



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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OFFICE OF PUBLIC AND INDIAN HOUSING

**Written Testimony of Lourdes Castro Ramírez
Principal Deputy Assistant Secretary for Public and Indian Housing
U.S. Department of Housing and Urban Development
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on
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Thank you Chairman Barrasso, Vice Chairman Tester, and Members of the Committee, for this opportunity to discuss the Administration’s Fiscal Year (FY) 2017 Budget Request for HUD, and how it addresses the housing and economic development needs in Indian Country. I also wish to acknowledge and thank the Committee’s staff, not only for coordinating this hearing, but also for their ongoing engagement with HUD staff on the many issues that impact Native American communities across our nation.

The FY 2017 budget reflects the Administration’s overall commitment to ending homelessness, helping families and individuals secure quality housing, building stronger communities, and increasing economic mobility. This budget is built on evidence of what works and invests in strategies proven to pay dividends for families and communities. The funding requests for HUD’s Native American housing programs recognize the substantial need for decent, affordable housing and the significant economic hardship that exists in many Native American communities.

As the Principal Deputy Assistant Secretary for Public and Indian Housing, I have had the opportunity to visit Native communities to learn first-hand about the issues and challenges the tribes face, see how tribal communities have successfully put HUD programs and funding to work in addressing their needs and priorities, and to hear directly from tribal leaders on what we need to do to strengthen and improve HUD’s policies and programs for Native Americans. Far too many Native American communities struggle with severely overcrowded housing, substandard living conditions, and significant barriers to economic opportunity.

The FY 2017 Budget not only significantly increases funding in Native American housing programs, but proposes key initiatives to address the needs of Native youth and Veterans, expand housing and economic opportunity, and revitalize communities.

HUD recognizes the right of Indian self-determination and tribal self-governance and has fostered relationships that provide tribes the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. HUD's budget provides a total of \$798 million to directly support housing and economic development in American Indian, Alaska Native, and Native Hawaiian communities nationwide. This is an increase of \$80 million above the FY 2016 enacted level and is expected to support \$698 million in block grants to 567 tribes in 34 states. For the Indian Housing Block Grant (IHBG) program, the requested increase of \$50 million is long overdue. In the program's 19-year funding history, annual appropriations have ranged from \$600 million to \$700 million, but the average annual appropriation has only been \$639 million. Flat funding of this account has resulted in a significant decline in the program's buying power over the years, due to inflation and the soaring costs of new home construction. The net effect has been a decline in unit production by program grantees, even though program expenditure rates are at 95 percent. For example, in the last 5 years, production of new units steadily declined from 2,679 units produced in FY 2011, to 933 units in FY 2016.

Today, the U.S. Census reports that one out of every four Native Americans lives in poverty – including more than one-third of all Native American children. Far too many families live in unacceptable circumstances and face a future that lacks educational and economic opportunity. In the last 14 years (2003-2016), the number of low-income families in the Indian Housing Block Grant (IHBG) formula areas grew by almost 44 percent, and now exceeds 322,000 families. The number of overcrowded households, or households without adequate kitchens or plumbing, grew by 23 percent, to over 111,000 families. Finally, the number of families with severe housing costs grew by 58 percent, to over 66,000 families.¹

To put these numbers in greater perspective, American Indian and Alaska Native people living in tribal areas in 2006-2010 had a poverty rate and an unemployment rate that were at least twice as high as those rates for non-Indians nationally. American Indian and Alaska Native people in large tribal areas were more than 3 times as likely to live in housing that was overcrowded, and more than 11 times as likely than the national average to live in housing that did not have adequate plumbing facilities.²

I saw this for myself when I traveled to the Pine Ridge reservation in South Dakota to meet with tribal leadership, youth, housing officials, and senior representatives from several federal agencies. When asked by representatives of several federal agencies what *one* thing would make her life better, a young girl from a reservation got right to the point: “a house.”

When many of us hear this, we assume she was echoing the American Dream of owning a home. But this young girl's request was even simpler: she just wanted to know why her family

¹ HUD's Indian Housing Block Grant Formula, http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/ih/codetalk/onap/i/hbgformula

² *Continuity and Change: Demographic, Socioeconomic, and Housing Conditions of American Indians and Alaska Natives*, HUD-PD&R, January 2014, pp. 60-61.

could not find a decent place to *rent—a place that she could call home*. “My mom has been on the waiting list for nine years,” she matter-of-factly informed the group. She explained that she has lived her entire life with extended family in a small, overcrowded house. On her reservation and many others like it across Native American communities, it is all too common to see three or four families living together in a two-bedroom home.

