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To: HJN Members  
From: National Housing Law Project  
Date: July 21, 2017  
Re: Federal Budget Update

### President Trump's FY 2018 Budget

President Trump's FY2018 budget, released at the end of May, proposes deep cuts to all major HUD-subsidized housing programs. The proposed budget will force extremely poor and working-class American households to pay *more* to live in *worse* conditions. The Center on Budget and Policy Priorities (CBPP) estimates that Trump's budget would raise rents for 4 million low-income families by an average of \$84 a month.<sup>1</sup> Roughly 170,000 families will face increases of more than \$200 a month.<sup>2</sup> Although the budget process will continue through the summer and fall, it is pivotal that tenants and advocates mobilize against these cuts so they do not become permanent.

The scale of the programmatic cuts is unprecedented. Overall, HUD would experience a 15% reduction in funding from 2017 levels, affecting all programs:

- **Public Housing:** The public housing operating subsidy, which funds the management and maintenance of the country's 1.1 million public housing units, would be cut by approximately 20%, from \$4.8 billion to \$3.7 billion. The public housing capital fund, which funds major repairs in public housing, would be cut by nearly 70%, from \$1.9 billion to \$560 million despite a documented need of more than \$26 billion in repairs.<sup>3</sup>
- **Vouchers:** Voucher funding would be held essentially flat despite rising costs, resulting in the loss of stable housing for 250,000 households according to CBPP.<sup>4</sup>
- **Other Programs:** Community Development Block Grants (CDBG), HOME Investment Partnerships, Choice Neighborhood Initiative (CNI), and the National Housing Trust Fund would be entirely eliminated, leaving urban and rural communities without flexible sources of funding to improve infrastructure, build and maintain affordable housing, and foster economically viable communities.

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<sup>1</sup> Fischer et al. July 12, 2017. "Trump Budget's Housing Proposal Would Raise Rents on Struggling Families, Seniors, and People with Disabilities," *CBPP*: <https://www.cbpp.org/research/housing/trump-budgets-housing-proposals-would-raise-rents-on-struggling-families-seniors>

<sup>2</sup> *Id.*

<sup>3</sup> For a description of the \$26 billion in repair needs, see Abt. Associates "Capital Needs in the Public Housing Program," [https://portal.hud.gov/hudportal/documents/huddoc?id=PH\\_Capital\\_Needs.pdf](https://portal.hud.gov/hudportal/documents/huddoc?id=PH_Capital_Needs.pdf)

<sup>4</sup> Rice, Douglas. May 23, 2017. "Trump Budget Would Increase Homelessness and Hardship in Every State, End Federal Role in Community Development," *CBPP*: <http://www.cbpp.org/blog/trump-budget-would-increase-homelessness-and-hardship-in-every-state-end-federal-role-in>

On top of these cuts, the Administration's budget makes policy changes that will affect all assisted tenants. The Trump budget seeks to increase rents by changing the way rent is calculated in five ways:

1. Tenants will be forced to pay 35%, instead of 30%, of their income in rent.<sup>5</sup> Despite the Administration's stated goal of improving self-sufficiency through employment, this change will likely dis-incentivize work: a larger share of income will be used for rent than under the existing regulations. While several MTW agencies have implemented the policy, HUD has yet to conclude their evaluation of rent reform programs in MTW agencies.<sup>6</sup> Therefore, we know little about the policy's impact on tenants.
2. The Administration seeks to eliminate income deductions for the purposes of calculating rental contribution. Income will now *include* healthcare, disability, dependent care, elderly care, and childcare costs that were previously excluded.<sup>7</sup> For example, families with young children will be unable to deduct the cost of childcare and people with disabilities will be prohibited from subtracting their healthcare costs from the income used to calculate rent.
3. The Administration will implement \$50 minimum rents.<sup>8</sup> Those with extremely low-incomes will be forced to pay rent with money that could be used to pay for food, transportation, and education to the federal government. Overall, nearly 200,000 struggling households will be impacted by this change.<sup>9</sup> Moreover, as CBPP explains, "the budget touts [rent changes] as empowering local decision-makers even though the minimum rent requirement would reduce local flexibility."<sup>10</sup>
4. Extremely poor tenants will face a rent increase due to the elimination of utility reimbursements.<sup>11</sup> PHAs will be prohibited from paying tenants whose utility reimbursement is greater than their rental costs ("negative rent"). The resulting rent increase would be applied unevenly to tenants, however because tenants living in more extreme climates (i.e. in the South, Southwest, and upper Midwest) will be forced to pay more than others. According to CBPP, this proposal will eliminate utility reimbursements averaging \$77 a month for nearly half a million families, including families with roughly 750,000 children.<sup>12</sup> Almost all of those affected make less than half of the federal poverty level.

