretary give his opening statement. And, again, we have a vote very shortly, so we would like you to—

Secretary JACKSON. All right.

Senator MURRAY [continuing]. Keep it to 5 minutes. We do have your written statement, so we'll make sure that all members of the subcommittee have that. So, if you can keep it to 5 minutes, I'd appreciate it.

Secretary JACKSON. First of all, thank you very much, chairlady, Ranking Member Bond, and other members of the subcommittee.

PREPARED STATEMENT

What I would like to do so that we can get right to the point is to submit my oral statement also and give you all the opportunity, since you will have a vote, to ask questions of me.

Senator MURRAY. Thank you, we will put that in the record.

[The statement follows:]

PREPARED STATEMENT OF HON. ALPHONSO JACKSON

Chairwoman Murray, Ranking Member Bond, distinguished members of the committee: The President's proposed fiscal year 2008 budget will address our Nation's housing, economic, and community development needs. HUD's \$35.2 billion fiscal year 2008 budget request—an increase of \$1.6 billion more than last year's request—ensures that our Department can build on our success in helping low-income

and minority families achieve the dream of homeownership, ensure equal opportunity in housing, and lend a compassionate hand to Americans in need, while using taxpayer money more wisely and reforming programs in need of improvements. The President's fiscal year 2008 budget request will allow the Department to build upon those successes by advancing the core mission given to HUD by Congress.

In formulating HUD's fiscal year 2008 budget, HUD examined its funding priorities to ensure that the resources were used for those most in need. The fiscal year 2008 HUD budget also requests needed reforms in multiple program areas, notably FHA, CDBG, and Public Housing.

PROMOTING ECONOMIC AND COMMUNITY DEVELOPMENT THROUGH HOMEOWNERSHIP

The President's vision of an ownership society has been a central theme of his administration, and correctly focuses on the reality that ownership—and homeownership in particular—is the key to financial independence, wealth building, and stronger, healthier communities.

Under President Bush's leadership, this administration has achieved new records in the rate of homeownership. Today, more than 75 million families, or nearly 70 percent of all Americans, are homeowners—the largest number of Americans to ever own their own homes. Despite having achieved record-level homeownership rates, minorities in America remain less likely than non-Hispanic whites to own their homes. To close this gap, President Bush challenged the Nation to create 5.5 million new minority homeowners by the end of the decade, and to date 3.5 million minority families have joined those ranks. President Bush and I are pleased that we are making progress ahead of schedule. But we will not rest until the goal has been fully met, and we are asking Congress to help us do more to close the minority gap.

The President's proposed budget will help HUD to further that mission by transforming the Federal Housing Administration (FHA) so that it can expand homeownership opportunities for low- and moderate-income families; spur Fannie Mae and Freddie Mac to lead the market to create more affordable homeownership opportunities; help more of the lowest-income Americans make downpayment and closing costs through the HOME Investment Partnerships program (HOME) and American Dream Downpayment Initiative (ADDI) and increase the level of housing counseling that has been so useful in helping families prepare for homeownership, avoid predatory lending practices, and avoid default on their homes. Let me explain each of these areas further.

FHA MODERNIZATION

Since its inception in 1934, FHA has helped more than 34 million Americans become homeowners. In recent years, however, FHA's outdated statutory authority has made it difficult to keep pace with the changing financial needs of those families who traditionally participated in the programs. Through the Expanding American Homeownership Act of 2006, HUD sought to provide workable solutions for borrowers, including homebuyers who do not qualify for prime financing. This will give borrowers more affordable and safer ways to achieve the American Dream and reward them for having good household financial management. The key components of the legislative proposal, which has been reintroduced in this Congress, will: provide greater flexibility to the current statutory 3 percent minimum downpayment, reducing a significant barrier to homeownership; create a new, risk-based insurance premium structure for FHA that would match the premium amount with the credit profile of the borrower; and increase and simplify FHA's loan limits.

Modernizing FHA will give it the tools it needs to again meet its legislative mandate: offering hard-working, credit-worthy borrowers, including those who cannot qualify for prime financing, the opportunity to obtain financing on reasonable terms at a cost they can afford.

USING HOME TO HELP MORE LOW-INCOME FAMILIES OWN THEIR OWN HOMES

The HOME Investment Partnerships program is the largest Federal block grant program specifically focused on creating affordable housing. Since 1992, more than 600 communities have completed building almost 762,000 affordable housing units, including more than 319,000 for new homebuyers. In addition, more than 160,000 tenants have received direct rental assistance. The administration proposes to increase the HOME program to \$1.97 billion in 2008, \$50 million over the fiscal year 2007 request and \$210 million above 2007 enacted.

For many low-income Americans, the single greatest obstacle to homeownership is the cash requirement for downpayment and closing costs. Within the HOME allocation, American Dream Downpayment Initiative or ADDI funds have assisted 21,000 families to purchase their first home—of which approximately 50 percent

were minorities. The fiscal year 2008 budget requests \$50 million to continue funding the ADDI—double the fiscal year 2007 enacted—to help provide grants to low-income families to help purchase their first homes. Further, the administration plans to submit re-authorization for ADDI in the coming months to continue this effort.

SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM

SHOP grants are another important program to boost homeownership among low-to-moderate income Americans. These grants are provided to national and regional non-profit organizations, like Habitat for Humanity, that are experienced in providing self-help housing. The fiscal year 2008 budget seeks \$40 million for the SHOP Program. An additional \$30 million under this account is also proposed for the National Community Development Initiative (NCDI). This funding will be used by intermediaries—Enterprise Community Partners, Inc., and Local Initiatives Support Corporation (LISC)—to develop the capacity and ability of nonprofit community development corporations to undertake community development and affordable housing projects.

COUNSELING OUR WAY TO GREATER HOMEOWNERSHIP

Housing counseling is an extremely important tool to help Americans purchase and keep their homes. The fiscal year 2008 budget proposes \$50 million for housing counseling, \$5 million over the fiscal year 2007 request, in order to prepare families for homeownership, help them avoid predatory lending practices, and help current homeowners avoid default. In partnership with faith-based and community organizations, HUD will assist approximately 600,000 families to become homeowners or avoid foreclosure in fiscal year 2008. More than ever, potential homebuyers need assistance to make smart homeownership choices. Housing counseling is the most cost-effective way to educate individuals and arm them with the knowledge to make informed financial choices and avoid high risk, high cost loans, and possible default and foreclosure.

COMBATING HOMELESSNESS

While helping homeowners and renters to a better way of life, HUD remains committed to the goal of ending chronic homelessness, and has aggressively pursued policies to move more homeless families and individuals into permanent housing. While persons experiencing periods of long-term homelessness frequently get temporary help, they often return to a life on the streets. New data from the Annual Homeless Assessment Report indicates that 20 percent of the homeless experience chronic homelessness. Persons with disabilities who are homeless for extended periods of time, often referred to as the chronically homeless, consume a disproportionate share of available resources (psychiatric facilities, jails, detox centers, hospitals, emergency shelters, etc.) without having their basic needs appropriately addressed. Housing this population will free up Federal, State, and local emergency resources for families and individuals who need shorter-term assistance.

In July 2002, the President reactivated the Interagency Council on Homelessness (ICH) for the first time in 6 years, bringing together 20 Federal entities involved in combating homelessness. Since its inception, the ICH has helped State and local leaders across America draft plans to move chronically homeless individuals into permanent supportive housing, and to prevent individuals from becoming chronically homeless. As HUD Secretary, I currently chair the ICH.

In 2003, the Federal Collaborative Initiative to End Chronic Homelessness, through HUD, Health and Human Services, and Veterans Affairs, funded 11 grantees across the country.

The fiscal year 2008 Budget provides a record level of resources to address the housing needs of homeless persons living on the streets of this Nation. The fiscal year 2008 Budget provides \$1.586 billion for Homeless Assistance Grants. In addition to requesting a record level of funding, the administration also proposes to consolidate the various competitive homeless programs into a single Continuum of Care grant program that would greatly simplify the local administration of HUD's homeless resources which benefit over 3,800 cities and counties.

INCREASING ACCESS TO AFFORDABLE HOUSING

While homeownership is one of President Bush's top priorities, the President and I realize that it is not a viable option for everyone. The largest component of HUD's budget promotes decent, safe, and affordable housing for families and individuals

who may not want to become homeowners or who may not yet be ready to purchase a home.

ASSISTING THE MOST FAMILIES—SECTION 8

HUD's Housing Choice Voucher Program provides approximately 2 million low-income families with subsidies that help them obtain decent, safe, sanitary, and affordable homes. In the fiscal year 2008 budget request, the President is asking for \$16 billion, nearly \$100 million over the fiscal year 2007 request. The administration is also proposing several changes to the Housing Choice Voucher Program that would allow the 2,400 Public Housing Authorities (PHAs) that administer the program to assist even more families. The administration is proposing that Congress eliminate current appropriations language that imposes a cap on the number of families each PHA is allowed to assist. Many PHAs that have reached their caps have additional funds that they are unable to use to assist additional households. In addition, administrative fees would again be tied to the number of households assisted, encouraging PHAs to assist more families. By better utilizing all appropriated funds, the Housing Choice Voucher Program would assist thousands of additional families.

MAKING IMPROVEMENTS TO PUBLIC HOUSING

For fiscal year 2008, the Department will continue its efforts to transition Public Housing Agencies to asset management, which will result in improvements in public housing management and financial accountability.

PUBLIC HOUSING FUNDING

The fiscal year 2008 budget for the Public Housing Operating Fund provides \$4 billion, which is the highest funding level ever in the history of the program, up from \$3.6 billion in the fiscal year 2007 request. This funding will assist PHAs in the second year of transition to the new operating formula and will help pay for utility/energy and other cost increases. Additionally, HUD will continue its successful implementation of the Public Housing Capital Fund Financing Program. This program allows PHAs to borrow from banks or issue bonds using future Capital Fund grants as collateral or debt service, subject to annual appropriations. In this way, PHAs can leverage their Capital Funds to make improvements. The President's fiscal year 2008 budget request maintains the overall Capital Fund Account funding at the \$2 billion level.

MANAGEMENT ACCOUNTABILITY OF PUBLIC HOUSING

The Department continues to place great emphasis on the physical condition of public housing properties, and the financial status and management capabilities of PHAs. The Department will continue providing technical assistance to PHAs and rating the effectiveness of PHAs through the Public Housing Assessment System (PHAS). PHAs with consistently failing scores may be subject to an administrative or judicial receivership. The Department will continue to utilize other tools such as Cooperative Endeavor Agreements with local officials, Memoranda of Agreements, and increased oversight, in order to correct long-standing deficiencies with PHAs.

INDIAN HOUSING LOAN GUARANTEE FUND

HUD is also working to improve housing for Native Americans. The U.S. Government holds much of the land in Indian country in trust. Land held in trust for a tribe cannot be mortgaged, and land held in trust for an individual must receive Federal approval before a lien is placed on the property. As a result, Native Americans historically have had limited access to private mortgage capital. The section 184 program addresses this lack of mortgage capital in Indian country by authorizing HUD to guarantee loans made by private lenders to Native Americans. The President's budget proposes \$367 million in section 184 loan guarantees under the Indian Housing Loan Guarantee Program for homeownership in tribal areas, which represents a more than \$251 million increase over the enacted fiscal year 2006 budget and \$116 million over the fiscal year 2007 request.

ELDERLY AND PERSONS WITH DISABILITIES

The fiscal year 2008 budget will provide \$575 million in funding for the Supportive Housing for the Elderly (section 202) Program—a net increase of \$30 million over the fiscal year 2007 request. This funding level covers all operating costs for existing section 202 housing and supports construction of about 3,000 new units. In

the section 202 program, funding for housing for the elderly is awarded competitively to non-profit organizations that develop these facilities. The facilities are also provided with rental assistance subsidies, enabling them to accept very low-income residents. Many residents live in the facilities for years, and over time, they often become frail and less able to live without some additional services. Therefore, the budget allocates up to \$25 million of the grants to fund the conversion of all or part of existing properties to assisted-living facilities, enabling these elderly residents to remain in their units. In addition, up to \$71 million—an increase of \$11 million over the fiscal year 2007 request—of the grant funds will be targeted to funding the service coordinators who help elderly residents obtain supportive services from the community.

The fiscal year 2008 budget proposes \$125 million for Supportive Housing for Persons with Disabilities (section 811), a \$6 million increase over the 2007 budget request. The section 811 program will also continue to set aside funds to enable persons with disabilities to enjoy independent lifestyles. In fiscal year 2008, up to \$75 million of the grant funds will be used to renew Mainstream section 8-type vouchers so that individuals can continue to use their vouchers to obtain rental housing.

The Department is proposing financing demonstration projects in both section 202 and section 811: \$25 million is requested for section 202 and \$15 million is requested for section 811. A key priority is to increase the production of units serving these special needs populations by removing the barriers that discourage tax credit applicants from utilizing sections 202 and 811. In developing the program, the Department will consider mixed-finance arrangements including low-income housing tax credits and other creative financing options for development of additional housing units and/or rental operating assistance.

