



**Written Testimony of Lourdes Castro Ramírez**  
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**U.S. Department of Housing and Urban Development (HUD)**  
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**“The Future of Housing in America: Oversight of HUD’s Public & Indian Housing Programs”**  
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Thank you Chairman Luetkemeyer, and Ranking Member Cleaver for inviting me to testify this morning about what has been my life’s work – providing quality, affordable housing opportunities for the nation’s most vulnerable families, and supporting efforts to improve their circumstances. We appreciate the invitation to discuss HUD’s rental assistance programs with our colleagues from the Government Accountability Office. Their Office and ours have worked successfully together to improve the nation’s assisted housing programs.

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

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

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

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

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

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

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

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

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

### **Creating a Better Future for Low-Income Families**

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

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

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

### **Preserving and Expanding Affordable Housing**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Improving Family Opportunities**

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

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

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

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

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

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

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

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

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

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

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

### **Enhancing Program Flexibilities**

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

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

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

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

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

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

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

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

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

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

### **Reducing Administrative & Regulatory Burden**

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

#### *Unreimbursed Medical Expenses:*

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

#### *Streamlining Fair Market Rents (FMR):*

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

#### *Utilities Conservation Pilot:*

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

*Sponsor-Based Voucher Assistance:*

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

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

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

### **Improving PIH oversight and Strengthening PHA Governance**

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

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

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

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

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



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

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

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

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

### **Resource Challenges**

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

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

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

- **Housing Choice Vouchers:** The House bill is six percent less than the President's Budget. Compared to the President’s Budget, the House bill would serve roughly 100,000 fewer families. Not only does the House bill fail to provide funding as requested to help restore vouchers lost due to the 2013 sequestration, the funding level is insufficient to renew 28,000 existing vouchers or provide full funding for tenant protection needs.
- **Choice Neighborhoods:** The House Budget significantly underfunds this program, funding it at only \$20 million or 92 percent less than the President’s budget request.

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

- **Public Housing Capital Fund.** The House bill's 15 percent cut of \$289 million to the Public Housing Capital Fund from HUD's Budget would cause further deterioration of public housing.
- **Rental Assistance Demonstration.** The House bill would prevent the modernization of more public housing and affordable housing units by maintaining the cap for HUD's RAD. In addition, HUD requested \$50 million in incremental subsidies for the RAD program, which was not included in the House bill. RAD transactions thus far have leveraged roughly \$1 billion in construction improvements to HUD-assisted properties.
- **Jobs-Plus.** The House bill would prevent HUD from providing more low-income Americans an opportunity to obtain job training and a good salary by only funding the Jobs-Plus program with \$15 million, well below HUD's requested \$100 million.

## **Conclusion**

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

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

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

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