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<sup>5</sup> "The Budget for Fiscal Year 2018, General Provisions - Department of Housing and Urban Development", pg. 594, Section 226.

<sup>6</sup> For more on the evaluation, see MDRC's evaluation homepage: <https://www.mdrc.org/project/rent-reform-demonstration#overview>

<sup>7</sup> For a list of deductions currently included, see Green Book §4.3.8.1 (pg. 246).

<sup>8</sup> "The Budget for Fiscal Year 2018, General Provisions - Department of Housing and Urban Development", pg. 594, Section 227.

<sup>9</sup> Fischer et al. July 12, 2017. "Trump Budget's Housing Proposal Would Raise Rents on Struggling Families, Seniors, and People with Disabilities," *CBPP*: <https://www.cbpp.org/research/housing/trump-budgets-housing-proposals-would-raise-rents-on-struggling-families-seniors>

<sup>10</sup> Fischer, Will. May 31, 2017. "Trump Housing Changes Would Hike Rents on Struggling Families," *CBPP*. <http://www.cbpp.org/blog/trump-housing-changes-would-hike-rents-on-struggling-families>

<sup>11</sup> "The Budget for Fiscal Year 2018, General Provisions - Department of Housing and Urban Development", pg. 594, Section 228.

<sup>12</sup> Fischer et al. July 12, 2017. "Trump Budget's Housing Proposal Would Raise Rents on Struggling Families, Seniors, and People with Disabilities," *CBPP*: <https://www.cbpp.org/research/housing/trump-budgets-housing-proposals-would-raise-rents-on-struggling-families-seniors>

5. Low-income families who live in buildings where the owner opts to leave a HUD subsidized program will lose rent protections and face displacement.<sup>13</sup> Families in this situation are currently offered an enhanced voucher that allows them to continue to pay subsidized rent even if the rents in the building become market rate after the owner leaves the program. The Trump budget eliminates enhanced vouchers for about 25,000 families that would then be subject to dramatic rent increases or displacement.<sup>14</sup>

In addition the Trump Budget lays out plans to dramatically de-regulate the Public Housing and Voucher programs.<sup>15</sup> Under the proposed changes, the HUD Secretary would be able to waive or give alternative requirements for nearly all aspects of both programs, including rent levels for the Voucher program and reporting requirements for Public Housing. The proposed budget would allow local housing authorities to implement programmatic changes that impact participating families with little oversight and accountability.

Although HUD argues that “all of these changes are accompanied by hardship exemptions that allow the Secretary to implement them in ways that take into account the difficult situations faced by some supported families,” it is important to note that hardship exemptions are rarely known by tenants, widely underused, and subject to bureaucratic discretion in their application.<sup>16</sup> The Administration’s justification for these massive changes to the federal programs is that rent increases are necessary to control costs.<sup>17</sup> However, sweeping program modifications that penalize families with children, seniors, and people with disabilities will not come close to making up for the huge cuts the Trump budget proposes.

### House Appropriations Committee

The budget approved by the House Appropriations Committee on July 17, and authored by the House Appropriations Subcommittee for Transportation, Housing, and Urban Development (THUD), rejects the massive cuts proposed in the Administration’s budget, but still fails to provide adequate funding to preserve affordable housing.

