



**Testimony on FY 2008 HUD Appropriations
Subcommittee on Transportation, Housing and Urban Development,
and Related Agencies
U.S. House of Representatives
National Council of State Housing Agencies**

April 16, 2007

Chairman Olver, Ranking Member Knollenberg, and members of the Subcommittee, the National Council of State Housing (NCSHA) is pleased to provide you testimony on our FY 2008 HUD funding priorities. NCSHA represents the Housing Finance Agencies (HFAs) of the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. We appreciate your continued commitment to affordable housing and consideration of our views.

State HFAs are full partners with HUD in the delivery of affordable housing programs. HFAs administer the HOME Investment Partnerships program (HOME) in 41 states. They administer the Section 8 Housing Choice Voucher Program in 21 states and project-based Section 8 contracts in 43 states. Many HFAs administer homeless assistance. Forty-three participate in FHA mortgage insurance programs.

In addition to administering HUD programs, HFAs allocate the Low Income Housing Tax Credit (Housing Credit) and issue tax-exempt private activity single-family Mortgage Revenue Bonds (MRBs) and multifamily housing bonds. HFAs often use HOME and other HUD programs in combination with the Housing Credit and Bonds to extend their reach to even lower income families.

NCSHA urges Congress to increase total HUD funding this year. In recent years, HUD has borne more than its share of budget cuts. Since 2001, HUD funding as a percentage of total discretionary spending has declined 20 percent.

Today's HUD budget is a fraction of what it would have been had it just kept pace with inflation since 1976. In the last 31 years, HUD's budget authority has barely grown from \$29.2 billion in 1976 to \$36.6 billion in 2007, despite the steady rise in the number of families needing affordable housing in this country. If HUD's budget authority had grown at the rate of inflation since 1976, today it would be \$88.2 billion.

Increased funding is sorely needed. According to Harvard's Joint Center for Housing Studies, 15.8 million—nearly one in seven—American families spend more than half of their incomes on housing. Eighty percent of these families have incomes in the bottom fifth of the income distribution scale.

The country is losing more affordable rental housing than it is producing each year to deterioration, rent increases, and conversion to market-rate housing or commercial use. The threat of further losses looms as federal subsidy contracts on hundreds of thousands of apartments expire each year, and mortgages on thousands more become eligible for prepayment.

Recognizing that budget constraints will prevent Congress from providing funding adequate to address all our housing needs, NCSHA urges Congress to prioritize increasing HOME formula grant and voucher funding.

Increase HOME Formula Grant Funding

NCSHA appreciates the Subcommittee's continued support of the HOME program. HOME enjoys strong bipartisan support throughout Congress.

Since Congress created the HOME program more than 15 years ago, it has financed more than 1 million affordable homes, helping nearly a half million homeowners and just as many renters. Every year, HOME funds are used to provide housing assistance to more than 100,000 additional families.

HOME continues to be a wise investment and one of the most successful HUD programs available to states and localities. According to HUD, HOME production last year exceeded 140,000 units nationwide. Still, HOME participating jurisdictions (PJ) need much more HOME funding than they receive to meet the demand for it.

The Administration proposes to increase HOME funding to \$1.97 billion in FY 2008, a 12 percent increase over the FY 2007 HOME appropriation. It recommends a 10 percent increase in the state and local HOME formula grant to \$1.85 billion.

The Administration's proposal does not make up for funding cuts HOME has suffered since 2004. In FY 2006, Congress cut HOME funding overall by 7.5 percent and the HOME formula grant by 6 percent, even though the House and Senate provided higher funding levels. The FY 2006 funding cut came on top of a 5.3 percent reduction in FY 2005. FY 2007 HOME funding remains frozen at the FY 2006 levels.

NCSHA urges Congress to restore HOME funding to at least its FY 2004 level of \$2 billion, adjusted for inflation. Adjusted for inflation since FY 2004, the FY 2008 funding level for HOME would be \$2.24 billion.