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA)

The HOPWA program provides formula grants to states and localities for housing assistance for low-income persons living with HIV/AIDS. The program helps maintain stable housing arrangements that improve access to health care and other needed support. The program also provides competitive grants to government agencies and nonprofit organizations that serve as Special Projects of National Significance due to their model or innovative qualities. HOPWA also provides grants to governmental agencies in areas that do not qualify for formula funds.

In fiscal year 2008, HOPWA will fund an estimated 26 competitive grants to renew expiring permanent housing projects and use the remaining funds to select new model projects. HUD will also provide HOPWA formula funding to an estimated 122 jurisdictions. Grant recipients will collaborate with over 700 non-profit and local agencies to subsidize housing for an estimated 67,000 households. In fiscal year 2008, HUD will propose to provide \$300 million in new grant funds for housing assistance and related supportive services for low-income persons with HIV/AIDS and their families.

The administration is proposing legislation to update the HOPWA allocation formula. The revised formula will more accurately reflect the current housing needs of persons living with AIDS in this country.

REFORMING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

It has been more than 30 years since President Gerald Ford and Congress created the Community Development Block Grant (CDBG) Program to address the community needs. Since 1974, CDBG has been an important tool for cities, counties and States, allocating more than \$116 billion to help them to target their own community development priorities. The fiscal year 2008 budget proposes funding CDBG's formula program at \$2.775 billion.

CDBG's underlying formulas have remained essentially the same since 1978 while the Nation's demographics have changed significantly. It has become increasingly clear that an outdated formula that once measured the needs of urban America no longer reflects the modern needs of today's cities, larger urban counties and States. Some high-need areas receive smaller grants than they should, some low-need areas receive larger grants than they should; and some communities with similar needs receive different per capita grant amounts.

The Department will continue to pursue "formula fairness" by appealing to Congress to authorize a new formula that will more effectively target CDBG funding to areas of greatest need in 21st Century America. A second key part of the President's proposal is the \$200 million Competitive Challenge Grant. The Challenge Fund will award "bonus grants" to distressed communities that target and leverage funds to the most distressed areas within the community. In addition, HUD will

work to boost performance measurements within CDBG to ensure these critically needed dollars produce the results the program was designed to achieve.

HEALTHY HOMES AND LEAD HAZARD CONTROL

HUD's Lead Hazard Control program is the central element of the President's effort to eradicate childhood lead-based paint poisoning. In fiscal year 2008, proposed funding for the Lead Hazard Control Program will be \$116 million, continuing the substantial progress to date in eliminating lead hazards to all children. Grant funds are targeted to low-income, privately owned homes that are most likely to have children exposed to lead-based paint hazards.

The program conducts public education, compliance assistance, and regulatory enforcement to prevent childhood lead poisoning. New estimates from the Centers for Disease Control and Prevention (CDC) show that the program has helped to reduce the number of children at risk by 65 percent, but more than 250,000 children still have dangerous levels of lead in their bodies.

CONTINUING THE FIGHT AGAINST HOUSING DISCRIMINATION

The Bush Administration is committed to the vigorous enforcement of fair housing laws in order to ensure that equal access to housing is available to every American. Fair housing enforcement and education activities are pivotal in achieving the administration's goal to increase minority homeownership by 5.5 million by 2010.

The intent of HUD's fair housing programs is to bring about equal opportunities in housing by protecting the right of families and individuals to live where they choose, free from discrimination. HUD accomplishes this goal by aggressively enforcing the Nation's fair housing laws and by educating the public and the housing industry about their fair housing rights and responsibilities. HUD also furthers fair housing by funding housing activities through two programs: the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP).

The fiscal year 2008 budget will provide \$25 million through FHAP for State and local jurisdictions that administer laws substantially equivalent to the Federal Fair Housing Act. The Department supports FHAP agencies by providing funds for capacity building, complaint processing, administration, training, and the enhancement of data and information systems.

The fiscal year 2008 budget will also provide \$20 million to help private, non-profit FHIP agencies across the Nation combat discrimination through an array of targeted education and outreach and enforcement activities.

Additionally, the requested amount would support the Department's ongoing efforts to address fair housing concerns in areas affected by Hurricanes Katrina and Rita. The efforts would include support for fair housing enforcement efforts in the gulf coast, bilingual public service announcements, printed advertisements, and training events. Protecting the fair housing rights of persons with disabilities is a Departmental priority. As such, the Department would continue to provide technical assistance to builders, architects, and housing providers on disability-accessibility requirements through its Accessibility FIRST program to ensure that newly constructed housing units are accessible to persons with disabilities.

INCREASING OPERATIONAL EFFICIENCY

Over the past several years, HUD has taken many notable steps to improve its management and performance, and the President's new budget request strengthens these efforts.

In fiscal year 2006, HUD received a clean financial audit for the seventh consecutive fiscal year, and for the first time ever had no auditor-reported material internal control weakness issues.

In January 2007, the Government Accountability Office (GAO) removed HUD from its watch list of high-risk government programs. It marked the first time since 1994 that no HUD programs were on the list, demonstrating HUD's effective implementation of the President's Management Agenda to improve our fiscal house and program results.

Improved information technology systems are enabling HUD and its program partners to more efficiently and effectively deliver HUD's program resources, and more can be accomplished with the funding increases proposed for the Working Capital Fund that supports the Department's information technology infrastructure and systems applications.

In Conclusion, Madam Chairwoman, the President's proposed fiscal year 2008 budget makes good progress toward successfully realigning Federal Government priorities according to our Nation's current needs. The HUD portion of that budget will help promote economic and community development through increased opportunities

for homeownership and affordable rental housing, free from discrimination; it will also lay the groundwork for reform by focusing community development funding more carefully toward those most in need; and it will enable HUD to continue along the path to greater Departmental efficiency and effectiveness.

This is a good budget, Madam Chairwoman, and I respectfully urge the Congress to adopt it. I am now available to answer any questions that you, or other members of the committee, may have.

Senator MURRAY. So, you're ready for a question?

Secretary JACKSON. We're ready.

Senator MURRAY. Okay. Well, very good, we'll do that, then. I will ask a couple of questions. I'll turn it over to Senator Bond. He's going to ask his questions and then go to the floor and vote and come back. So—all right.

Mr. Secretary, let me just ask you, really quickly, before I turn to Senator Bond, for the cost to renew the 2 million section 8 vouchers that are currently in use, your 2008 budget request asks for an increase of only \$9 million above the level that we provided for the current year. That is an increase of less than six one-hundredths of 1 percent. And, at the same time, as we all know, rents across this country are growing by 4.6 percent.

Where I live, in Puget Sound, it's even more than that, it's 7 percent. What—how is your requested funding increase of just six one-hundredths of 1 percent supposed to be sufficient to ensure that our public housing authorities across the country are able to even keep all the current tenants that they do have?

Secretary JACKSON. Chairlady, I would say this, that if we would carry out the reforms and deal with section 8 on a budget base rather than a unit base, we have ample monies. And I thought that I had an agreement 2 years ago, when I went and got a little over \$1 billion for the industry in section 8 that we would go toward budget-base allotment. They have not carried out their part of the agreement. So, if you're saying, If we're still using unit-base, will that cover the process? Probably not. But we would like to see the reforms enacted, and I thought I had an agreement to enact those reforms.

Senator MURRAY. Your agreement with who?

Secretary JACKSON. With the industry, whether it be CLPHA, PHADA, NAHRO.

Senator MURRAY. Well, so knowing that that's not happening, isn't it your responsibility to ensure that the section 8 housing authorities are able to keep their current tenants?

Secretary JACKSON. Well, we believe that by lifting the cap, they will be able to keep that commitment. That will be some \$600 million more to meet the process. So, yes, I think the budget is—for the section 8 tenant base is fair. We've lifted the cap so they can utilize their monies to help house probably about 170,000 more people.

Senator MURRAY. Yes, I know that you believe that some of them have reserves, but even your own data says that about one-third of all the public housing authorities have no reserves, or a reserve that's lower than inflation costs for a full year. So, how are all of them—how are all of them going to be able to provide additional—or to even keep their own section 8?

Secretary JACKSON. From our perspective, we believe that each housing authority will be able to address their section 8 needs. And we think the budget clearly amplifies that.

Senator MURRAY. So, you don't think there's any out there without reserves that would be put in jeopardy?

Secretary JACKSON. Well, there are some without reserves, but I don't think that many of those that are without reserves will be hit the hardest. It's those large housing authorities in many of the major cities that, really, the \$600 million will address the issues of the shortfall.

Senator MURRAY. Well, if they don't have the reserves, then they're going to have to put people out on the street.

Secretary JACKSON. No, that's not necessarily true.

Senator MURRAY. How do you see that—

Secretary JACKSON. I just—I don't see the same thing you see. I think we do have enough within our budget to address the needs of those tenant-based vouchers, clearly.

Senator MURRAY. Where I live, we saw, on average, rent increase by 6.4 percent in Seattle, at an average unit cost of \$900 a month. And, like I said, the Bureau of Labor Statistics (BLS) is reporting that for the 1-year period that ended in March, rents across the country are being increased by 4.6 percent. So, knowing that that rent increase is out there, how can you make that—

Secretary JACKSON. I still believe that the budget that we submitted for the tenant-based section 8 program is absolutely well enough to make sure that those persons who today have vouchers will keep those vouchers.

Senator MURRAY. I find that hard to believe, with what we have, and it's certainly not what we're hearing from on the ground.

But, with that, I will turn it over to Senator Bond to ask his questions, and head over to the floor.

Senator BOND. Thank you very much, Mr. Secretary.

Continuing on the section 8 tenant-based ones, I understand we do have a budget-based approach for section 8 vouchers, subject to the authorized level. But, as the chair mentioned, there are some PHAs who have no reserves, and may have greater needs. You talked about the amount of excess reserves in certain PHAs. How will you ensure that those reserve funds and any other funds are adequately and equitably allocated to PHAs which may have done a very good job—

Secretary JACKSON. Right.

Senator BOND [continuing]. In spending, but do not have sufficient funds in the budget proposal to meet section 8 housing needs.

Secretary JACKSON. Ranking member, as I said to the chairlady, I think there are a number of things that can be done, and I do think that the budget is still ample for this process. Housing authorities have the ability to modify the payment standards. They can aggressively negotiate with landlords on rent. And they can charge a minimum rent.

Now, in many cases, I think you know, as I know, since we have that 75 percent of those vouchers must be for persons 30 percent less than median, we're ending up, in many cases, not serving more people, serving the same people over and over. Pre-1998, the average stay of a voucher was about 3½ years.

Today, it's about 8, because of the standards that we've set up. So, my position is, clearly—or, you know, 2 years ago, when I went and got the extra—a little over \$1 billion, that we would go to basically a leave unit base and go to a project-based budget. If we go to that immediately, yes, I think we have more than ample money. And even now, with the three standards that I just gave you, I still think it's ample money to carry out the program.

Senator BOND. Turning now to the project-based section 8, my staff analysis suggests that the current budget is about \$1.2 billion short. Have you and the Department done a thorough examination of the needs for project-based section 8? And have you done that? Can you give me a figure on what the shortfall is?

Secretary JACKSON. What we are doing now is going contract by contract. We expect to have that finished by the end of the summer to make sure that we have the ample resources. We will be able to submit that to you in—probably by September, the raw data; and probably sometime in November, we will have it all calculated. But we truly believe that the project-based contracts will be fine. But we have to make an evaluation. And we've never had an evaluation of these contracts. Each year, we have been piecemealing, and now I think it's important to have an evaluation of them.

Senator BOND. Mr. Secretary, I couldn't agree with you more. Now, I'm not one who believes in artificial timelines in certain other areas, but we have a legislative timetable, and we hope to be passing this bill in the latter part of July. So, if you could move up that analysis—

Secretary JACKSON. Okay

Senator BOND [continuing]. And give us some idea—

Secretary JACKSON. I will—

Senator BOND [continuing]. Before we get this bill done, and I also would like your assurance that if you see a shortfall, you will go back to OMB and suggest that they are not to throw people out of project-based section 8, that a budget amendment is needed. And I hope that you will consider that, and help us, because right now it looks like a significant shortfall to us that is unacceptable.

Secretary JACKSON. Okay. I will do my very best, I can assure both of you—all three of you all, to make sure that we can get you an answer as—before July.

Senator BOND. Thank you, Mr. Secretary.

Madam Chair, we are hoping that we are going to have a vote here very shortly, so I will go over and get aligned and ready to vote as soon as it occurs, and look forward to a significant number of questions when I get back.

Senator MURRAY. Very good. All right.

Senator Lautenberg.

Senator LAUTENBERG. Thank you. Once again, I apologize for my jumpstart.

