

**A Review of the President’s Fiscal Year 2024 Funding Request and Budget Justification for
the US Department of Housing and Urban Development
Senate Appropriations Transportation, Housing and Urban Development Subcommittee
April 20, 2023**

Opening Statements

Chair Schatz (D-HI) looked forward to achieving a balanced, bipartisan bill in the coming months. He said that housing and homelessness are top concerns in major cities and rural areas as well. He noted the budgetary challenges facing HUD and said the subcommittee has a long tradition of bipartisanship, adding that the preservation of HUD rental and homeless assistance has always been the foundation of the bill. He said they have made progress in many areas and that it will end if they move forward with FY22 funding levels. Schatz continued that we should be building more housing and faster. He said he was pleased to see funding requests for the YIMBY affordable housing production incentive program, which he said acknowledges that the Federal government alone cannot build its way out of the housing crisis and that the government at multiple levels, is responsible for creating a housing shortage. Additional coordination and HUD to remove their own barriers to new housing by streamlining administrative procedures, improving coordination, and reducing costs. He noted that his staff visited a new affordable housing development project in Colorado that used LIHTC and four different funding streams from HUD for gap financing. He said this project was forced to go through five different property inspections for each funding stream, which is a huge waste of time and resources. Schatz added that he said we need to ensure public housing authorities are able to use the Section 8 vouchers that they already have.

Ranking Member Hyde-Smith (R-MS) thanked Fudge for visiting Mississippi and appreciated the assistance after the tornados that hit the state. She said that HUD plays a collaborative role with many agencies and private companies to provide housing, enable homeownership, and support economic development in many places. Hyde-Smith went on that the budget gimmicks of the past are not on a sustainable path and said that FHA and Ginnie Mae receipts are billions of dollars lower than last year. She said that some costs like emergency spending were designed for emergency spending and said that it is too early to know what the FY 2024 spending level would look like but expected difficult conversations.

Witness Testimony

The Honorable Marcia Fudge, Secretary, Department of Housing and Urban Development, discussed how the President’s Budget includes a historic investment to lower housing costs, expand housing supply, improve access to affordable rental options and homeownership, and advance efforts to end homelessness. Fudge said that the President's 2024 Budget requests \$73.3 billion for HUD, approximately \$1.1 billion more than the 2023 enacted funding level, and then outlined what this funding would be allocated towards. She noted that a reduction to 2022 enacted funding levels would result in thousands of less vouchers and hurt the Project-Based

Rental Assistance Program. Fudge then outlined her five priorities to further HUD's mission through this Budget: 1) support underserved communities and equitable community development; 2) increase supply of and access to accessible, affordable housing; 3) promote homeownership opportunities and wealth-building; 4) advance sustainable communities, climate resilience, and environmental justice; and 5) strengthen HUD's internal capacity to deliver its mission. She closed by stating that the Budget delivers on the commitments of HUD's mission and that she looked forward to working with members of the Subcommittee.

Member Questions

Chair Schatz (D-HI) discussed YIMBY grants and wanted to make sure they were for upzoning and the reduction in whatever regulations are impending housing development. He wanted to avoid pushing out money to consultants and wanted reassurance on this. Fudge assured him that she wants positive outcomes because we need the housing now and do not have the time to go through hoops. Schatz asked about timing for a rollout. Fudge said that the notice of rollout will be fairly soon and will get back to him with a date. Schatz discussed inspections for HUD on its four different lines of funding and urged for some standardization. Fudge agreed that standardization is needed.

Ranking Member Hyde-Smith (R-MS) appreciated the FEMA assistance that is already on the ground in Mississippi and thought about the longer-term recovery needs. She pointed to CDBG-DR funding and asked about the plans for the remaining money in the FY23 omnibus. Fudge agreed that the \$162 million remaining is not going to go very far and said that this money will likely go to Selma, California, and Florida. Hyde-Smith advocated on financial literacy and said that these educational opportunities should go to adults as well and was pleased that HUD has programs for this, but she was concerned that the funds miss the opportunity to expand financial literacy to more families. She asked how the HUD is working to improve educational efforts. Fudge replied that the HUD is working diligently to teach people about financing and saving money. Hyde-Smith touched on homelessness and said that it is easy to lose sight of the challenges of homelessness in rural areas where there are less shelters.