In further support of this funding request increase, it is important to highlight the strong and growing capacity that our tribal partners have demonstrated in putting their limited federal resources to work. As you are aware, there is a unique relationship between the Federal Government and tribal governments, established by long-standing treaties, court decisions, statutes, Executive Orders and the United States Constitution. Each of the 567 federally recognized tribes has its own culture, traditions, and government. HUD recognizes the importance of tribal sovereignty and our government-to-government relationships with tribes in the administration of Native American programs, which are designed to provide flexibility to the tribes to allow them to decide how best to address their individual housing needs and economic priorities.

Tribes have developed many innovative approaches that have improved the affordable housing, infrastructure, and public facilities available to eligible low-income families. In fact, HUD has implemented a process for collecting and sharing best practices by recipients of IHBG and Indian Community Development Block Grant (ICDBG) funds through the Office of Native American Program’s (ONAP) website, CodeTalk (www.hud.gov/codetalk). For example:

- The Cherokee Nation in Oklahoma developed an automated tracking system for its housing programs, and has shared a description of how its environmental office uses i-Pads and wireless communications to access their system while in the field.
- The Tagiugmiullu Nunamiullu Housing Authority on the Northern Slope of Alaska collaborated with the Cold Climate Housing Research Center to design and build 24 modern, super energy-efficient, affordable homes. Their “best practices” as described on the Codetalk website, feature not only the design of the new homes, but how the housing entity leveraged its Indian Housing Block Grant and a Title VI loan to obtain additional funds to complete the project.
- The Sault Ste. Marie Tribe of Chippewa Indians Housing Authority, in Michigan, describes its complicated, but successful efforts to finance the provision of water and sewer service to an existing subdivision. The tribe used some of its own money, and was also awarded grants from USDA-Rural Development, the Environmental Protection Agency, the Indian Health Service, and funding from HUD’s Indian Community Development Grant and Indian Housing Block Grant.
- The Pascua Yaqui Tribe in Arizona has successfully built 122 new affordable housing units including a five-plex for the elderly within the Town of Guadalupe and leveraged IHBG funds with ICDBG funds to finance the construction of a community park to serve their affordable housing units. They have also built a maintenance warehouse and expanded their administrative building.

This Administration’s FY 2017 Budget recognizes the critical needs in Indian Country, and is committed to expanding opportunities for individuals, families, and communities.

Program Funding

IHBG and Title VI Loan Guarantee Programs -- For FY 2017, the Administration is requesting \$700 million for the two programs authorized by the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), the aforementioned IHBG program, and the Title VI loan guarantee program. This is an increase of \$50 million compared to the FY 2016 enacted funding. The IHBG program is the principal means by which HUD fulfills its trust obligations to low-income American Indians and Alaska Natives who live on Indian reservations or in other traditional Indian areas. The grant recipients are eligible tribal government entities or their designated housing entities (TDHEs), which deliver housing assistance to families in need. The Title VI loan guarantee program provides guaranteed loans for IHBG recipients that are in need of additional funds to engage in eligible affordable housing activities. Recipients leverage private market financing by pledging a portion of their IHBG grants as security to HUD in exchange for a 95 percent guarantee of any unpaid principal and interest due on a lender's loan.

With this requested \$700 million in funding, HUD will distribute \$698 million in block grant funds to approximately 369 recipients, representing tribes in 34 states. Combined with prior-year grant awards, this will allow tribal grantees to build, acquire, or substantially rehabilitate more than 5,000 affordable units in FY 2017. The funding will also allow grantees to operate and maintain approximately 40,000 older, affordable "HUD units," which were funded before NAHASDA was enacted. Other eligible uses for IHBG funds include, but are not limited to, the provision of housing counseling, crime prevention and safety activities for low-income residents, down payment assistance, tenant-based rental assistance, management of affordable housing properties, utility subsidies, energy auditing, loan making and processing, the acquisition of land on which to develop affordable housing, and administrative expenses.

