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GENERAL MEMORANDUM

March 12, 2019

To: Housing Clients

From: Hobbs, Straus, Dean & Walker, LLP

Re: Trump Administration FY2020 Budget is Released; Proposes Significant Cuts to Indian Housing

On March 11, 2019, the Trump Administration released its FY2020 Budget. It sets out the Administration's budgeting priorities. While the amount of the proposed budget would be a record \$4.2 trillion, it contains many proposed cuts for domestic programs, including Indian housing. The budget proposes \$8.6 billion to construct portions of a border wall with Mexico, setting up another showdown with Congress and another potential government shutdown. It also calls for substantial increases in defense spending.

For Indian housing, the President's budget calls for significant cuts. The proposed amount for the Indian Housing Block Grant is \$600 million, a \$55 million cut from the FY2019 enacted appropriations for the IHBG. It does not include the \$100 million in additional competitive IHBG funding that was in both the FY2018 and FY2019 appropriations, which thus represents a cut of \$155 million over the appropriations for the past two fiscal years. In addition, the budget eliminates funding for the Community Development Block Grant program, which includes the Indian Community Development Block Grant program. The budget also proposes to eliminate all funding for the Native Hawaiian Housing block grant. The budget does contain a proposed increase over FY2019 in the amount to be allocated to Section 184 loan guarantees, from \$1 million to \$3 million.

Overall, the President's budget proposes slashing \$8.6 billion from HUD's gross discretionary spending. In addition to proposing the elimination of the Community Development Block Grant program, the budget also proposes to eliminate the Public Housing Capital Fund and the HOME Investment Partnerships Program. The budget also calls for cuts to HUD's rental assistance programs, arguing for stepped up work requirements, and it would slash the Public Housing Operating Fund by more than a third, to \$2.9 billion. Among cabinet departments, the proposed 16.4% decrease in HUD funding would be one of the larger cuts, with only the State and Transportation departments facing deeper reductions.

During his recent State of the Union address, President Trump said his budget would commit to eliminating HIV within 10 years, but the budget calls for reducing a housing assistance program for individuals with AIDS by \$45 million, to \$330 million. Funding for Homeless Assistance Grants would remain level with 2019, at \$2.6 billion.

While the budget mostly proposes reductions at HUD, some programs are targeted for increased funds. The budget would boost funding for project-based rental assistance by about a half billion, to \$12 billion. It calls for \$290 million for reducing lead paint exposure, \$60 million more than in FY2019. The administration also calls for an additional \$20 million over 2019 levels for the Federal Housing Administration to upgrade its information technology systems.

The release of the Administration's budget is just the first step in the budgeting and appropriations process. Now that the budget has been released, the actual work on appropriations will take place in Congress. Because the House of Representatives is controlled by the Democratic majority, it is not likely that the President's budget will be enacted. Even during the last two cycles, when both houses of Congress were controlled by Republican majorities, the Administration's proposed cuts to HUD funding (including similar proposed cuts to the IHBG and ICDBG) were rejected. In response to the President's previous proposed cuts to these programs, Congress has either maintained or increased funding for them in the last two appropriations cycles.

Now will be a critical time to weigh in with your Congressional delegation about your thoughts on IHBG appropriations and ICDBG funding.

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Please let us know if we may provide additional information or analysis regarding the President's Budget, or to assist in drafting correspondence to your delegation. Inquiries may be directed to: Edmund C. Goodman (egoodman@hobbsstrauss.com).