But, Mr. Secretary, you heard where my inquiry was going. And I'll repeat it, just to make sure that I'm not missing anything or that I'm not misquoting you. And you say, "Why should I reward someone who doesn't like the President, so they can use funds to try to campaign against the President? Logic says they don't get the contract. That's what I believe."

Now, the question, Mr. Secretary—and I commend you for the work that you do, but I think that what took place there needs explanation. So, do you still view that position, that contract awards should be based on political favoritism?

Secretary JACKSON. First of all, let me say this to you, Senator. The inspector general did a thorough investigation and found that I had not tampered, nor touched any contract. In fact, because of what the Government Accountability Office (GAO) said, and the inspector general said, I set up a Contract Review Board. I do not interfere with any contract that is given in HUD, period. That's a fact. And the inspector general looked at every contract that had been given out at HUD, and I didn't touch it.

Now, if you're asking me about my personal opinion, the President is my friend, and I care a great deal about him. But it doesn't mean that I'm going to interfere with contracts because I think that people might not like him. What I said, when this guy approached me in the hallway, is that, "He must be out of his mind if he's going to attack me and attack the President, and think I'm going to help him." I'm not going out of my way to help him, but I didn't go out of my way to hurt him, either.

Senator LAUTENBERG. Well—so, was the quote accurate?

Secretary JACKSON. Which quote?

Senator LAUTENBERG. The one I gave you, "Why should I reward someone who doesn't like the President," et cetera, "so they can use funds to campaign against him? Logic says they don't"——

Secretary JACKSON. Well, first of all——

Senator LAUTENBERG [continuing]. "That's what I believe." Did you say that?

Secretary JACKSON. First of all—yes—first of all, I don't touch contracts.

Senator LAUTENBERG. But you said it, Mr.——

Secretary JACKSON. Yes, I said it, but I don't touch contracts. I set up a Contract Review Board.

Senator LAUTENBERG. But you're stating a view that I think poisoned the——poisons the atmosphere. You——

Secretary JACKSON. I disagree with you. I don't think I——

Senator LAUTENBERG. You disagree——

Secretary JACKSON [continuing]. Poison the atmosphere.

Senator LAUTENBERG [continuing]. With me?

Secretary JACKSON. Yes.

Senator LAUTENBERG. So, you think, then, that it's appropriate——

Secretary JACKSON. No, I don't think it's appropriate. I said——

Senator LAUTENBERG [continuing]. If I said——

Secretary JACKSON [continuing]. I said what I said.

Senator LAUTENBERG. Why did you say it, if you don't——

Secretary JACKSON. Because——

Senator LAUTENBERG [continuing]. Think it's appropriate?

Secretary JACKSON [continuing]. I was speaking——

Senator LAUTENBERG. Why are you defending it now? That, I don't understand, altogether. I mean, you're saying, "Well, yeah"——

Secretary JACKSON. I have not touched——

Senator LAUTENBERG [continuing]. "It's true, but I"——

Secretary JACKSON. Senator, I have not touched one contract. Not one. Now, if you can prove that I have interfered with a contract, then you should do that.

Senator LAUTENBERG. Mr. Secretary, we're spinning words here.

Secretary JACKSON. No, I'm not spinning words, Senator. I have not touched a contract.

Senator LAUTENBERG. But if you said it, then we shouldn't believe what you said is what you're—

Secretary JACKSON. It—

Senator LAUTENBERG [continuing]. What you're saying.

Secretary JACKSON. Absolutely, then, if that's—

Senator LAUTENBERG. We should not—

Secretary JACKSON [continuing]. That's right.

Senator LAUTENBERG [continuing]. Believe what you said.

Secretary JACKSON. Because I have not touched a contract.

Senator LAUTENBERG. Too bad.

In New Jersey, the HOPE VI program successfully generated over \$1 billion to revitalize distressed public housing, yet the President's 2008 proposes to totally eliminate the program. Wouldn't funding programs like this pay big dividends on our communities, helping poor and middle-class families to—

Secretary JACKSON. I will—

Senator LAUTENBERG [continuing]. Obtain—

Secretary JACKSON. Sorry. I would agree with you. I sat on the National Commission for Severely Distressed Housing, which the HOPE VI came out of—I agree that HOPE VI, when it's performed well, it's a great program. I've never said that it wasn't. Of the 237 awards, Senator, that we have made, only 65 have been completed. If we look from 1994 to 2000, we still have over \$500 million outstanding, where nothing has been done on those HOPE VI funds. And of all the money that's outstanding, about a million—\$1.8 billion is still outstanding.

So, I don't believe that we should continue to fund a program, when you have less than 30 percent of the projects completed since the beginning of the program. Sixty-five of 237 projects, that's all we've completed since HOPE VI started in 1992. And this is 2007.

Senator LAUTENBERG. Why is that? Why haven't we done better in completion?

Secretary JACKSON. I really think that one of the things we have done lately with the HOPE VI program is required that the housing authorities come in with a developer who can leverage the money. And in the process of leveraging the money, we're able to develop much better. The initial HOPE VI were not that way. Many of the housing authorities took those HOPE VI themselves, and they used the administrative authority that they had, and used it up with architectural engineering drawings and pulled down the money.

So, they still have money to develop, but they don't have the necessary plans to move forward. So, we have suggested that we look at those housing authorities, Senator, who have not performed, and try to recapture some of that money to send it to housing authorities that are performing. It's not that I believe the program is bad. That's not the issue. The issue is, we have so much money outstanding.

Senator LAUTENBERG. Yes. I assume that the red light indicates that my time is used, Madam Chairman.

I would close, and ask that the questions that I'll submit after the hearing be promptly responded to.

But I would say that if you believe in the program, and you don't—and you're looking for contractors who can leverage the money, there's a mix in language there that I, frankly, don't get, because housing doesn't take overnight to build.

But, thank you, Mr. Secretary. Thank you—

Secretary JACKSON. Thank you, Senator.

Senator MURRAY. Thank you, Senator Lautenberg. And your questions will be submitted to the Secretary for responses for the record. So, thank you.

Mr. Secretary, this is the third year in a row that your budget is proposing to slash funding for the CDBG program while arguing that the program needs to be reformed. You are, again, arguing that this program needs to be better targeted to eliminate funding from thousands of communities you consider to be too affluent. Over the last 3 years, has any subcommittee ever scheduled a markup to consider that proposal?

Secretary JACKSON. Not—I don't think so, Senator—I mean—

Senator MURRAY. Has any—

Secretary JACKSON [continuing]. Chairlady.

Senator MURRAY. Yes. Has any member of the House or the Senate ever introduced your legislative proposal?

Secretary JACKSON. No, they have not.

Senator MURRAY. Well, there are sections of King County, Washington that are affluent, and that is partly why working families have such a hard time finding affordable housing there. Let me tell you where King County spent the vast majority of their CDBG funds last year. They developed 637 new affordable units, they rehabilitated another 150 affordable units, they provided 442 households with homeless prevention service, they created 487 permanent supportive housing units, they constructed 33 new affordable homes, and they repaired another 500 homes occupied by low- and moderate-income residents—that were repaired. Those funds weren't spent for amenities on the wealthy. And under your budget proposal, King County would see its CDBG funds slashed by 20 percent.

So, can you tell me how your budget proposal reforms would alleviate the shortage of affordable housing in places like King County?

Secretary JACKSON. I think it's going to be very difficult in places, in my estimate, west of Utah, east of Virginia. These are very, very high-price areas. And it's going to be very difficult, even when we target the money to certain cities, counties, or areas, to address affordable housing in many places. So, I can't tell you that we're going to be able to address affordable housing all over this country because I don't think that is the case. We will do everything in our power within the budget construct and within the way we put our formula in place, to address those cities that are most in need. And if we can address those cities that are most in need, I think we can make a substantial impact.

Senator MURRAY. Well, when you announced your reform, you published the formula that you'd use for distributing those funds, on your web site. I'm told that when you use your own formula at the reduced funding level, it really doesn't help the poorest communities across the Nation, because the funding is slashed so severely. So, I wanted to ask you, does your proposal provide any additional help to the poorest communities?

Secretary JACKSON. Yes. I think that what we have calculated is, at the—the lowest-income cities, counties, will be addressed. Second—

Senator MURRAY. How is that?

Secretary JACKSON. Because we think we have enough money within our budget to address them, if the formula is approved.

Senator MURRAY. Well, I don't see how that's going to happen, when you're cutting funding for everybody. And, you know, the other thing, I heard you last year when you were here, you talked about the affluent companies that shouldn't receive any funding, and you're trying to devise this formula that somehow does that. And one of the cities you talked about last year was in my home State of Bellevue, Washington, that you defined as affluent. Yet, even in these so-called affluent communities, funding under the current formula is targeted by law—by law—on assisting low- and moderate-income individuals.

So, I went back and looked at you—at how Bellevue used their funding, and they used it to rehabilitate owner-occupied units, to upgrade a center for the disabled and the handicapped, they built a facility for the homeless, and they built a facility for abused and neglected children. Wouldn't you agree that those uses of funding are within the goals of CDBG?

Secretary JACKSON. Yes, I would.

Senator MURRAY. Well—so, when you define Bellevue as affluent, which many would disagree with you, because of the price of living there, you take away funding to do that. So, I don't understand how your funding formula helps communities—

Secretary JACKSON. Well, I—

Senator MURRAY [continuing]. Deal with these issues.

Secretary JACKSON. I'm sorry. Well, I think that Bellevue is an affluent community. And I think that in many of those—in many of those—the problems that you have just—

Senator MURRAY. Have you—I'm sorry—

Secretary JACKSON [continuing]. You've just talked about—

Senator MURRAY [continuing]. When was the last time you were in Bellevue?

Secretary JACKSON. Probably a couple of years ago.

Senator MURRAY. Where did you go?

Secretary JACKSON. I can't remember where I went. I was in—I was in the city.

Senator MURRAY. I mean, this—somehow, just to describe Bellevue as affluent is to not know the community that has changed dramatically in the past 5 years. And, again, what your formula does is, says to Bellevue, "You're going to have to raise your own taxes to pay for the cost of providing the services that are dramatically needed." And I would urge you to go back and take a look at the demographics of that city again, and you might—

Secretary JACKSON. I'll be happy to do that for you.

Senator MURRAY [continuing]. Be surprised. But your funding formula impacts a community that is really a diverse community that is trying desperately to deal with some really difficult challenges that they're facing today.

I believe Senator Bond's going to be back in just a minute, but let me go to another topic—

Secretary JACKSON. Surely.

Senator MURRAY [continuing]. Before he returns.

This subcommittee held a hearing earlier this year, that you may have been aware of, with your FHA Commissioner, Brian Montgomery. We talked at length of what role, if any, the FHA can play in helping families that are facing foreclosure because of the crisis in the subprime lending market. Have you already seen FHA activity increase as a result of the shakeup in the subprime lending market?

Secretary JACKSON. We really have not, at this point. What I have said to you and to Senator Bond is that I believe that if we can get the FHA modernization legislation passed, that we can make a great impact. We cannot help everyone that's in the foreclosure area—there's no question we can't—because some of the people are—income is really out of reach. But there are a number of people that we can help. And I know a lot of times we've had studies that say, "Well, HUD has got a 12, 13 percent foreclosure rate." We don't go by 30 days, we usually go by 90 days, and we do everything in our power for those persons to make sure they keep their homes. And I will continue to do that.

And one of the criteria that I talked with Senator Bond about was that—the zero downpayment. I agreed with him that a cash installment by everybody should be made, because they have an investment, to make sure that they've invested in their own home. So, I don't disagree with him. But we will do everything in our power, if the modernization legislation is passed, to try to prevent foreclosure and to try to address low- and moderate-income people who are right now in the process of being foreclosed on.

Senator MURRAY. Do you believe that many of the borrowers that were enticed into that subprime loan are now facing—and are now facing high interest rates and penalties would be eligible to refinance with FHA?

Secretary JACKSON. Some of them—some of them would. Some of the exotic loans that were made to—to even some members of our staff at the housing authority, their income would probably be out of reach. But for low- and moderate-income people, yes, I think we would—we would make every effort to work with them.

Senator MURRAY. Okay. And I believe Senator Bond will have more questions on that as well.

So, before he returns—and I'm going to have to leave in just a minute to vote—I did want to ask you about the gulf region, as I mentioned—

Secretary JACKSON. Sure.

Senator MURRAY [continuing]. In my opening statement.

Payments to homeowners have been very, very slow to arrive. It's been very painful. And there's little to no evidence that public housing units are being rebuilt. Of the \$16.7 billion which this sub-

committee provided to help rebuild the gulf, only 12 percent, or about \$2 billion, has been sent. Can you tell us why, 2 years after this disaster, that this activity's been so slow?

