

March 10, 2017

Issue 17-10

Budget Panic Overtakes HUD

A draft budget report shows HUD could be in for a \$6 billion budget cut for FY 2018, a drastic one-year dip into the department's spending *HAL* first reported to you in January but likely not the end-all spending blueprint.

The draft obtained by the *Washington Post* is likely a HUD working draft rather than an Office of Management & Budget authenticated document, according to *HAL* sources, but it opens a window into the workings of the Trump administration's HUD transition team while the department awaited Dr. Ben Carson's Senate conformation as HUD Secretary.

So far, the budget outline hews closely to the Heritage Foundation's blueprint for federal spending with the elimination of Community Development Block Grants making up half of the cuts outlined in the draft report. The conservative think tank's proposal is considered the Trump administration's primary source of ideas.

The Trump administration has CDBG in its sights because of HUD's strategy shift on dispensing grants to states. CDBG became HUD's chief Fair Housing Act enforcement tool with emphasis on application of the new Affirmatively Furthering Fair Housing rule, primarily a rewrite of the 1968 Fair Housing Act. Under AFFH, HUD holds CDBG awards hostage if a community has failed to spend the money under the department's strict guidelines.

The rule gives HUD the authority to withhold CDBG funding unless communities agree to ease zoning restrictions to allow construction of low-income housing high rise apartment buildings in suburban single-family neighborhoods.

HUD sources say the CDBG elimination strategy would be used to starve AFFH enforcement until the Trump administration decides how it wants to eliminate the rule.

Another main element of the draft report is deep cuts to the public housing capital and operating funds -- \$1.3 billion and \$600 million, respectively, or about one-third of the sought-for appropriations.

Sources say that cut is unlikely and wouldn't pass congressional muster. It is, instead, a delaying tactic used until budget negotiators can cut HUD spending in other areas, particularly the Section 8 housing voucher program's late Obama administration change to allow poor families living in

high-cost areas to receive enhanced vouchers -- officials point to the Chicago Housing Authority's program to house voucher holders in luxury apartments as a justification for reversal.

The draft report calls for HUD to give up about 14% of its targeted \$46 billion FY 2018 spending blueprint, leaving the department with \$40.5 billion of which \$30 billion is devoted to the Section 8 tenant-based and project-based programs.

According to HUD sources working with the transition team, Carson likely will be persuaded to put the department's emphasis on the Rental Assistance Demonstration (RAD) program and shift much of the administrative responsibilities to the states.

HUD, with a dramatically scaled-down workforce -- it now has 8,500 employees -- would act as the funding intermediary and program overseer. States, under federal guidelines, would decide how Section 8 monies would be allocated and spent.

RAD, the core program, would pick up the public housing maintenance costs under its strategy of contracting with private developers-landlords to refurbish public housing and provide management using Section 8 proceeds for capital and operating needs and business profits. RAD, an Obama administration signature strategy, has become an increasingly popular concept among lawmakers.

The HUD budget will become clear next week when President Donald Trump unveils his FY 2018 spending blueprint.

3/9/17 10:16 PM

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