The \$2 million in requested credit subsidy for the Title VI loan guarantee program can support up to \$18 million in loans. IHBG recipients may use this program to borrow from private lenders up to five times the amount of the "need portion" of their annual IHBG program to fund larger, longer term housing developments. About five loans each year are guaranteed, but the size of the projects and the loans vary widely from tribe to tribe.

The block grant and the Title VI loan guarantee program often work together, allowing grantees to leverage other sources of funds to maximum effect. For example, the Pojoaque Housing Corporation, in New Mexico, constructed a 30-unit rental housing development funded with: its IHBG; a 20-year, Title VI guaranteed loan originated by Century Bank; grant funds from HUD's Rural Housing and Economic Development program; a Federal Home Loan Bank Affordable Housing Program Grant; and Low Income Housing Tax Credits. The Siletz Tribe, in Oregon, invested almost \$70,000 of its block grant funds along with a \$1.4 million Title VI loan to construct seven new, energy-efficient homes to be sold to tribal members.

Indian Community Development Block Grant (ICDBG) Program -- HUD's FY 2017 request also includes \$80 million for the ICDBG program, which is funded through the CDBG program and awarded competitively. This funding request represents an increase of \$20 million in comparison to the FY 2016 enacted level. ICDBG funding is used for many different types of

housing and community development activities, such as economic development activities, addressing imminent threats to a community's health and safety, projects that make communities more resilient to weather and climate change, projects that support at-risk Native youth, and mold remediation and prevention. For example, the Kickapoo Traditional Tribe of Texas used ICDBG funds to construct a community wellness center for tribal members. The Wellness Center has a gymnasium, computer lab, physical therapy pool, a cafeteria and dining area, and hosts various enrichment programs for children, teens, and the elderly.

Of the \$80 million for ICDBG, up to \$20 million will be set aside to assist tribes in addressing the needs of Native American youth. This initiative is part of President Obama's Government-wide effort, Generation Indigenous, to improve the lives and opportunities for Native American youth, who are the future of Indian Country. Under this proposal, tribes will be able to compete for funding for community projects that will help to improve outcomes for Native youth, such as construction or renovations of community centers, health clinics, transitional housing, pre-school/Head Start facilities and teacher housing to attract and retain high-quality teachers.

Indian Housing Loan Guarantee Program -- The Department is also requesting \$5.5 million for the Indian Housing Loan Guarantee program (also known as the Section 184 program). The request will support up to \$1.3 billion in loan guarantees. To meet anticipated program demand with a funding level of \$5.5 million, HUD is planning to implement a modest 10 basis point increase in the annual fee. HUD will conduct outreach to tribes in advance of this fee increase.

The program provides an incentive for private lenders to market loans to American Indians and Alaska Natives by guaranteeing 100 percent repayment of the unpaid principal and interest due in the event of a default. HUD approved lenders receive a loan guarantee in exchange for making market-rate mortgage loans to American Indians and Alaska Native families, Indian tribes, and tribally-designated housing entities to purchase, construct, refinance or rehabilitate single-family homes on trust or restricted land and in tribal areas of operations. The program makes homeownership a realistic option for tribal members across the income spectrum. Tribes can use the program to diversify the type of housing on native lands by developing housing for homeownership or as long-term rentals without affordability restrictions.

Native Hawaiian Housing Block Grant (NHHBG): The Department requests \$500,000 for FY 2017 for the NHHBG program, which was not funded in FY 2016 due to the existing amount of carryover funding to support program activities. Since its inception in FY 2002, the Department of Hawaiian Home Lands, which is the sole grantee, has built, acquired, or rehabilitated 601 affordable homes on Hawaiian home lands, using NHHBG funds. In addition, 325 lots had been improved with infrastructure development to support construction of new homeownership units. Three community centers have been rehabilitated, which provide services to affordable housing residents. And, more than 1,600 individuals and families have received housing services, such as pre-and post-homebuyer education, financial literacy training, and/or self-help home repair training to sustain safe, decent homeownership housing. In FY 2016, the infrastructure for 278 more lots is scheduled to be completed, and it is expected that 30 new homes and their related infrastructure will be built each year in FY 2016 and FY 2017.

Key Initiatives

In addition to the increased funding for HUD's Native American programs, the Budget includes several proposals that would replicate successful public housing and voucher initiatives in Indian Country. These initiatives have been modified where necessary to meet the specific needs and unique circumstances of Indian Country.