During tight budgetary times as these, HOME is a particularly sound investment. State HFAs are able to direct scarce HOME funds where they will have the greatest impact meeting the states' most pressing low-income housing needs. PJs may use HOME funds for rental production, tenant-based rental assistance, homeowner rehabilitation, and down payment assistance. HOME funds can also be targeted to the elderly, persons with disabilities, extremely low-income, and working families.

We also strongly urge Congress to put every available HOME dollar into the formula grant and not set-asides like the American Dream Downpayment Initiative (ADDI) or Housing Counseling. Such set-asides take away state flexibility and impose Washington dictates that may not address states' highest priority needs. Also, PJs already can and do use HOME formula grant funds for down payment assistance.

Increase Housing Choice Voucher Funding

NCSHA also calls on Congress to increase voucher funding to fully fund all authorized vouchers and provide for new incremental vouchers. The Administration proposes to provide \$16 billion for vouchers in FY 2008, less than 1 percent more than the FY 2007 appropriation of \$15.9 billion.

This amount would not be enough to renew all vouchers already in use. At a minimum, Congress must fully fund all vouchers in use. We urge Congress also to fully fund all authorized vouchers.

Vouchers assist some of our neediest families. With the help of vouchers, other important housing programs such as HOME, the Housing Credit, and Bonds are able to reach more low-income families than they can independently. In fact, the financial viability of some HOME, Credit, and Bond developments depends on vouchers. Adequately funding all authorized vouchers will help ensure the stability and longevity of these developments.

In addition, we urge Congress to provide for new incremental vouchers so we can help some of the millions of families who qualify for voucher assistance, but do not receive it. According to the Joint Center for Housing Studies, more than 7 million low-income renters pay more than 50 percent of their income for housing. Three-quarters of all families eligible for housing assistance do not receive any. Yet, Congress has not funded any new incremental vouchers since 2002.

To make matters worse, HUD has distributed the voucher funding Congress has provided to PHAs under a formula based on limited and outdated utilization data from May, June, and July, 2004. Under this so called "three-month snapshot" formula, some public housing authorities (PHAs) have received too little funding to renew all vouchers in use, and others have received more than they are authorized to use.

According to the Center on Budget and Policy Priorities, the funding shortages and misallocations have caused the number of families served since February 2004 to drop significantly. Over this period, HUD has provided vouchers to 150,000 fewer families than it would have if all authorized vouchers had been fully funded.

NCSHA thanks the Subcommittee for recognizing the problems created by the outdated funding formula. The formula changes Congress made in the FY 2007 joint funding resolution, with your support, were a step in the right direction. Under the resolution, HUD will calculate voucher funding allocations on the most recent 12-month utilization and cost data available, adjusted for cost increases, rather than the old three-month snapshot.

It is essential that Congress ensure HUD allocate whatever voucher funds are available according to a fair formula. We recommend the Subcommittee adopt the same allocation system proposed in H.R. 1851, the Section 8 Voucher Reform Act of 2007, introduced this year by House Financial Services Committee Housing and Community Opportunity Subcommittee Chairwoman Maxine Waters. The allocation provisions in H.R. 1851 would make permanent the one-year funding formula changes that Congress called for in the FY 2007 appropriations bill and make other important allocation improvements, including directing HUD to reallocate unused funds from low utilization PHAs to high utilization PHAs and giving PHAs access to up to 2 percent of their next year's allocation to absorb temporary overleasing costs.

Support Increased Affordable Housing Production

To meet the country's ever-growing housing needs, we must devote more federal resources to producing new affordable housing and preserving the current housing stock. Existing resources are simply not sufficient.

States administer a number of successful programs that produce affordable rental housing, including the Housing Credit, HOME, and multifamily tax-exempt bonds. While these programs are extremely effective, they were not designed to meet the needs of households at the bottom of the income spectrum without additional rental subsidies. At their current funding levels, they cannot adequately address our country's huge unmet affordable housing needs.

We urge you to work with your authorizing committee colleagues to authorize and fund a new resource for increasing affordable rental housing production. Such a resource could be combined cost-effectively with other existing production resources to extend their reach to even lower income families.