Hearing Statement
Subcommittee on Appropriations
Transportation, Housing and Urban Development

FY 2016 Budget Request
Department of Housing and Urban Development

Chairman Susan M. Collins
March 11, 2015
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The subcommittee will come to order. Today we welcome Secretary Castro, who will testify regarding the President's FY 2016 request for the Department of Housing and Urban Development. Mr. Secretary, let me welcome you to your first appearance before this committee. I had a great working relationship with your predecessor, Secretary Donovan, and am looking forward to maintaining a similar working relationship with you as well.

I also want to recognize the new Ranking Member of our subcommittee, Senator Jack Reed, with whom I have had a close working relationship for many years. Senator Reed is a longtime champion of housing programs, and I look forward to working with him as we craft a bipartisan bill to address the critical transportation, housing, and community and economic development needs of this country.

The request for the Department of Housing and Urban Development in fiscal year 2016 is $49.3 billion, an increase of $4 billion and nine percent above the fiscal year 2015 enacted level. This request does not, however, exist in a vacuum and must be considered in the broader context of the difficult fiscal environment we find ourselves in -- a context that the President's overall budget request does not take into account.

The broader context includes the return of the ill-conceived and harmful sequestration. While the Ryan-Murray budget agreement enabled us to avoid sequestration in 2014 and 2015, we do not have that luxury when considering the fiscal year 2016 budget. The Budget Control Act is the current law regardless of the Administration pretending otherwise in its request.

The FY 2016 budget caps for non-defense discretionary spending government-wide are $493.5 billion, just $1.1 billion above the fiscal year 2015 level of $492.4 billion. If this were not constraining enough, the President's request assumes FHA and Ginnie Mae receipts will be $1.4 billion below last year and CBO's most recent estimate is over $1 billion below last year. Because these receipts help offset the cost of the bill, this reduction means that to simply provide last year's funding levels, it would cost this subcommittee nearly $1.4 billion more than fiscal year 2015. This decrease is a result of the Administration's recent reduction in annual mortgage insurance premiums, and I remain concerned that this decision undermines the FHA's ability to return to its statutory two percent reserve level.

Furthermore, the request includes over $2.2 billion to support the renewal of existing rental assistance. Merely maintaining last year's funding levels will require an additional $3.6 billion just for HUD programs while the non-defense budget cap only increases by $1.1 billion.

Addressing this tyranny of the math will require making tough choices, choices this Administration did not make, as evidenced by the fact that almost every appropriations account in the Department, has been increased relative to current spending, and yet the effective CDBG program has been reduced by $200 million. The CDBG program marked its 40th anniversary last August and remains the most adaptable and the most welcomed community and economic development federal program for meeting the unique needs of communities throughout the country. I am very disappointed by the Administration's decision to propose this reduction, especially since it was clearly not part of an effort to live within the current budget caps.

While the fiscal constraints we face make it impossible to simply provide an abundance of funding to the Department, addressing housing and community development needs must also include addressing program effectiveness and stewardship of the taxpayers' money.

One such area that has demonstrated effectiveness is homeless assistance and prevention, especially in the case of reducing, veterans' homelessness. Since 2010, we have reduced veterans' homelessness by 33 percent. The VASH voucher program has been critical to this success, and I am deeply concerned that the Administration's decision not to request additional VASH vouchers without knowing the results of the recent Point-in-Time count may be premature. This is certainly something I will be monitoring going forward. While overall chronic homelessness has also declined by 21 percent since 2010, youth homelessness remains relatively constant and reflects an area where better coordination across federal agencies and at the local level, as well as the dissemination of best practices, is warranted. Youth homelessness is a subject that this subcommittee intends to devote additional time to next month.

Another program success is in public housing where according to an Inspector General report in January, HUD's Office of Public and Indian Housing's focus on reducing vacancies through improved management of the public housing inventory has substantially reduced vacancies from 4.2 percent to 2.9 percent, saving taxpayer dollars and enhancing the availability of habitable rental units.

These successes, as well as programs that support community and economic development efforts of states and localities and promote the development of new affordable housing, are challenged by the significant percentage of spending required to merely maintain existing rental assistance. In 2008, the cost of simply renewing existing rental assistance consumed 76 percent of HUD's budget. In 2015, that has increased to more than 84 percent. The growth in the amount of HUD's budget that is taken up by just renewing existing rental assistance, not even expanding it, has a tremendous impact on what else is possible in this bill; and not just within the confines of this Department.

If we are to spend the overwhelming majority of the HUD budget simply to ensure those currently assisted do not lose their housing, it is critical that we try and bend the cost curve of this assistance, see the results of these efforts, and explore more creative approaches to programs that are not achieving their goals. To that end, I am pleased to see the proposals to expand the Moving-to-Work program, provide a small level of administrative relief to public housing authorities in the form of triennial recertification of income for those families on fixed incomes, and begin to consider public-private partnerships to address energy efficiency improvements that can both preserve existing housing and reduce its cost. These are proposals that, while not perfect, merit further consideration.

Finally, HUD must continue to invest in effective oversight and management of housing authorities. It must provide technical assistance when needed, and it must take action implementing sanctions when appropriate. Neither residents nor taxpayers are well served when poor conditions are allowed to continue. This committee has worked hard to provide additional resources for technical assistance for management and governance of public housing authorities as well as uniformly ensuring the physical condition of housing units. It is inexcusable that residents are ever put into substandard housing with serious violations, but it is doubly offensive when the taxpayers are subsidizing these unfit units.

Mr. Secretary, I look forward to hearing from you this morning, but before that, I will first turn it over to Senator Reed for his opening statement.