

**Chairman Susan M. Collins Opening Statement
Committee on Appropriations Subcommittee on Transportation,
Housing and Urban Development, and Related Agencies**

Hearing titled “Housing Vulnerable Families and Individuals: Is There a Better Way?”

September 21, 2016

(As prepared for delivery)

I am pleased to be joined today by our Ranking Member, Senator Jack Reed, as we begin our hearing examining whether there are more effective ways to meet the housing needs of vulnerable families and individuals.

The question of how best to house families and individuals in need of assistance has not received the attention it deserves. Today, I want to focus on whether the place-based rental assistance of the current public housing and project-based Section 8 programs still has a beneficial role to play. Should limited federal resources be directed to tenant-based Section 8 vouchers and existing projects converted to vouchers? We focus on public housing and project-based section 8 because unlike, for example, the Housing for the Elderly and Housing for the Disabled programs, public housing and Section 8 are intended to serve a diverse population, and are not limited to a particular demographic group.

Public housing and project-based Section 8 both provide rental assistance that is tied to specific properties, limiting a family to receiving assistance only at that property. The tenant-based Section 8 program, on the other hand, enables a family to move at its discretion while continuing to receive rental assistance. The biggest difference between public housing and project-based Section 8 is that public housing was built and is owned and operated with federal funds by public housing agencies that are entities of state and local government. Project-based Section 8 properties are privately owned, and HUD has entered into a long-term contract with the owner to provide rental assistance.

This conversation is particularly timely given the overall fiscal constraints of the current budget caps and our nation’s \$19.5 trillion national debt. In addition to the overall fiscal constraints, this subcommittee annually faces the uncertainty of how much offsetting receipts will be credited from the Federal Housing Administration, or F.H.A.’s, mortgage insurance premiums. These offsetting receipts significantly affect the ability of the subcommittee to fund its programs. Ensuring that sufficient funds are provided to renew existing rental assistance has always been a priority.

The challenge is that the cost of renewing rental assistance continues to grow by hundreds of millions, if not billions, each year. Rental assistance consumes an ever larger share of HUD’s budget. For FY 2017, rental assistance takes up 84 percent of HUD’s overall budget, reducing funds available for other critical priorities including the popular Community Development Block Grant and HOME programs.

Directing 84 percent of HUD's budget to rental assistance might be reasonable if it effectively met the housing needs of all vulnerable families and individuals. However, with notable, yet relatively small, exceptions such as HUD-VASH vouchers for homeless veterans, our expenditures on rental assistance are barely holding on to the existing inventory of Section 8 and public housing units. As the directors of homeless shelters will attest, there are still families and individuals, including homeless young people, with tremendous unmet housing needs across the country. The issue goes beyond those who are actually homeless. Nationally, only one out of four families eligible for housing assistance receives it. According to HUD's most recent estimate, approximately 7.7 million households experiencing worst case housing needs – that is, renters whose incomes are below 50 percent of the area median, do not receive government-funded rental assistance and who paid more than half their monthly incomes for rent or live in severely substandard conditions, or both.

In addition to funding challenges, emerging research also raises the question of whether project-based assistance is the best approach to meeting housing needs. Research released by a group of Harvard economists in 2015 makes the case that not only does the quality of a neighborhood contribute to the health, well-being, and overall success of its residents, but also it had a significant impact on children moving to these neighborhoods. For these children, better neighborhoods contributed to improved long-term outcomes, including future earnings and college attendance, while each additional year in a high-poverty neighborhood led to worse long-term outcomes.

Both O.M.B. Director Shaun Donovan and HUD Secretary Julian Castro have often pointed out that the single biggest predictor of a child's opportunities, and even life expectancy, is the ZIP Code of the community where they grow up. Unfortunately, existing public housing and project-based Section 8 properties are found predominantly in high-poverty neighborhoods. The Census Bureau defines an "extreme poverty area" as one with a poverty rate of 40 percent or higher. For public housing, 34 percent of properties are located in extreme poverty areas. For tenant-based vouchers, only 14 percent are located in extreme poverty areas.

I am concerned that the funding of existing project-based assistance in high-poverty neighborhoods may be creating more problems than it solves. With that in mind, if project or place-based housing still has a role to play, would we be better off divesting the current stock and investing in project-based housing in high-opportunity areas? I look forward to hearing from our panel today on this point.

As we consider alternative approaches to rental assistance, we should not forget that changes to the administration of the voucher program may also lead to better ways to assist vulnerable families and individuals. The Center on Budget and Policy Priorities, for example, points out that in 2015, over 70 percent of voucher tenants lived in the 100 largest metropolitan areas across the country and that in 35 of these 100 areas, voucher administration was divided among ten or more agencies. In these situations, the large number of public housing agencies may well act as an unintentional barrier to mobility across a metro area. Even limited consolidation of housing agencies in these areas could lead to more opportunities for voucher residents to move to areas of greater opportunity.

This is only one example of reforms that experts have suggested. I have no doubt that our panel has other such ideas as well.

This morning I have highlighted concerns that have been expressed about project-based rental assistance, concerns that lend themselves to the argument that we should consider replacing these units with Section 8 vouchers. I want, however, to be clear that I approach today's hearing with no pre-conceived policy preferences. This hearing is an opportunity to have a broader conversation that challenges us to explore what is possible and evaluate if we can target the federal investment in rental assistance to achieve better results to produce brighter futures for our most vulnerable children.

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