Secretary JACKSON. When we allocated the money to the gulf coast—specifically, Mississippi and Louisiana—they submitted a plan to us of how the money was going to be spent. Each plan was basically a compensation plan that they would allocate monies to a certain level to persons, based on the damage of their homes. About 1 month ago, we had a hearing with Chairman Frank and Chairlady Waters. An issue was brought up, Are they spending the monies the way that they should be spending the monies? And I asked our staff, at the request of Chairman—Chairlady Waters, I asked our staff to go back to make sure that Louisiana was complying with the compensation program. We realized—

Senator MURRAY. Mr. Secretary, I'm going to miss the vote if I don't go.

Secretary JACKSON. Okay.

Senator MURRAY. So, I'm—I want to get back to this question—

Secretary JACKSON. I'll—

Senator MURRAY [continuing]. And—I'm going—

Secretary JACKSON. I'll wait for you.

Senator MURRAY [continuing]. To go vote, and return. We will recess, shortly. And when Senator Bond returns, he is going to call the meeting back to order, and return with his questions.

Secretary JACKSON. Thank you.

Senator MURRAY. I will be right back.

Senator BOND. [presiding] Gentlemen, ladies, recess is over.

My apologies. The Secretary is sufficiently familiar with how this place works, or doesn't work, to know what's happening. But, again, we appreciate your indulgence.

And I want to go back, Mr. Secretary, to the discussion of section 8 vouchers, which—

Secretary JACKSON. Right.

Senator BOND [continuing]. Appears to go back to the administration's Section 8 Block Grant Program, whereby PHAs would adjust rents down to meet their budget. Now, this appears to be a reversal of some 20-plus years of housing policy, where the Federal Government has sought to reduce the concentration of low-income families in the worst neighborhoods. However, with the lower rents, HUD and the PHAs will be pushing a policy whose necessary result would be to move the poorest into the worst neighborhoods, neighborhoods without jobs, good schools, and amenities. And this almost is a return to redlining. So, when we talk about budget-based vouchers for PHAs, I think we lose sight of the fact that the objective should be, as you indicated, to get people in homes where they move from publicly assisted housing into market-based housing, because of having access to jobs. And I thought you might want to comment on that and in light of my further questions about what we see to be the \$1.2 billion shortfall.

Secretary JACKSON. Senator, I agree with you, in the sense that we do not want to redline or re-segregate. And I do believe that if the housing authorities in this country—and I did it with three housing authorities—if they negotiate with landlords, if they

charge a minimum rent, if they even put a timetable on the time that a person can keep a voucher, I do believe that we can move people into very, very good areas. And in Dallas, that's what we did.

In St. Louis, that's what we did. It's whether you really want to take the time to negotiate and to make sure that there is fair treatment of the residents. And I did it, and I think it should be done. And I do think that if we can go to project base, it gives the housing authorities incentives to negotiate, and to get the best deal that they can. But as long as we're unit base, they have no incentives, period. Persons can stay on the voucher as long as they want.

I'm just one that believes that there should be a timetable for these vouchers. I don't think people should be on these vouchers, Senator, in perpetuity.

Section 8, from its inception, was to transition from public housing to market-rate housing. That was the intent of it. But it has become a secondary system for public housing today. And I think that the 1998 legislation was a mistake, when we said that 75 percent of those vouchers should be for 30 percent of less than medium. I think we should all go up to 60 percent of medium and help people transition. That's my belief.

But I do not want people—any person to be re-segregated. And I think we did a very excellent job in Dallas making sure that we disbursed those vouchers into middle- and upper-middle class areas.

Senator BOND. But, still, wouldn't that require additional resources, if you're going up to a larger population?

Secretary JACKSON. I think that, Senator, when—I entered into an agreement with the industry 2 years ago, that I went and made a major case to OMB to increase the section 8 tenant-based budget by \$1.1 billion, I think, that in the final analysis we would go to project base. Have we done that? Yes, clearly. And I still think, if we go to it today, that we can cover the cost of the vouchers. But—and that's why we removed the cap, so that they would have additional money to carry it out.

Senator BOND. Well, if you have further legislative proposals, obviously you should take that to the Banking Committee first, but share a copy with us, because we may get it—we may help them on that issue, if there is a good rationale for it.

Secretary JACKSON. I do think—let me say this—I do think there is a good rationale for it, Senator. Pre-1998, we were on the budget base budget. We got a budget. That's what I did. I got a budget. And I stretched that budget as far as I could to make sure that as many people were served as could be served.

Now, in—after 1998, we went to unit base, and, in that process, we have—we have not served more people. That's what most of us don't understand. The price has increased significantly for the program, but we're not serving a greater group of people, because the housing authorities basically have no incentives to make sure they stretch the dollar as far as it can go. And as long as they don't have those incentives, they're not going to do what they should be doing.

Now, some housing authorities are doing better than others.

Senator BOND. Well, I was going to say, couldn't they do that now, with—

Secretary JACKSON. Yes.

Senator BOND. They could do that now, and they're not doing it.

Secretary JACKSON. They're not doing it. It's unit base. And they're—they get the administrative fee, whether they house or don't house. I think we should give them some incentive to work hard. I had no problem housing people when I was at the Dallas Housing Authority or when I was at St. Louis or when I was in Washington. And they were all based on budget base. That's what it was before 1998.

Senator BOND. Well, that's something we need to discuss with you further.

Let me talk about—for a minute about—

Secretary JACKSON. I appreciate that.

Senator BOND [continuing]. The FHA modernization. It appears that FHA's business is already doing better than last year, with tens of thousands of homeowners with conventional loans coming in to FHA through refinancing, which is up 94 percent this year. Do you think that some of this growth is attributed to the problems with subprime borrowers?

Secretary JACKSON. I really do think that it is. And we are up. But I also think that's what's important is that if we can get this modernization legislation done, we can make significant strides and changes low- and moderate-income persons. And you and I both agree to—some months ago, when we were in Kansas City, one of your major concerns—I agree with you that there must be a cash investment. We cannot go zero downpayment.

So, I believe that if we can get this legislation done, we can. And I can tell you, the refinancing in FHA has been at 94 percent since last year. And we're doing everything in our power, as I just was going to address to the chairlady, to help those low- and moderate-income people who are facing foreclosure. We can't help certain groups, because their income is too high. But for those that we can help, we will do everything in our power to make sure that they keep their homes. Because, in my mind, this was not a case where you had bad borrowers.

People were trying to get into a home. But what I saw was, you had—people got into really bad products, and there were people who were pushing these products, and the people did not really read the fine print. And we just had a case that we resolved for them—Congressman Scott, in Georgia—where these people really didn't understand what they were getting into. But we got it resolved. And so, I think that—I don't want anyone to leave here saying that, "Well, these people who borrowed was bad." It's not that. They wanted a home, like everybody else in this room, but they got into a bad product. And if we can help some of them get out of that bad product, we'll do it.

Senator BOND. With respect to the modernization, the Congressional Budget Office (CBO), the GAO, and the HUD Inspector General have all expressed concerns about the proposal. And the CBO expects that developing and maintaining the appropriate systems for managing a risk-based pricing system would take FHA several

years to implement. In other words, there would be, potentially, a chaotic situation. How do you respond to these concerns?

Secretary JACKSON. First of all, I guess, Senator, I don't want to get into a debate with GAO or the inspector general. I believe in this product. I believe that, yes, we're going to have a transition period.

I believe that clearly we can make this transition period—we can do it very quickly—much quicker than 7 years. I think we're going to have to look at the risk-based factor in this process, and we will look at that risk-based factor. But I don't want us to connect subprime lending with FHA. There are so many more steps in FHA that will stop the subprime area. And we will do everything in our power to do that.

So, I believe that the GAO, the inspector general, have their opinions. And I'm not here to debate their opinions. I'm here to tell you that I believe that this product can work. I'm convinced that if we get to modernization, we can save a lot of foreclosures and we can help a lot of low- and moderate-income people.

Will we put the checks and balance in place? Yes. In fact, I met with the—I guess it was last week or week before last—with our inspector general, and I said that I wanted him to meet with our FHA Commissioner, and I said, "Put all your concerns on the table so we can address your concerns, because if you have concerns, I want to address them. I don't want to leave them out there, where he'll come before—and said, 'I gave them suggestions, but nothing was done.'" So, if GAO has it, we're taking those concerns into study, too.

Senator BOND. Well, we'd like to be either part of those discussions or kept advised of those discussions, because when these are credible—credible entities, and if they've got concerns, we want to see how those concerns are addressed. So, we're—we'll be very interested to see how that works.

Secretary JACKSON. And I will.

Senator BOND. Now let's turn to another area of interest and excitement for the—for HUD. And that's the Housing Authority of New Orleans (HANO) after Hurricane Katrina. How many units are habitable now, and how many tenants have returned to the HANO?

Secretary JACKSON. We have, habitable units, almost 2,000. We've had about 1,600 families to return. We are still trying to get families to return. We have done surveys. We've been to Houston, to Atlanta, to other places. In fact, what has occurred is—Senator Bond, is, I've gotten a number of letters from public housing directors telling us to stop scaring the people. Many of the people don't want to return. People don't like for me to say that, but that's a fact. And so, I have to take in consideration, when I get these letters from these directors, they're saying, "You're really scaring many of these people, because they're satisfied, they're living better, they have a better job," and I have to take that in consideration, too. So, those persons who are saying, "Oh, he does not want people to return to New Orleans," that's not true.

We're doing everything in our power. But, at the same time, I think I must in consideration—because I once ran a housing authority, the concerns of those people who are running housing au-

thorities, who have provided decent, safe, and sanitary housing for people—if the persons want to stay, let them stay.

Senator BOND. Well, I think—I think you make a good point, if somebody doesn't want to go back. But, then again, I think we all recognize that the more tenants a PHA director has, the more administrative fees they receive. So, I—

Secretary JACKSON. Sure.

Senator BOND [continuing]. Think that needs to be weighed in with the—in the considerations.

Secretary JACKSON. I agree.

Senator BOND. I know there's been a lawsuit delaying the development of HANO. And I'd like to know what efforts you're making to resolve it, when are you expected to have that lawsuit resolved. And will resolving that lawsuit clear the way for any additional residents who wish to return?

Secretary JACKSON. Yes. Let me say this. The lawsuit is an impediment. We have gotten significant low-income tax credits from the State of Louisiana. We've got funds allocated, of \$500 million, to totally redo most of the public housing in New Orleans. It's baffling to me for people to say, "It's okay for low-income people to live in the squalor that they were living in." I find that very abhorring.

Senator BOND. I agree.

Secretary JACKSON. If we can change the quality of life, and make it better, we should do it. We didn't have the resources, before, to do it. We have the resources now. But that lawsuit is standing in the way. I was very pleased with the ruling of the judge, but we're still going to have to have a hearing when—on this process. We have people like the Enterprise Foundation, Catholic Charity, ready to go to work to redevelop housing in this country—I mean, in New Orleans. But we have a lawsuit pending, with—

Senator BOND. What does that lawsuit—how are you trying to resolve that lawsuit? That was my question.

Secretary JACKSON. Well, we're trying to work it out. I've been working with Chairlady Waters to try to get them to come to some agreement. One of the agreements that we came to is to have 2,000 units—2,500 units by September. Well, we have 2,000, but we still have not got any actions from the plaintiffs. I mean, they're continuing to talk about, "People should go back into the present situation that exists."

Senator BOND. Well, I would—I would think that those—I don't know if any of those housing units were in the very lowest areas, the low-lying areas, which are most flood-prone, and I certainly think it serves anybody's interest to put them more at risk.

Secretary JACKSON. I agree.

Senator BOND. And I will—I'm now going to defer to my colleague from Colorado, but, afterwards, I'd like to call on the inspector general to provide any insights he has. So, if he would be ready to step up.

But, Senator Allard, we'll now turn to you.

PREPARED STATEMENT

Senator ALLARD. Well, thank you very much.

And, first of all, I have a full statement I'd like to make a part of the record.

Senator BOND. We would be delighted to make it part of the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR WAYNE ALLARD

I would like to thank Chairman Murray and Ranking Member Bond for holding this hearing to review the fiscal year 2008 budget of the Department of Housing and Urban Development. I would also like to welcome Secretary Jackson to the subcommittee. Secretary Jackson, we appreciate you making time in your busy schedule to be here.

HUD has a long history of problems; for years it was the only cabinet level agency on GAO's high risk list. However, I want to take this opportunity to publicly commend Secretary Jackson for his progress on this point; earlier this year the remaining HUD programs were removed from GAO's high risk list. This is a tremendous accomplishment and represents a great deal of work. I would encourage Secretary Jackson and all the dedicated staff at HUD to remain focused on maintaining this direction.

Certainly one of the biggest challenges HUD faces is the tight fiscal scenario. This is a constraint shared by nearly all agencies. No one denies that the budget for HUD, or any other agency for that matter, is insufficient to meet every single perceived need in this country; increasingly, the definition of need seems to be a bottomless well.