Tribal HUD-VASH -- HUD's FY 2017 Budget also provides funding to support the Tribal HUD-Veterans Affairs Supportive Housing (VASH) demonstration program. Since FY 2008, HUD has partnered with the Department of Veterans Affairs (VA) to provide rental assistance and supportive services to homeless veterans. This successful program has assisted over 151,000 homeless veterans. However, until FY 2015, this program was unable to reach Native American veterans in tribal communities because tribes or their designated housing entities were not eligible to manage housing choice vouchers.

Recognizing the need to extend this successful program to the brave Native Americans who served our country in the Armed Forces and are now experiencing homelessness or are at-risk of homelessness on or near a reservation or other Indian areas, Congress authorized and funded the Tribal HUD-VASH demonstration in FY 2015. Under this demonstration, \$5.9 million in rental assistance from HUD has been made available to 26 tribes. Combined with case management services through the VA, this demonstration is expected to assist approximately 500 homeless Native American veterans.

For FY 2017, HUD is requesting \$7 million to renew the Tribal HUD-VASH rental assistance. We are working closely with the VA, the United States Interagency Council on Homelessness, and our tribal partners to ensure that the Tribal HUD-VASH demonstration meets the needs of homeless veterans in Indian Country as effectively as it has in the rest of the country. HUD is further proposing that any funds that remain available after the renewal funds (and associated administrative fees) are used to provide additional rental assistance to eligible recipients under the Tribal HUD-VASH demonstration so that we can increase the number of veterans served, in addition to sustaining the existing program.

Jobs-Plus Pilot for Indian Country -- HUD is requesting funding in FY 2017 to support the Jobs-Plus Initiative, an evidence-based strategy for increasing the employment opportunities of public housing residents through a three-pronged program of employment services, rent-based work incentives, and community support for work. Of the \$35 million requested, HUD is proposing that up to \$5 million would be made available for tribes and tribally designated housing entities (TDHEs). The program would be tailored to the specific needs of tribal communities; however, core components of Jobs-Plus would remain the same – financial incentives, job promotion and training activities for tribal members and clients of the TDHEs, community support for work, and connections to employment opportunities.

ConnectHome -- On July 15, 2015, President Obama and HUD Secretary Castro announced the selection of 27 cities and one tribal nation, the Choctaw Nation of Oklahoma, to participate in ConnectHome. Under this pilot, eight Internet service providers are partnering with the participating jurisdictions to bridge the gap in digital access by providing discounted broadband

Internet service to families that reside in HUD-assisted housing. The Choctaw Nation, Cherokee Communications, Pine Telephone, Suddenlink Communications, and Vyve Broadband are working together to ensure that over 425 tribal housing residents have access to low-cost, high-speed Internet. Best Buy is also offering computer training and technical support to expand the impact of broadband access for the Choctaw Nation.

HUD is requesting \$5 million in 2017 to support this pilot. The requested funding will be used to award competitive grants that increase broadband access and adoption, such as grants to hire and train program coordinators. The coordinator would serve as the primary link between the public housing authority or the tribally-designated housing entity, the Internet Service Provider, and federal, State, and local partners. On February 24th, 2016, HUD provided guidance to all tribal government and tribal housing leaders on using IHBG, Title VI, and ICDBG funds to expand broadband connectivity in their low-income communities.

Choice Neighborhoods -- HUD is requesting \$200 million for Choice Neighborhoods for FY 2017. Tribes and tribally-designated housing entities are eligible to apply for Choice Neighborhoods funding. The Choice Neighborhoods program provides competitive grants to transform neighborhoods of concentrated poverty into sustainable, mixed-income communities, with a focus on improved housing, successful residents, and vibrant neighborhoods. Building on the success of the HOPE VI program, Choice Neighborhoods leverages significant funds and fosters partnerships, giving communities the ability to address persistent violent crime, create connections to job opportunities, and improve schools in order to change the trajectories of families living in those neighborhoods. Choice Neighborhoods provides two kind of grants: 1) Implementation Grants, which allow communities to put their plans for neighborhood revitalization into effect; and 2) Planning and Action Grants that support the development of comprehensive strategies along with critical community improvement projects.

