

# Housing Affairs Letter

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## HUD Budget Faces Dramatic Cuts

If current administration transition planning survives the rigors of partisan politics, HUD programs face deep cuts, more state involvement, and a dramatic reduction of HUD functions. All proposals to change HUD are embodied in a 152-page report crafted by the conservative Heritage Foundation last year.

Ironically, the Heritage Foundation emerges as the principal source of transition planning for the Trump administration's budget proposal for the remainder of FY 2017 and it looms large for the FY 2018 budget blueprint.

The two principal budget planners for the transition are John Gray and Russ Vought, both Heritage Foundation veterans and aides to Vice President Mike Pence. Vought is the former director of the Republican Study Committee, the GOP's conservative arm in the House and originator of conservative spending proposal for the original FY 2017 budget blueprint. That plan, unveiled in early 2016, calls for reducing federal spending by \$8.6 trillion through FY 2027.

Vought and Gray are setting the groundwork for the future of a multitude of government programs they term the "skinny budget," a preliminary spending blueprint expected to be made public within 45 days of the new administration taking control on Jan. 20.

If the pair hold true to the Heritage proposal, HUD would become a shadow of its current dominance and the department's key functions would ultimately be phased out. While that prospect is unlikely in the foreseeable future, stripping it of some of its major responsibilities is possible.

"This proposal eliminates the major functions of [HUD]. It transfers fiscal responsibility of the major subsidized housing assistance programs to state governments, ends the Community Development Block Grant program, eliminates two key elements of federal housing finance, and transfers several other targeted assistance programs to other relevant departments," the Heritage Foundation proposal states.

Declaring that state and local governments should take greater financial responsibility for means-tested welfare programs, the proposal recommends gradually returning fiscal responsibility for all subsidized housing programs to the states.

The Federal Housing Administration “has outlived its usefulness to taxpayers and homeowners” and would be phased out over 10 years. Indian Housing programs would be transferred to the Interior Department and housing support for veterans would be transferred to the Veterans Affairs Department.

Despite the Senate and House being in Republican hands, there could be enough pushback from moderate Republicans aligned with Democrats to stall many of the changes.

**Info:** See the Heritage Foundation government organizational blueprint at <http://tinyurl.com/gkscx8v>

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