I believe, though, that this budget strikes a reasonable balance at meeting the most pressing needs, while still being responsible. I support the administration's decision to pursue fiscal responsibility in these times. It would be irresponsible to continue to overspend and leave a mounting debt for future generations.

It is easy to look at the proposed HUD budget and complain that it lacks money. Certainly, needs are great, and in a perfect world we would have the money to meet all needs. However, the administration has had to make some very difficult choices, and the choices at HUD were, I'm sure, no exception in their difficulty. This budget is evidence of those difficult choices, and I commend the administration for facing reality and not simply taking the easy way out.

I want to reiterate a position that I have put forward at previous hearings: HUD's success as an agency is not defined by a budget number. More money does not necessarily mean more people are served or that people are served any better. This would seem to be especially true when reviewing the effectiveness of HUD's programs as determined under the PART analysis. In 40 percent of the programs we either know that they are failing to produce results or we have no way to tell whether they are producing any results. Why do we talk at such length about the dollars going to HUD, but fail to look at what is coming out on the other side? I, for one, intend to keep looking at BOTH sides of the equation.

I appreciate the opportunity to do so at this hearing. Mr. Secretary, your testimony will be helpful as this subcommittee begins to write the appropriations bill for fiscal year 2008. Thank you.

Senator ALLARD. And I also just would like to congratulate Secretary Jackson. When his confirmation came before me on the Banking Committee and whatnot, GAO had HUD on the risk list, and now you're off of that.

Secretary JACKSON. Yes.

Senator ALLARD. And I'm very pleased to see that happening, because that brings accountability, as you know, to the process. I know how difficult it is to get the Government Performance and Results Act, you know, implemented, and then each year you get more comfortable with it and—

Secretary JACKSON. Right.

Senator ALLARD [continuing]. Things keep moving along. And so, I want to compliment you for that effort.

I think HUD's success as an agency isn't going to be defined by the budget number. More money doesn't necessarily mean more people are served, and the people are served any better. I think,

with what you've put in, then I think we can feel much more comfortable about what's happening there at HUD.

The first question I'd have, Secretary Jackson is—it's an issue that you and I have explored at past—previous hearings. According to a recent article, Deputy Secretary Bernardi had indicated that you plan to issue a RESPA rule proposal by September 30, and possibly as early as this summer. Will you please comment on your intentions? And what is your timeframe for action on RESPA?

Secretary JACKSON. The Deputy Secretary is correct. Hopefully, by September. But it's going to be clearly transparent. We learned our lesson last time around about not being transparent with this rule. We will continue—we will not put the rule into effect until we have discussed it with—for the final time with the industry groups, with the subcommittee here, with the subcommittee in the House. We realize that, in the final analysis, that we really need a consensus. You know, I like to use the analogy, Senator Allard, like last time, it's—I was a sprinter, an all-American, and I ran on the 400-by-100 relay. And if you don't have anybody to hand—

Senator BOND. Good training for your current position, I would say.

Secretary JACKSON [continuing]. If you don't have anybody to hand the baton off to, you're not going to be four other people running by yourself. That's the situation we were in. And I think you made it clear. I think Senator—Congressman Manzullo made it clear. And so, we don't want to do anything haphazardly this time. We want the rule to be acceptable to a consensus of the people. So, we will not be moving the rule. And I have not moved it very quickly. There are some people who say we should get it out quickly. No, we're still discussing it, and we hope to have a consensus.

Senator ALLARD. So, what we're going to be seeing in September is a proposed rule, it's not going to be a final rule by—

Secretary JACKSON. That's correct.

Senator ALLARD [continuing]. And so, we're just getting the process started.

Secretary JACKSON. That's correct.

Senator ALLARD. Okay. And are you going to—what role do you see Congress playing in this process? Any at all? Or are you just going to expect Members of Congress to drop in on public comment?

Secretary JACKSON. No, I think that when you see the proposed rule, I would think that you would give us suggestions as to how you think the final rule should be made.

Senator ALLARD. Well, you know, I think that's nice, but I also do think we need to work with the affected parties, you know—

Secretary JACKSON. Right.

Senator ALLARD [continuing]. And so, like I say, I appreciate the way you've been doing business, and—but I felt like I needed to ask that question, because it does tend to be controversial.

Secretary JACKSON. Surely.

Senator ALLARD. Now, your 2008 budget assumes enactment of a number of legislative proposals. How would funding and staff needs change should those proposals, particularly the FHA reform package, not be enacted?

Secretary JACKSON. Well, we believe that if we can enact the FHA modernization legislation, we would probably need additional staff, but that's because, I think, that we have lost a significant number of persons who want to deal with FHA. If—you know, if I were a low- or moderate-income person with all of the paperwork that they have to go through, I wouldn't deal with FHA.

I think the key to it is to modernize it, but, at the same time, not lower our standards, and make sure that, in the final analysis, that we can document everything that we're doing, and that we, even in the risk-based premium part, make sure that we're doing everything we should be doing.

Senator BOND asked a question a few minutes ago and I agreed with him, it's going to take a transition, it's not going to be done overnight. I don't think that it will take several years. I really don't think that. I think we've got competent staff. So, I think that if we can get this legislation passed by this summer, we can help a lot of low- and moderate-income people, and we can help a number of people who are facing foreclosure today.

Senator ALLARD. Mr. Chairman, may I—or you're—I guess you're the acting chairman—I'll keep going, if that's okay.

Senator BOND. That's fine.

Senator ALLARD. Okay.

Also, Secretary Jackson, you've been dealing with some issues, as far as waste and—wasteful spending. And I want to commend you, again, for correcting some of the practices that we have there. Can you describe your efforts to end improper payments, and update us on your progress?

Secretary JACKSON. Yes. We have done extremely well with the improper payments. I would let Assistant Secretary Cabrera answer that question, because he's dealt with it firsthand.

Senator ALLARD. Mr. Cabrera?

Mr. CABRERA. For the record, Senator Allard, Orlando Cabrera, Assistant Secretary for Public and Indian Housing at the Department of Housing and Urban Development.

We've had enormous success, due to the Secretary's efforts and our staff's effort. And what we have done is essentially work with other agencies in order to acquire data. That has minimized, to a great extent, improper payments. They are down to, as I recall, about \$1.2 billion, from \$3.1 billion, through the end of the—through the end of the last fiscal. And I don't have the most current data, but my expectation would be that it would be even less than that now. And that's in a 2-year period, I believe.

Senator ALLARD. Thank you for your response.

Mr. CABRERA. You're welcome.

Senator ALLARD. Now, one of the—go ahead.

Secretary JACKSON. Senator, what I was going to say is that when I became Secretary, one of the things that I committed to the President and to the people is that we would correct a number of the problems, the improper payments, and we would get off of the high-risk list. And I'm glad that we've done both of those. And—but I could not have done it—it was a great team effort, not only from the Deputy Secretary and all the Assistant Secretaries, but, also, OMB helped us tremendously. So, I am very proud that we did that.

One of the major issues was FHA. I would not be here asking for FHA modernization if we were still on the high-risk list. It would be very difficult to ask, until we got ourselves in order. And the single-family and others have been very positive to date.

Senator ALLARD. Good.

Now, you—a lot of businesses and whatnot are experiencing an aging workforce. In your agency, I think yours might be as acute as any, as I understand it.

Secretary JACKSON. I'm sorry, I didn't hear you.

Senator ALLARD. Businesses all over the country are facing some problems with an aging workforce.

Secretary JACKSON. Yes.

Senator ALLARD. The agencies in the Government are no exception. Your agency, HUD, has the highest risk on an aging workforce, in that many of them are coming up for retirement in 2006 and 2008. That is something you can plan for and look into. Could you give us some—what you're doing about addressing that potential problem, where you're going to have your forces coming up for a mass retirement, so to speak, in a couple of years?

Secretary JACKSON. In all honesty, it's very scary. It's very scary, because unlike when I was running American Electric Power—we had a succession program, where, if we knew that an engineer was leaving, we could bring one on for the next 90 days so this—and, you know, you could train—there is basically no succession policy in Government. I mean, until the person leaves, we can't hire, because we have 9,000 full-time equivalents (FTEs), and we can't bring somebody in to a slot based on the person leaving in 60 days or 90 days. So, it's very difficult. And about 67 percent, I think—Dave can help me; he's sitting behind you. I think about 67 percent of our population that's at HUD can leave right now. It's very devastating. And I can tell you, on a number of occasions I've asked at least 30 people to stay, because we didn't know—in fact, Ranking Member Bond, I asked Attorney Kenison to stay, but he said he had 40 years, and he was ready to go. But that's a huge void that we have right now, because he was really a senior attorney and knew a lot.

So, I will tell you, my best answer is I'm afraid that if we have a mass exodus, we're going to have a serious problem.

Senator ALLARD. Madam Chairman, I've finished—well, I have some more questions, but—

Senator MURRAY [presiding]. Thank you very much.

And, Mr. Secretary, thank you for your patience as we've bopped in and out, here.

When I had to leave, I was asking you about the money to the gulf region, and wanted to ask you, in particular, about the \$2 billion, the vast majority of which has been spent on—focused on homeowner assistance, not on rental housing. This subcommittee included statutory mandate in June, 1 year ago that required at least \$1 billion of the \$5.5 billion we provided at that time to be used for repair, rehabilitation, and reconstruction of affordable rental housing stock in the impacted areas. How many projects, can you tell us, have been rebuilt or repaired as a result of that funding? And how many tenants have now been able to reoccupy those facilities?

Secretary JACKSON. Yes, I will. Let me say this, that in Mississippi they've moved expeditiously to do exactly what you said. In Louisiana, I must tell you, we have been disappointed. In fact, I can't pinpoint exactly what has occurred to rehab units for rental, at this point, in Louisiana, because most of the monies that have been spent, it's been spent basically on paying a vendor, which was—who headed the program, ICF.

We have been very slow in awarding the compensation grants to the people who lost their home. We met with the Governor—I shouldn't say the Governor—the Governor's staff, about 1 month ago, and told her that it was totally unacceptable at the rate that they were spending to—spending the money, and the rate that they were giving people compensation or rehabbing housing.

Now, I think if you look at the legislation, chairlady, the first \$6.5 billion to Louisiana, we have very little control over. The second part, we have a lot of control over. And so, with that, we can either say, "You're not doing an acceptable job"—but the leverage is not there.

So, I will tell you that I'm not pleased with the progress that's been made. I'm just not——

Senator MURRAY. So, you can't give me the number that have been repaired or rebuilt?

Secretary JACKSON. I will look and find out, but I don't think it's very many. So, I don't want to give you a faulty number today, but I will get it to you immediately after this.

Senator MURRAY. Okay. I would appreciate that.

[The information follows:]

PUBLIC LAW 109-234—REQUIREMENT FOR AFFORDABLE RENTAL HOUSING

Public Law 109-234 appropriated a total of \$5.173 billion in supplemental CDBG disaster recovery grant funds to the five gulf States affected by Hurricanes Katrina and Rita.

The fifth proviso stated:

"Provided further, That not less than \$1 billion from funds made available on a pro-rata basis according to the allocation made to each State under this heading shall be used for repair, rehabilitation, and reconstruction (including demolition, site clearance and remediation) of the affordable rental housing stock (including public and other HUD-assisted housing) in the impacted areas."

On October 30, 2006, HUD published in the Federal Register the five-State allocations, waivers and requirements. In particular, HUD published the following provision to implement the statutory requirement for the \$1 billion to be spent for affordable rental housing stock:

"Also as required by the law, not less than \$1 billion of the \$5.2 billion appropriation less \$27 million in administrative set-asides (which computes to 19.3311 percent of any State's allocation) shall be used for repair, rehabilitation, and reconstruction (including demolition, site clearance and remediation) of the affordable rental housing stock (including public and other HUD assisted housing) in the impacted areas. Therefore, HUD is requiring that not less than 19.3311 percent of each State's grant be used for these activities."

State	Minimum amount for affordable rental housing
Alabama	\$4,103,146
Florida	19,344,001
Louisiana	811,907,984
Mississippi	81,777,703
Texas	82,867,166
Total	1,000,000,000

The five States have submitted Action Plans for the required housing that HUD has accepted.

The amounts budgeted for affordable rental housing is as follows:

	Amount
Alabama: Unspecified projects for affordable rental housing	\$4,103,146
Florida: Multifamily Housing Repair and Mitigation	20,013,304
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Louisiana:	
Piggyback/LIHTC Affordable Multifamily Rental Development, 18,000 units proposed	593,970,000
Small Rental Development—10,000 units proposed	492,700,000
Subtotal	1,086,670,000
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Mississippi; Small Rental (1–4 units) Assistance Program	262,000,000
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Texas:	
Assistance to Multifamily properties (16+ units) in areas damaged by Hurricane Rita	82,866,984
Rehabilitation of Multifamily Apartments in Houston/Harris County where large numbers of evacuees live.	20,000,000
Subtotal	102,866,984
<hr/>	
Grand Total	1,475,653,434

The above programs are in various stages of program design and implementation. The States are at the forefront of implementing their program designs which took time to develop and institute. We anticipate future progress reports will capture the activity and commitment of each State. Louisiana has been accepting applications from prospective apartment owners as well as projects for the Affordable Multifamily Rental Development program. Mississippi has rolled out its program and applications are available on-line.