The House budget maintains the budget caps put in place during sequestration and keeps funding levels essentially flat for all major HUD program areas, including the Public Housing Operating Fund, the Public Housing Capital Fund, and the Tenant Based Rental Assistance fund (vouchers).<sup>18</sup> Because of rising costs related to inflation, market changes, and an aging public housing stock, keeping funding levels flat will result in families losing their homes. The National Low Income Housing Coalition (NLIHC) estimates that the House Budget provides at least \$1.5 billion less than is

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<sup>13</sup> “The Budget for Fiscal Year 2018, General Provisions - Department of Housing and Urban Development”, pg. 594, Sections 232.

<sup>14</sup> Fischer et al. July 12, 2017. “Trump Budget’s Housing Proposal Would Raise Rents on Struggling Families, Seniors, and People with Disabilities,” *CBPP*: <https://www.cbpp.org/research/housing/trump-budgets-housing-proposals-would-raise-rents-on-struggling-families-seniors>

<sup>15</sup> “The Budget for Fiscal Year 2018, General Provisions - Department of Housing and Urban Development”, pg. 594, Sections 230 and 231.

<sup>16</sup> *Id.*

<sup>17</sup> See HUD’s internal budget breakdown: <https://portal.hud.gov/hudportal/documents/huddoc?id=6-Rental-Reform.pdf>

<sup>18</sup> For a program-by-program breakdown, see NLIHC’s updated HUD Budget Chart: [http://nlihc.org/sites/default/files/NLIHC\\_HUD-USDA\\_Budget-Chart.pdf](http://nlihc.org/sites/default/files/NLIHC_HUD-USDA_Budget-Chart.pdf)

needed to maintain housing assistance for all families currently receiving it.<sup>19</sup> This would leave the voucher program, for example, about \$500 million dollars short of the amount needed to renew all 2.2 million housing vouchers currently in use.<sup>20</sup> As a result, approximately 140,000 families could lose their vouchers.<sup>21</sup> Project-Based Rental Assistance would similarly see a minimal funding increase, leaving additional families without access to affordable housing.

The House Budget also introduces a series of provisions that could severely threaten HUD oversight of federally subsidized housing. In the summary of the House budget, THUD members urge HUD to reduce regulatory bureaucracy and suggest “reforms” to reduce administrative burdens on subsidized housing providers such as eliminating or revising policies around the PHA plan, environmental reviews, and energy and utility data collection.<sup>22</sup> However, these deregulation reforms would exacerbate the risk of mismanagement due to reduced oversight. The House Budget also alludes to future threats to the Affirmatively Further Fair Housing Regulation, with the summary of the bill noting that, “A number of communities and local organizations have expressed concern that the guidance provided by HUD regarding compliance with the new AFFH rule is vague, and the communication with stakeholders regarding requirements and compliance is lacking.”<sup>23</sup> The House Budget also blocks AFFH funding or the AFH tool from being used to enact zoning changes. Notably, however, the House Budget leaves out all of the damaging rent increases proposed by the Trump Administration.

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<sup>19</sup> NLIHC. July 17, 2017. “House Appropriations Subcommittee Votes on FY18 THUD Bill,” *NLIHC*, <http://nlihc.org/article/house-appropriations-subcommittee-votes-fy18-thud-spending-bill>

<sup>20</sup> Rice, Doug. July 10, 2017. “Will House Avert Cuts in Rental Aid?,” *CBPP*, <https://www.cbpp.org/blog/will-house-avert-cuts-in-rental-aid>

<sup>21</sup> NLIHC. July 11, 2017. “Draft 2018 Housing Budget Further Cuts Housing Investments,” *NLIHC*, <http://nlihc.org/article/draft-2018-house-budget-further-cuts-housing-investments>

<sup>22</sup> See Budget Reptot, pg. 78.

<sup>23</sup> See pg. 97 of the House Budget Report and Section 234 of the House Budget Bill.