Collaborative Initiatives

Tribal Consultation Policy -- While cross-agency collaboration and coordination between Federal agencies and local stakeholders is essential to effectively address the needs of Indian Country, at its core, HUD's most important partner in this endeavor remains the tribes and their housing entities. Tribal leaders must be empowered to develop their own solutions to the challenges that may face their communities. HUD is finalizing a Tribal Consultation Policy that will give tribes a stronger voice in shaping HUD's work in Native communities.

Negotiated Rulemaking -- HUD participated in a negotiated rulemaking committee with 24 tribal representatives concerning the Indian Housing Block Grant (IHBG) funding formula. This committee last met in January 2016 to finalize the last set of proposed changes to the regulations governing the IHBG formula. The Department is currently finalizing a draft of the proposed rule for review by the Office of Management and Budget as a precursor to a Federal Register publication of the proposed rule for general public comment.

HUD also strongly supports the reauthorization of NAHASDA, which authorizes the single largest source of Federal funding for housing in Indian Country. The tribes have made

great strides under this seminal piece of legislation, even in very challenging budgetary environments.

Place-Based Initiatives -- HUD has also been an active participant in the ongoing interagency efforts to address the significant housing, capacity, and infrastructure needs on the Pine Ridge reservation, which has been designated as one of the Administration's Promise Zones. The Promise Zone is a 10-year designation, and HUD is partnering with over a dozen Federal agencies to help on-going efforts to spark growth and increase opportunities for the residents of Pine Ridge.

Environmental Reviews -- HUD is teaming up with other federal partners to bring the benefits of interagency collaborative initiatives to our Native American stakeholders. A GAO report in March 2014 identified differing environmental review requirements among agencies as a challenge that delays projects and increases costs when tribes combine funding sources. Subsequently, HUD was directed by the Senate Report accompanying the FY 2015 Transportation and Housing and Urban Development and Related Agencies Appropriations Bill to lead a working group of Federal agencies to develop a coordinated environmental review process for housing and housing-related infrastructure in Indian Country. HUD worked with the Council on Environmental Quality, the Environmental Protection Agency, the Department of Agriculture, the Department of the Interior's Bureau of Indian Affairs, and other Federal agencies to complete a report to Congress with findings and recommendations on streamlining the Federal environmental review process, entitled "Coordinated Environmental Review Process Final Report." HUD wishes to recognize and thank all the tribal leaders who helped with this process – their insights and participation throughout the process have been invaluable, and almost all of the report recommendations stem directly from their feedback. HUD continues to lead the group as it works to implement the report's recommendations.

Technical Assistance -- HUD recognizes the importance of assisting tribes and their housing entities to increase their capacity and technical expertise. The FY 2017 budget proposes that Native American technical assistance be funded through transfers into the Department-wide Research and Technical Account managed by HUD's Office of Policy, Development and Research (PD&R). Program transfers for these purposes reflect the Department's commitment to the progress made toward cross-programmatic, better-targeted technical assistance and capacity building. HUD intends to allocate \$5 million in program transfers to Native American technical assistance activities. While PD&R will manage the funding award process, ONAP will continue to seek input from tribes on the needs and will retain decision-making authority on the awards.

Comprehensive Housing Needs Study-- Finally, HUD's Office of Policy Development and Research is close to completing the most comprehensive national housing survey of American Indians and Alaska Natives on tribal lands. The study's objective is to provide clear, credible, and consistent information to assess the housing needs and conditions in Native American communities. The study will also present information on how tribes are using NAHASDA funds and will analyze the successes and barriers to Section 184 mortgage lending in Indian Country. The study will inform policy, allow HUD to serve tribes more effectively, and provide comprehensive data that the tribes can use in assessing the needs of their communities and formulating the strategies they will employ to best address those needs.

In closing, this Budget represents the Administration's strong commitment to Indian Country, and recognizes not only the immense challenges facing tribes, but also positive results that have been achieved to-date through HUD's Native American programs. Since 1998, IHBG recipients have built or acquired more than 38,000 affordable homes and supported more than 78,000 rehabilitation projects in Indian Country. The Section 184 program has guaranteed more than 31,000 loans for more than \$5.2 billion. American Indian and Alaska Native communities have increased their capacity to responsibly administer housing programs that are a good fit for their respective populations, geographies, and circumstances, investing more than \$13 billion in HUD funds since 1998 to build their communities. Through a combination of increased funding for Native American programs and new initiatives for Indian Country, this Budget request builds toward a future where all Americans, including the First Americans, have the opportunity to achieve and sustain economic mobility.