The CDBG disaster grant funds currently budgeted for affordable housing exceeds the statutory minimum by over 47 percent. Not counted in these amounts are funds the States have budgeted from the CDBG disaster supplemental appropriated under Public Law 109–148. Funds budgeted by the States from this appropriations exceeds an additional \$500 million. In all, total resources committed to affordable housing, public housing and supportive and housing for the homeless is approximately \$2 billion. At the moment there is limited progress as the States are in the initial stages of operationalizing their programs or undergoing the application phase.

Senator MURRAY. And the administration asked us, and we approved, a provision that allows the PHAs in the most heavily impacted areas in Mississippi and Louisiana flexibility to combine their funding streams from all the Federal resources to assist tenants in a lot of ways in reconstructing damaged or destroyed housing. You kind of alluded to this, but the Housing Authority of New Orleans, which is under your exclusive control, is now sitting on over \$95 million in Federal funds, and doesn't have a lot of activity to show for it. Can you tell us why—this is under your control—can you tell us why those Federal dollars are not being spent?

Secretary JACKSON. You mean in Louisiana?

Senator MURRAY. It's the Housing Authority of New Orleans.

Secretary JACKSON. The dollars are being spent. We are moving expeditiously. As the ranking member asked, we have completely rehabbed 2,000 units. We have committed to rehab 2,500 units. We—to date, we've housed 1,600 people. And I will give you the same answer that I gave the Senator, we're trying to entice people to come back and occupy those units, but we have not been very successful, because many of the people are pleased with where they are. But the units are online, and we committed to the court and to Chairlady Waters on the House side, that we would have 2,500

units for occupancy by September, and we will keep that commitment.

Senator MURRAY. We're seeing \$95 million sitting on the books. Is that inaccurate?

Secretary JACKSON. I will find out. I don't think there's \$95 million sitting on the books that's not being spent. If it is, I will get back to you.

[The information follows:]

On December 7, 2006 HANO, in accordance with Federal Register Notice No. 145 Vol. 71, submitted a fungibility plan to the Department of Housing and Urban Development (HUD). Under this plan, HANO was allowed to combine its Operating Fund, section 8, and Capital Fund/RHF funds under one plan to provide for the development and revitalization of its public housing stock. The following summarizes HANO's financial position at September 21, 2007 in relation to its 2006 fungibility plan:

Summary of HANO 2006 fungibility dollars, amounts expended and/or committed, and remaining 901 funds:

	Amount
2006 Fungible Dollars (Operating Fund, Capital Fund, and section 8)	\$121,586,296
Expended on rehab of reoccupancy units at Iberville	(1,468,875)
Expended on security for vacant sites	(2,666,354)
Expended on Lafitte Pre Development Costs	(3,226,893)
Total 2006 Fungible Dollars Expended	(7,362,122)
Obligated for the demolition and infrastructure of properties slated for redevelopment	(33,527,103)
Obligated for pre construction loans on mixed finance projects	(18,688,000)
Total 2006 Fungible Dollars Obligated	(52,215,103)
Total 2006 Fungible Dollars Expended and Obligated	(59,577,225)
2006 Fungible Dollars net of expended and obligated balances	62,009,071
Interest earned on 901 funds held in depository accounts	1,087,654
Net Currently Available	63,096,725

Although HANO has not expended a majority of the 2006 funds available, nearly 50 percent has been obligated. This delay between obligation and expenditure is typical of redevelopment projects. In the case of HANO, delays in redevelopment have been caused by external factors such as environmental reviews, including protracted historic negotiations with the State Historic Preservation Office (SHPO) and the Advisory Council on Historic Preservation (ACHP) requiring the finalization of Memoranda of Understanding (MOA) with multiple consulting partners. Additional delays resulted from litigation and time required to select developer partners. Recently, several approvals have been obtained. HUD has approved the demolition and disposition of four major public housing sites and predevelopment agreements have been signed with the developers of the four sites. HANO intends to obligate the remaining funds for redevelopment of public housing within 6 months.

Secretary JACKSON. I—in fact, one of the issues that we are facing is that we have been told by the accountant that's in the housing authority, that we have a shortage of funds. And I've asked Scott Keller, who's the Deputy Chief of Staff, to make sure that we have ample funds to carry out the responsibilities.

So, if we have \$95 million, I will surely get back to you, because I really don't—I really don't know, at this point.

Senator MURRAY. Okay. I have one other area that I wanted to just quickly ask you about, and that is the issue of the men and women coming home from serving us in the armed services. We are

hearing a lot about the homelessness issue that is facing these veterans when they return, their ability to get in, and stay in, housing. And I wanted to ask you what HUD is doing specifically to meet some of the challenges of our returning veterans.

Secretary JACKSON. We have been working with Secretary Nicholson, because he has the same concern. And we're doing everything in our power with our vouchers with public housing to house many of these people. I'm totally in agreement with you, they should not come back and not be housed. And I will do everything—I won't say "I'll do"—I'll continue to do everything in my power to make sure that they're housed.

Senator MURRAY. Well, I'm familiar with the HUD-VASH program—

Secretary JACKSON. Right.

Senator MURRAY [continuing]. May have been what you're referring to—that combines HUD section 8 with some supportive services. We know that, since 1992, only 1,780 of those vouchers have been issued. Is this a program that HUD still supports?

Secretary JACKSON. Yes, we do. And what we—we're doing—whenever vouchers are available—and I promised Secretary Nicholson this—we will allocate it to the program up to the number that we should require. Back in 1996 or 1997, they stopped allocating the vouchers and began to allocate them outwardly. We should have never allocated those vouchers that were set out for veterans. And we're trying to recapture them. We have—I think we—to date, we've gotten about 200 back. It's very difficult to get the vouchers back once they're out there.

Senator MURRAY. Have you had a personal discussion with Secretary Nicholson about this program?

Secretary JACKSON. Yes, I have.

Senator MURRAY. Okay. Well, I would like to find some answers back, and I'd hope that you can really focus on this. It is a growing concern out there, and, I think, one that we all need to—

Secretary JACKSON. And I agree with you, wholeheartedly.

Senator MURRAY. Okay, thank you very much.

Senator Bond.

Senator BOND. Thank you very much, Madam Chair.

And I said I'd like to call up Mr. Donohue. While he's taking his seat, I want to call to your attention, Mr. Secretary, a problem that was highlighted in the May 2 Post-Dispatch. And I know you're familiar with that paper, having lived and worked in St. Louis.

There is a tragic situation at Centenary Housing, a company of Portland, Maine, that acquired property and—it's a public/private venture that, according to this paper, and from our information, allowed the housing to lapse into a state of disrepair and chaos. The elderly and disabled residents are being forced out of their homes, and it is another serious situation. And I'd ask that you make a personal commitment to have somebody look into it to ensure that these residents are not harmed and their needs are addressed. Apparently, there has been a tremendous number of police calls over the last 2 months, some 1,151 calls for police support. So, something is going drastically wrong there. So, I would like—

Secretary JACKSON. Well, I'll say this. I think, as of last evening, we had found vouchers and housed about 60 of the 97 people. I will

be making a trip out to St. Louis early next week to make sure that many of the elderly and the disabled issues related to housing is addressed, because I'm very, very concerned when they're elderly and disabled.

Senator BOND. Well, thank you. We are, too. And I appreciate your personal attention.

Now, turning to Mr. Donohue, I would like to get your views and assessment on the HUD funding, addressing the devastation caused by Katrina. And I would like your assessment of what the key concerns are and how well Mississippi and Louisiana are implementing the use of emergency CDBG funds. Are they being allocated quickly and effectively? Has—have you seen any evidence of fraud and abuse in these programs?

Mr. DONOHUE. Yes—Kenneth M. Donohue, D-o-n-o-h-u-e, Inspector General, Housing and Urban Development. Thank you, Senator.

We—as far as the disbursement of funds, I have some notes here—Louisiana, 129,260 applications; grants paid out is \$12,681.

Senator BOND. So, that's 10 percent?

Mr. DONOHUE. That's about right, sir.

Mississippi is 18,753; grants paid is \$12,413.

Senator BOND. So, that's about 67 percent.

Mr. DONOHUE. Yes, sir.

Senator BOND. My math is a little—my horseback math is a little shaky, but, I think, just for the sake of comparison, it's—it would be helpful to know.

Mr. DONOHUE. I think—as far as our patterns are concerned with regard to Louisiana, I think what we're seeing is that the applications are slow in the process. And the fact is, I think what we're finding is a lot of homeowners are trying to make a determination as to whether they want to return or rebuild. And I think part of that reason is the fact—is whether the infrastructure—education programs and hospitals and so on—are enough there to support the efforts that they want to return to. But it has been quite slow, and we continue to watch it closely.

Senator BOND. Are you seeing—are the funds—the funds that are being allocated, are they being effectively allocated? Have you come across any fraud and abuse in either of these two States?

Mr. DONOHUE. We certainly do, sir. We—as I told you that we've tried to take a very proactive approach to our efforts. We have several ongoing audits. I've expanded my offices to include several locations in Mississippi—Hattiesburg and Jackson, Mississippi, increased my staff in New Orleans. We have, at this point, about—in the criminal side, about 123 cases, fraudulent applications.

Senator BOND. Where are those cases, mostly?

Mr. DONOHUE. They were both in Mississippi and Louisiana. We had a recent announcement, on April 16, where we indicted ten people in Mississippi, primarily with grand fraud. What we're seeing, Senator, is, we're seeing a movement from grand fraud now to move contract or public corruption cases. And we think that will continue on as more contracts are awarded.

Senator BOND. That's an unfortunate—that's an unfortunate result of it, and we appreciate very much you staying on top of it. Any other problems on how HUD's dealing with the rebuilding, or

any major problems facing HUD in rebuilding the low-income housing stock?

Mr. DONOHUE. Well, just a few things are—I think that one of the things we've found is that the Privacy Act issues with regard to transferring—doing data matching between Government agencies—we'd like to see—and I believe—I would suggest that when we have disaster of this type, there are issues that have to be addressed in the privacy issues so Government agencies can share information with each other more easily.

The other thing I've seen is—with the Department, is communications. And I think—what I mean, between the program areas themselves, and also communications with the local offices and headquarters. I'm pleased to have learned that the Deputy Secretary has—and the Secretary—have announced naming a person in charge of the department that'll oversee the entire efforts in the gulf States area, and I applaud that effort.

Senator BOND. Thank you very much, Mr. Donohue.

Thank you, Madam Chair.

Senator MURRAY. Do you have any other questions?

Senator BOND. Well, I'll—I have just two more, but I'll let you and Senator Allard go forward.

Senator MURRAY. Senator Allard.

Senator ALLARD. Thank you, Madam Chairman.

Mr. Secretary, as you may well be aware of, I pay close attention to the President's PART program. This is made possible through legislation we passed over a decade ago, where the Congress asked for the agencies to establish a Government Procedures and Results Act—I guess it's Performance and Results Act.

Secretary JACKSON. Right.

Senator ALLARD. And I watch that fairly closely. And I notice that you have some agencies there—four, I believe—that are rated as ineffective. They have eight or so that are rated as “no results demonstrated.” And rating on that is: no results demonstrated, ineffective, moderately effective, or effective.

And what is it that you're doing to address these agencies that refuse to try and do anything, or, for some reason or other, are unable to, and then those that are also rated ineffective? In my way of thinking, the most egregious one are those that absolutely aren't trying. And then, those that are ineffective would be next to the bottom. So, I just wondered what you're doing, when you look at the results of that, to correct those problems.

Secretary JACKSON. Two things. First of all, as I said, we are making every effort to do what we did with FHA in the public integrity issue with undercounting. I believe that, clearly, getting off the high-risk list was extremely important to us. One of the things that we have stressed—and, I mean, when—I said “we,” because I don't like the term “I”—we have stressed—that means the Deputy Secretary and the Assistant Secretaries—is performance. And I must tell you, working with Clay Johnson, over at OMB, who is a performance expert, we have begun to move quickly, programs that were ineffective to effective programs.

Second, when we hired our Chief Information Officer, we had so many computer systems, Senator Allard, that did not talk to each other, it was unbelievable. She has done—we've gone from an F to

an A, because we have integrated those systems and cut out a lot of those systems. So, we're making tremendous strides, because I think that if we don't make those strides, then clearly we will find ourselves back on the GAO list again, and I don't want to be back on that list.

Senator ALLARD. Well, good for you. What are your—getting to your budget—I think, 6 years ago, you were carrying—the HUD was carrying somewhere—about \$12 billion unallocated and unspent balances. Are you carrying any unallocated—I assume you're carrying some unspent balances and some unallocated—do you have any idea what that figure is?