Sen. Collins (R-ME) thanked Fudge for assistance in handling an influx of unsheltered homeless individuals and families. She said that one challenge is encouraging private owners and landlords to house unsheltered individuals and asked for any advice on how communities can engage private owners and landlords in this process of providing homes to the unsheltered. Fudge responded that getting landlords involved is difficult but found that for certain rental properties, giving them a master lease is helpful. She discussed incentives for landlords here and that HUD is working on this.

Sen. Van Hollen (D-MD) appreciated the requests in the budget to work to address affordable housing including an increase in housing vouchers and said that he is working with Sen. Young

on reintroducing legislation to provide opportunities for families with young kids to move to areas of greater opportunity. He appreciated Fudge's efforts in the Choice Neighborhood Program because it is a cause for mixed use development and asked how this program can revitalize communities. Fudge replied that people feel good about living in mixed use housing, which allows us to get away from segregated policies and believed that the programs have been very effective. Van Hollen turned to the supply of housing, including the supply of middle-income housing and said that had heard concerns about the backlog of these developments. He said that one of the impediments has been delays in receiving information on their FHA-insured multifamily loans and asked Fudge to talk about this. Fudge stated that there is no more backlog so families should be getting information very quickly.

Ranking Member Hyde-Smith (R-MS) discussed the Section 8 Voucher Program and the public-private partnership between PHAs and landlords. She said that the success of this system has been undercut by a general shortage of affordable housing and a willingness of private landlords to participate and remain in the program. In conversations with her constituents, Hyde-Smith said she was hearing that administrative burdens of the program drive the landlords to leave the program. She knew HUD was aware of these challenges and asked for an update on HUD's effort to streamline program regulations so that the landlords will want to stay in this program. Fudge acknowledged that there is overregulation in some programs and is working to change it and said that HUD is talking to landlords for ways to improve and knows there are places to adjust. Hyde-Smith discussed programs with expired authorizations, such as the CDBG Home and Lead-Based Paint Hazard Reduction programs, saying they expired in 1994. She also noted that HUD's Section 8 Voucher Program authorization expired in 2003 and questioned HUD's plan to modernize its core programs. Fudge stated that she is not a fan of creating new programs and said that it takes a long time to stand up a new program. She agreed that some programs need authorization but was clear that some things need to be done that have not in a long time. Hyde-Smith turned to FHA and Ginnie Mae offsets and the funding needed for the annual THUD bill, asked what we get for the \$2.5 billion cost of reducing mortgage insurance premiums. Fudge replied that HUD would be at a loss no matter what and pointed to high interest rates making it so that people are not buying and refinancing homes. However, Fudge said they believed that the mortgage insurance premium fund was about \$142 billion and that it was not appropriate to continue to charge people purchasing homes when they were sitting on that amount of resources. She added that it gave some relief to low-income borrowers in a high interest environment and said that FHA is solvent and 11% above.

Sen. Coons (D-DE) discussed the Housing Choice Voucher Program as a significant program and discussed legislation to draw more landlords into the program and was interested to hear about initiatives to increase supply. Fudge replied that if we can try to meet the President's request for resources, it would supply 15,000 units for new buyers, 1,300 of newly constructed

properties, and over 6,000 units of rehabilitated properties. She said that we have to look at it in the whole context.

Chairman Schatz (D-HI) understood the idea of providing relief on the cost of a mortgage but said that we need to be cautious about this due to the interest rate we are operating at. He thought that the impact to the budget was not worth the outcome. Schatz urged for the permanent reauthorization of CDBG-DR. He turned to FHA multifamily approvals and believed that it had dropped 75%. He asked if this was true and if we were fixing it. He was alarmed by this number and said that we need to understand why. Fudge replied that she did not think that number was accurate but would get back to him.

Sen. Murray (D-WA) advocated for a whole of government approach to housing and urged the increasing supply of housing, preserving our current housing stock, incentivizing changes to zone laws, rental assistance, etc. Murray asked how the House Republicans' proposed budget cuts to FY2022 would impact HUD programs. Fudge replied that these budget cuts would mean losing approximately 350,000 vouchers, short of over a billion dollars in renewing project based rental assistance projects and said that prices naturally go up so if we cannot meet today's inflationary pressures, we lose out everywhere. She added that we have neglected public housing for decades and each year, we are putting more resources into that, but it is not enough.