

Chairman Tom Latham
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations
Department of Housing and Urban Development FY 2013 Budget Request
March 21, 2012
Opening Statement: As Prepared

The Subcommittee will come to order.

Today we welcome the Secretary of the Department of Housing and Urban Development, Shaun Donovan, to the THUD Subcommittee to testify on behalf of HUD's fiscal year 2013 budget request. We look forward to his testimony. Due to a shortened hearing schedule, today is the only opportunity to question the Secretary, although we will hear from HUD's Inspector General and GAO later this month regarding HUD management issues.

The Department is requesting authority to spend almost \$45 billion in fiscal year 2013. On its face, the budget looks like a current services budget, but as with most things, the devil is in the details. For example, you state that we should use FHA receipts in determining your net spending level. Everyone knows this would artificially increase spending and create huge cliffs when these receipts go down.

I am concerned that we are at a tipping point—with the amount of renewals overtaking the rest of the Department's budget. For every \$1 you increase in Public Housing, you have to cut \$5 from other HUD programs.

I am interested in seeing how you plan to implement the reduction in funding for the Project Based Rental Assistance Program. Your confidence in implementing this change will influence our decisions going forward, so I expect to hear a little more about this in your testimony and upcoming questions.

Another concern I have is the Administration's actions related to the Federal Housing Administration and FHA loans. It seems like you are raising your premiums in order to backfill reserves and increase budget authority without increasing the private market share.

CBO's March re-estimate of the President's budget estimated that the Administration's recent 75 basis point increase will cost FHA borrowers more than \$1 billion in mortgage premiums. However, CBO and OMB assume that the Administration's recent policies **do not** do anything to drive more people to the private market. So, the only reason I could think of for the increase is to replenish your reserve fund and to use these receipts to pay for increased government spending. I think we would all agree that this is not the best way to budget.

Mr. Secretary, as I stated last year, I thank you for your service at HUD, and thank you for your commitment to address the ongoing problems we face. However, it was disappointing to learn that there were 6 reported anti-deficiency violations last fall, where your Department spent more money than it had. This is not just bad management but actually a violation of law, so I hope this has been fixed and duly investigated.

To end on a good note, I want to congratulate you and your staff on submitting much improved Congressional Justifications. It has taken awhile, starting with Mr. Olver's direction, but the Justifications submitted are substantially better and I look forward to your continued improvement in this area.

Welcome again, Mr. Secretary. It's nice to have you back.