Secretary JACKSON. I will get it for you. I don't, today.

Senator ALLARD. Okay.

Secretary JACKSON. If we have it, I will get it.

Senator ALLARD. I would like to—I'd like to have that information—

Secretary JACKSON. Sure.

Senator ALLARD [continuing]. If you would, please.

[The information follows:]

UNOBLIGATED AND UNEXPENDED BALANCES

At the end of fiscal year 2001, The Department carried over \$10.99 billion in unobligated balances into fiscal year 2002. At the same time, the unexpended balances for the Department were \$103.26 billion. At the end of fiscal year 2006, the most recently completed fiscal year, the Department carried over \$13.69 billion into fiscal year 2007, while the unexpended balances were \$85.35 billion. Although the amount of unobligated balances increased by \$2.7 billion, this is largely attributable to the emergency supplemental funds appropriated in response to Hurricanes Katrina, Wilma, and Rita. During this same timeframe, the Department was continuing the successful efforts to expend funds more efficiently and expeditiously as demonstrated by the \$17.9 billion reduction in unexpended balances.

Senator ALLARD. And then, finally, as far as I'm concerned, on the multifamily mortgage insurance premium, I see that—in the budget there, that you're asking for an increase in that. The past years, that's been highly controversial. What—are there other ways? I mean, why are—why do you include that in your budget when it's—in your appropriation—when it's so controversial?

Secretary JACKSON. Well, let me have—I can give you an answer, a generic answer, but let me have Brian Montgomery—Brian is not here? Oh.

Senator ALLARD. Well, he can give me a written response.

Secretary JACKSON. I will give you a written response, very quickly.

Senator ALLARD. Okay.

Thank you, Madam Chairman.

Senator MURRAY. Thank you.

[The information follows:]

MULTIFAMILY MORTGAGE INSURANCE PREMIUM INCREASE

The proposal to raise the annual insurance premiums on multifamily housing projects was prompted by the outcome of an evaluation of the program using OMB's Program Assessment Rating Tool (PART). That evaluation raised questions concerning program targeting and its overall efficiency. While we intend to review the program to determine whether or not changes need to be made, let me assure you that no actions—including raising the premiums—will be taken until they are fully discussed with all interested stakeholders, especially Congress.

The annual premium increases impact only the following multifamily products. Projects that use Low-Income Housing Tax Credits are exempt from this increase:

	Description	Fiscal year 2007	Fiscal year 2008
221d4	FHA New Construction/Substantial Rehab Apartments	45 basis points	61 basis points.
223a7	Refinancing of Apartments	45 basis points	61 basis points.
223f	Refinancing/Purchasing of Apartments	45 basis points	61 basis points.

Senator MURRAY. Mr. Secretary, I do have some questions that I'm going to submit for the record that I hope that you will respond with, and I will leave the record open for any other members who have questions, as well.

Senator BOND, did you have anything else you wanted to ask now?

Senator BOND. Thank you, Madam Chair.

Yes, I'll have a few, just to make sure that we keep the Secretary busy. But I do want to ask a question about housing for the disabled. The 811 budget request assumes a new \$15 million demonstration program, and I'm curious what the logic is behind requesting funds for the demonstration, while drastically cutting the overall program. I'm especially troubled that HUD recommends that \$75 million, of the \$125 million requested, be targeted solely to tenant-based vouchers. This continues a trend against, apparently, new housing for persons with disabilities. And what's the definition for going tenant-based without providing some incentive for construction or rehab for—of facilities for persons with disabilities?

Secretary JACKSON. Senator, we believe that, as we do with HOME dollars, that we should begin to leverage the dollars, find developers to develop housing for disabled, for the elderly, and do all—and do as much as we can to create more housing. We have strictly been building housing with 202 and 811, but we have not been building it in a quick or judicious fashion. We really haven't. And I think that if we can find an interim area where we can do it—and that's for the demonstration program—then I clearly believe that I will come back and ask for more monies. But we've got to build the house—housing quickly.

Now, I know the question becomes, "Well, if you will ask if it's done, what happens to the—to many of the people who are disabled?" That's why we've increased the vouchers, because we find that much quicker to be used. They can get an apartment much quicker, or get a home much quicker than we can build it. So, we're trying to accommodate as many disabled and elderly as we can, and that's the reason why we went to the demonstration program.

Senator BOND. Well, it would seem to me that, rather than cutting the overall 811 program, that perhaps project-based, along with the demonstration program, would begin to provide the facilities that we need that are in—truly wanting in many areas. So, I question—have you worked with the disabled community? And do you expect any legislative proposals to be submitted to Congress?

Secretary JACKSON. Yes, I just met with ADAPT—today is Thursday—on Monday, when there were about 500 disabled persons in town. I went to see them. And clearly their concern is the concern that you've raised, not only for veterans, but for disabled—not only for disabled veterans, but disabled people, period, and especially

those persons in nursing homes. And I agreed with them that we would work with them to try to create legislation that could be presented to you all. And I have my staff working with their executive board or committee, whatever they're called, to see exactly what it is that they want, and to have us introduce legislation.

Senator BOND. We'll look forward to that proposal.

Finally, saving some of the best for submission for the record, on the question of homeless, as I said in my opening statement, I think you've made great progress, and I support your—the administration's focus on the chronic homelessness and the goal to provide 150,000 units. How close are we to meeting this goal? And, after that goal is met, what are your—what are the next steps to addressing other types of homelessness, especially family homelessness? Do you have a long-term strategy?

Secretary JACKSON. Yes. You know, I visited a number of homeless organizations, and I think the model that I've seen that works best is the model out in Los Angeles called PATH. And I don't know exactly what the acronym—what they do—and that's one of the reasons we increased the budget by \$1.6 billion—they first take the person off the street, then they clean up the person, then they have the person go through both physical and psychological evaluation, then they begin to train the persons in job classifications, and then they monitor the person for the next 18 months after they leave. To me, that is the way we should be addressing the homeless, not putting a person in a shelter because it's cold that one night. And that's traditionally what we have been doing. So, what we're trying to do is replicate PATH around this country, because if they can do it, other cities can do it.

I think you have made great strides in St. Louis, too, addressing the homeless.

Senator BOND. I'm proud of what's going on there.

Secretary JACKSON. Very much so. But there are other cities—and I like to use the city that I'm from—like Dallas, that has not made great strides. They still think that the most important thing is to house a person for a night. And I don't think that's the approach that the President wants to take, or I want to take. Once a person is on the streets for 90 days or more, they're going to need tremendous help not to go back to the street. And I would prefer see them—seeing them not go back to the street. I look out, every day, at my window at HUD, and there are people sleeping under the freeway. And that is unacceptable. And they've been there for 3 or 4 weeks. So, clearly, we should be addressing their needs to get them off the streets.

Senator BOND. Well, thank you very much. Mr. Secretary, the only thing I'd disagree with, I still think you ought to claim St. Louis as your roots, but—

Secretary JACKSON. Well, St. Louis is—let me say this to you, Senator. I was born in Dallas, Texas, but I lived most of my—

Senator BOND. You didn't have a choice about that.

Secretary JACKSON. That's right. But I lived most of my adult life in St. Louis, and St. Louis is like my home.

Senator MURRAY. Okay.

Senator BOND. Keep the faith in the Cardinals.

Thank you very much.

Secretary JACKSON. And they are my team, too—

Senator MURRAY. But we're not—

Secretary JACKSON [continuing]. The St. Louis Cardinals.

Senator MURRAY [continuing]. Going to go there.

Well, thank you very much, Senator Bond.

And, Mr. Secretary, I want you to get back to us on a number of questions that were raised here today. I especially want to find out about the \$95 million that the Housing Authority of New Orleans—your Assistant Secretary is the one who gave us the number—

Secretary JACKSON. Okay.

Senator MURRAY [continuing]. That it is sitting there, it is available for reconstruction now. So, we want to find out—

Mr. CABRERA. Who is it? I can talk—I can speak—

Secretary JACKSON. He can speak to it, if you want him—

Senator MURRAY. I would like a question back in—

Secretary JACKSON. Okay.

Senator MURRAY [continuing]. Response.

Secretary JACKSON. I didn't know he had given you the number.

Senator MURRAY. Actually, we'll get a response back from you in writing, if—and not in testimony today, because we do need to move on. But I appreciate your being here today. But I want to—

Mr. CABRERA. Can we give a quick—

Senator MURRAY. If you can give a 30-second response, we have a vote we have to get back—

Mr. CABRERA. Absolutely, Madam Chair. Orlando Cabrera, for the record, once again.

The \$95 million is a reserve number that allows for the fungibility that Congress provided in section 901 of the supplemental. And so, the reason that it's not—the reason it's there is because currently HANO, HUD, and others are being sued, and that's impeding development. The purpose of that money is to redevelop. And so—but there is—that's composed of section 8, operating fund—

Senator MURRAY. Right.

Mr. CABRERA [continuing]. And it includes capital fund, even though that determination is a little bit unclear. It's actually \$81 million plus \$14 million—

Senator MURRAY. Right.

Mr. CABRERA [continuing]. But there's an interpretive issue as to whether that \$14 million is inclusive. And so, that's what—that's what the \$95 million is.

Secretary JACKSON. And we will still get you a written response.

ADDITIONAL COMMITTEE QUESTIONS

Senator MURRAY. I—and I very much appreciate that, thank you.

Secretary JACKSON. Okay.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

CUTS IN THE OPERATING FUND

Question. The Milwaukee Public Housing authority recently told me that they are being restricted from using a portion of their capital fund to off set some of their operating costs. Specifically, they use capital fund money to pay for their Public Safety program, which provides security and intervention services for seniors, disabled individuals, families and veterans in public housing. They are very concerned because current law allows them to use up to 20 percent of their capital fund to cover certain operational costs, however, HUD issued guidance that would eliminate this flexibility. This rule would force the Milwaukee PHA to lay off 35 employees who administer evening and weekend security. It is unclear why HUD would eliminate PHAs flexible use of the Capital fund given the constraints on the operating fund. Why would HUD issue this guidance and will you withdraw the provision?

Answer. The Department has not implemented any restriction on the ability of a PHA to use 20 percent of its Capital Fund Program to support the "operations" of a project. In the case of the Milwaukee Housing Authority, security expenses are an "operating" cost of each project. Hence, the PHA can continue to use the Capital Fund (up to the 20 percent permitted by statute) to fund its security program.

SEC. 202/811 FUNDING

Question. The section 202 program provides capital to non-profits to develop and maintain housing for low-income seniors and section 811 helps develop housing for disabled individuals. Both programs couple housing with supportive services to allow these individuals to live independently and participate in the surrounding community. The administration has proposed deep cuts to both programs. In 2005, in Wisconsin, there were only three new housing developments, totaling 41 units, to serve these populations. If the administration's proposed cuts were accepted, it would result in approximately only 150 new units across the country. For every section 202 housing unit, there are around 10 seniors on the waiting list and the number of disabled adults living with their aging parents is close to 700,000. With these two populations growing and housing resources becoming more scarce, how can you justify cutting these very valuable programs?

Answer. The Department's first priority is to provide for the increased costs associated with serving the roughly 3.4 million families currently receiving section 8 rental assistance. This required that the Department make some very difficult funding decisions. However, despite the fact that section 8 renewal funding absorbed a major part of the Department's budget, we are able to direct significant funding in the budget to the section 202 program to provide for: (1) funding to convert projects to assisted living; \$390.5 million for the construction of new units; (2) funds to renew and amend existing contracts (Our estimate is that the requested budget funding will produce several thousand units nationwide); (3) congregate services; and (4) service coordinators.

In addition, we proposed sufficient funding for the section 811 program providing for: (1) funds to renew and amend existing contracts; (2) \$14.5 million for the construction of additional new units; and (3) continued financial support for projects under payment and in the construction pipeline.

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

FUNDING FOR PUBLIC HOUSING

Question. Many housing authorities in New Jersey have told me that public housing is in crisis. Yet, President Bush's proposed budget for fiscal year 2008 falls \$700 million short of what is needed to fully fund the HUD operating fund. How are public housing authorities supposed to provide the affordable housing thousands of people need without full funding?

Answer. At the end of fiscal year 2006, nationwide, PHAs had approximately \$2.7 billion in reserves that can be used to support the operation and maintenance of low-income housing. Additionally, PHAs are allowed to retain all of the income they receive from investments and other non-dwelling rental income, such as income from rooftop antennas, laundry receipts, etc. In 2006, this other income accounted for \$349 million. Further, for the purposes of subsidy calculation, rental income is frozen at 2005 levels, which means that any increase in rental income does not decrease the amount of subsidy that the PHA will receive in 2007 and 2008.

Through a variety of initiatives, the Department has encouraged PHAs to look at their inventory and make informed management decisions about the housing stock.

Steps that PHAs have taken include demolishing the worst, and often most expensive, housing stock, entering into energy performance contracts to reduce the cost of utilities, and switching to tenant-paid utilities.

AT-RISK REPUBLICANS

Question. Last month, the Bush Administration admitted conducting political briefings with your agency on Republican candidates that were at risk of not being re-elected. Was such a briefing given to your agency? If so, did your agency award any contracts or take any specific action to assist vulnerable Republicans gain re-election?

Answer. White House personnel conducted briefings for various HUD employees to provide overviews of the national electoral landscape. At those briefings, there were no discussions of HUD assisting any individual candidates, and HUD did not award any contracts or take any specific action to assist vulnerable Republicans gain re-election as a result of any of those briefings.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

ASSET MANAGEMENT

Question. The fiscal year 2008 budget requests funding at \$4.0 billion for the Public Housing Operating Fund. According to your agency, this level of funding would represent only 85 percent of actual operating subsidy needed for fiscal year 2008 as housing authorities convert to asset-based management.

Given the anticipated shortfall, how will housing authorities be able to meet their operating needs, without cutting vital services and security, and convert to asset management?

Answer. At the end of fiscal year 2006, nationwide, PHAs had approximately \$2.7 billion in reserves that can be used to support the operation and maintenance of low-income housing. Additionally, PHAs are allowed to retain all of the income they receive from investments and other non-dwelling rental income, such as income from rooftop antennas, laundry receipts, etc. In 2006, this other income accounted for \$349 million. Further, for the purposes of subsidy calculation, rental income is frozen at 2005 levels, which means that any increase in rental income does not decrease the amount of subsidy that the PHA will receive in 2007 and 2008.

Through a variety of initiatives, the Department has encouraged PHAs to look at their inventory and make informed management decisions about the housing stock. Steps that PHAs have taken include demolishing the worst, and often most expensive, housing stock, entering into energy performance contracts to reduce the cost of utilities, and switching to tenant-paid utilities.

HOPE VI

Question. HOPE VI enhances communities by decentralizing poverty and giving families an opportunity to live in mixed-income neighborhoods with better educational and employment opportunities. I have visited HOPE VI sites throughout Pennsylvania and have discovered the critical impact that reconstruction in these public housing developments has on revitalizing neighborhoods.

As HOPE VI has accomplished one of its goals of demolishing 100,000 severely distressed units—which suggests to me that the program has been effective—how does HUD propose to accomplish the necessary level of reconstruction in the future if HOPE VI is eliminated?

Answer. The Department recognizes the importance of addressing the current capital backlog within the public housing inventory. In most cases, this need can be more appropriately met through other modernization and development programs operated by the Department, e.g., the Capital Fund, the Capital Fund Financing Program, non-HOPE VI mixed-finance development including leveraging private capital investment, required and voluntary conversion, section 30, and use of tax credits. The Department will encourage housing authorities in need of this assistance to submit proposals under these programs.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

CUTS IN SECTION 811 FUNDING

Question. Secretary Jackson, I was disappointed to see that for the third year in a row, the Department of Housing and Urban Development is seeking a huge cut

in funding for the section 811 Supportive Housing for Persons with Disabilities programs. This year you requested only \$125 million for a program that is currently funded at \$237 million. In each of the last 2 years, Congress—including this subcommittee with bipartisan support—has restored these funds. Why does HUD continue to seek cuts to this program?

Answer. The fiscal year 2008 budget request of \$125 million is \$6.2 million greater than the \$118.8 million requested in fiscal year 2007. Despite the fact that we are required to provide funding for renewals and amendments, we were able to provide additional funding for new production in the fiscal year 2008 request. This includes \$14.5 million for new capital grants and associated Project Rental Assistance Contracts (PRAC). The Department has proposed \$15 million for a Leverage Financing Demonstration. The Department is committed to fully funding all the projects in the construction pipeline.

Question. All of the cuts you have proposed in the section 811 programs would come from the capital advance-project-based side of the program that helps produce new units. These units help individuals with more severe disabilities that have higher support needs and face an enormous struggle in trying to find housing. These units also help provide a direct link to supportive services such as medical care, transportation, and employment. Why is HUD requesting a cut of \$112 million (70 percent) for these programs which fall under your own budget title of “Serving Those Most In Need?”

Answer. The Department remains committed to serving this vulnerable population. There are approximately 250 projects in the development pipeline that the Department will continue to work with sponsors to develop. The Department will provide additional funding for new capital grants and PRAC in fiscal year 2008. HUD also proposed the new Leverage Financing Demonstration to investigate more efficient means of bringing additional resources to support the program and its participants.

Question. The administration’s request for fiscal year 2008 for section 811 includes a proposed \$15 million demonstration program that would allow funding from the Low-Income Housing Tax Credit (LIHTC) program. When do you anticipate having this demonstration proposal ready for Congress?

Answer. Neither the House nor the Senate included the Demonstration in their fiscal year 2008 appropriations bills. We estimate that we would have a proposal for Congressional consideration 90 days after approval.

Question. How many permanent supportive housing units do you anticipate this demonstration proposal to produce in fiscal year 2008?

Answer. It is unlikely that funding will be available in time to produce any units in 2008.

Question. Do you anticipate this demonstration proposal requiring any waivers or exceptions to current statutory or regulatory standards in the current 811 program?

Answer. We are in the process of developing the detailed features of this demonstration and have not yet identified any specific statutory or regulatory impediments.

Question. If any such waivers or exceptions are needed, would this require a change to the current 811 statute?

Answer. This will be determined after the completion and evaluation of the Demonstration program.

Question. In March, HUD issued the fiscal year 2007 Super Notice of Funding Availability (SuperNOFA) for a range of programs. For section 811, the SuperNOFA makes available only \$88.3 million for the new capital advance-PRAC grant competition. This is substantially below what was assumed in the fiscal year 2007 “continuing resolution” that was enacted by Congress back in February (H.J. Res 20). H.J. Res 20 assumed a freeze at the fiscal year 2006 level of \$145.87 million. In order for this reduction to be explained by increased demand for 811 tenant-based renewals, the percentage of renewals would have to have increased by 120 percent. What happened to this funding for section 811?

Answer. The total new appropriation in fiscal year 2007 was \$236.6 million and the total amount allotted in fiscal year 2007 amounted to \$158,697,000 exclusive of \$77.5 million for Mainstream Vouchers and \$396,000 for the Working Capital Fund. The table below reflects the fiscal year 2007 allotment by funding category including the new capital advance funding of \$113.6 million and PRAC renewals of \$16.9 million.

	Allotment
Capital Advance Inspection Fees	\$1,000,000.00
PRAC Renewals	16,943,000.00

	Allotment
Initial PRAC Awards	11,436,600.00
Capital Advance Amendments	11,590,759.00
PRAC Amendments	3,542,623.00
Initial Capital Advance Awards	113,575,425.00
Technical Assistance	608,593.00
Total	158,697,000.00

Question. Between fiscal year 1997 and fiscal year 2002, Congress annually appropriated funding for tenant-based rental assistance for non-elderly people with disabilities adversely impacted by the designation of public and assisted housing as “elderly only.” There are approximately 62,000 of these non-elderly disabled vouchers—also known as Frelinghuysen vouchers—in use. Unfortunately, HUD was slow to develop a tracking system to ensure that these vouchers continue to be targeted to the population for which Congress intended. In February 2005, the Office of Public and Indian Housing (PIH) issued Notice 2005–5 relating to issuance and preservation of these vouchers. This PIH Guidance also covers “mainstream” tenant-based rental assistance for non-elderly people with disabilities funded under the section 811 program.

However, due to the lack of guidance until 2005, there is considerable uncertainty as to how many of these vouchers remain targeted to non-elderly people with disabilities as Congress originally intended.

Can you please provide the subcommittee with estimates of how both the Frelinghuysen vouchers and 811 “mainstream” tenant-based assistance has been targeted—and is remaining targeted to—the intended population?

Answer. PIH Notice 2005–5 issued implementation guidance to enable PHAs and HUD field staff on initiatives to assist non-elderly people with disabilities in their search for housing under the Housing Choice Voucher Program. In addition, this notice clarifies issues related to issuance and preservation of certain types of special purpose vouchers, i.e. Frelinghuysen and 811 Mainstream Vouchers. By requiring PHAs to electronically report using the Form HUD–50058, HUD monitors these vouchers to ensure they are targeted to the intended population. The Department continues to work with these agencies to ensure that all special purpose vouchers are used for their intended purpose. In fiscal year 2007, the Department had 50,533 Housing Choice vouchers, and 14,836 section 811 vouchers reserved for individuals with disabilities.

Question. Can you please update the subcommittee on steps that PIH has taken to ensure housing agencies that have these non-elderly disabled vouchers are meeting their obligations under PIH Notice 2005–5?

Answer. To ensure that non-elderly vouchers are meeting their obligations under PIE Notice 2005–5, HUD is tracking monthly the usage of these non-elderly vouchers through its Voucher Management System (VMS). The Department is also working with the PHAs to ensure that all special purpose vouchers are used for their intended purpose. Failure to serve disabled families as required will result in forfeiture of the vouchers.

QUESTION SUBMITTED BY SENATOR WAYNE ALLARD

HUMAN CAPITAL

Question. The Government cannot function without human capital, yet human capital has been a challenge for most agencies. This is particularly true at HUD, which has on average the oldest workforce. In fact, HUD is at risk of losing half its employees to retirement between fiscal years 2006 and 2008. What are you doing to address this challenge?

Answer. HUD has taken significant steps to better utilize existing staff capacity, and to obtain, develop, and maintain the capacity necessary to adequately support HUD’s future mission-critical program delivery. The Department’s 5-year Human Capital Management Strategy seeks to ensure that: (1) HUD’s organizational structure is optimized; (2) succession strategies are in place to provide a continuously updated talent pool; (3) performance appraisal plans for all managers and staff ensure accountability for results and a link to the goals and objectives of HUD’s mission; (4) diversity hiring strategies are in place to address under-representation; (5) skills gaps are assessed and corrected; and (6) human capital management accountability systems are in place to support effective management of HUD’s human capital. Fur-

ther, in fiscal year 2006, HUD developed and officials approved the Human Capital Vision Plan, and developed a Leadership Succession Plan and set targets for leadership bench strength through 2009. This document is currently being updated. Collectively, these actions are better enabling HUD to recruit, develop, manage, and retain a high-performing workforce that is capable of effectively supporting HUD's program delivery and mission." Following this, each program office within the Department was asked to develop a succession plan for their organization that identifies succession targets and strategies to ensure that HUD's talent pool is secure.

Additionally, HUD is making great use of intern recruitment opportunities to support succession planning. In fiscal year 2004, the Department launched and enhanced the HUD Intern Program with several hires of Federal Career Interns (FCIs) and Presidential Management Fellows (PMFs). In fiscal year 2006, this program was renamed the "HUD Fellows Program" and a new Masters of Business Administration Fellows (MBAFs) was added in fiscal year 2007. In fiscal year 2007, there were a total of 58 PMFs and FCIs on board. By the end of fiscal year 2007, HUD recruited and hired 50 additional PMFs, MBAs, and FCIs; and for fiscal year 2008, an additional 100 Interns will be hired. The Department also developed a Recruitment and Retention Plan of Action for PMFs, MBAFs, and FCIs in accordance with succession planning recommendations made by the Workforce Planning Task Force that were approved by the Deputy Secretary on October 12, 2006. The Assistant Secretary for administration was authorized to establish a formal 2-year program for all Fellows, with consultation and input from the major program offices.

In addition to the recruitment efforts, HUD is also using retention strategies to support succession planning. In fiscal year 2005, HUD developed and launched the Student Loan Repayment Program (SLRP) to strengthen and support recruitment and retention efforts. Since launching of this program, the Department has reimbursed the following amounts to employees participating in the SLR program: fiscal year 2007 (\$604,343); fiscal year 2006 (\$410,868); fiscal year 2005 (\$399,993); and fiscal year 2004 (\$275,701). The number of HUD employees who have received reimbursements under this program is as follows: fiscal year 2007 (179); fiscal year 2006 (253); fiscal year 2005 (178); and fiscal year 2004 (69). We expect to have more than \$600,000 available for this program for fiscal year 2008. In addition to increasing the amount available for the program each year, the SLRP program has been automated. Employees can now submit their applications electronically to their supervisor and continue the approval process on-line through HR staff, the Office of the Chief Financial Officer, and ultimately the Employee Service Center for processing. This program is an attractive retention tool for new intern hires and top employees throughout the Department. In appropriate situations, HUD has also utilized retention and relocation incentives to help retain top employees.

SUBCOMMITTEE RECESS

Senator MURRAY. This subcommittee now stands in recess until Thursday, May 10, when we will take testimony from the FAA Administrator and the DOT Inspector General.

[Whereupon, at 11:40 a.m., Thursday, May 3, the subcommittee was recessed, to reconvene subject to the call of the Chair.]