

The Federal Government's Proposed Budget for Fiscal Year 2021

On February 10, 2020, The White House published President Trump's fiscal year 2021 budget. Below are highlights of the budget proposal that impact real estate.

Business Issues

Consumer Financial Protection Bureau (CFPB)

- The budget proposes to restructure the CFPB by limiting the Agency's mandatory funding. The budget proposes a \$110 million decrease in funding to the CFPB. Currently, the CFPB is funded by the Federal Reserve, not by Congressional appropriations. Under the 2021 Budget proposal, the CFPB's mandatory funding would be limited and would provide discretionary appropriations to the agency beginning in 2022, and not through the current process. The budget proposal would cap transfers from the Federal Reserve to the CFPB to \$595 million in 2021.

Department of Labor

- The Budget proposes 11.1 billion for the Department of Labor (DOL) for 2021. This is a 10.5 percent (\$1.3 billion) decrease in DOL's 2020 enacted level funding in an effort to eliminate duplicative, unnecessary, or ineffective programs and promote efficiency within the Agency through modernization and reorganization.
- The Budget proposes an increase to support the Employee Benefits Security Administration's development of policy, regulations, and enforcement capacity to promote the President's Executive Order (EO 13813) that promotes association health plans (AHPs), short-term limited duration insurance, and health reimbursement accounts.

Conventional Financing

- **Guarantee Fee Tax:** Instead of sun-setting the current 10 basis point fee in 2021 as envisioned by Congress, budget would double the existing 10 basis point fee on homebuyers to 20 basis points for FY 2021 and extend it through FY 2030. This fee was adopted by Congress in 2011 to pay for a temporary tax cut during the Great Recession. The White House justification for the higher fee is to make private-label mortgage backed securities more competitive with those of Fannie and Freddie.
- **Capital Magnet and Housing Trust Funds Eliminated:** The budget proposes to eliminate the contributions Fannie Mae and Freddie Mac make to the capital magnet and housing trust funds. Congress established these trust funds, which Fannie and Freddie finance, to support community development and the construction of affordable housing. However, the Federal Housing Finance Agency (FHFA) cut off funding during the financial crisis. Later, FHFA Director Mel Watt reversed that move. Now the White House wants the funding source eliminated in lieu of cost reduction through reduced or remove local regulation.

- **Financial Oversight Funding:** The White House proposes that Congress establish funding levels for the Office of Financial Research (OFR) and the Financial Stability Oversight Council (FSOC) through annual appropriations. The OFR and FSOC were created by the Dodd-Frank Act to enable financial and banking regulators to monitor risks that spanned regulators or which did not have a focal regulator.
- **Student Lending:** The White House’s budget includes a line-item for “risk sharing” on student loans, but provides no detail on how this would work. The budget also calls for consolidating the income-based loan repayment programs into a single program. Students would pay 12.5% of their income for 15 years. After that, undergraduate loans would be forgiven. For graduate loans, the repayment period is 30 years. To pay for these programs, the White House proposes to eliminate subsidized student loan programs as well as the public service loan forgiveness program.

Fair Housing

- The President’s 2021 budget proposes a 7% decrease (\$5M) in FY2020 appropriation for fair housing activities. Of the \$65.3M for fair housing activities, \$39.6M supports the private enforcement and education activities of nonprofit organizations under the Fair Housing Initiatives Program (FHIP), and \$23.9M reimburses State and local governments for their administration of laws substantially-equivalent to the federal Fair Housing Act under the Fair Housing Assistance Program (FHAP).
- The President’s 2021 budget provides FHIP organizations, who conduct fair housing testing, 12% less funding than the 2020 appropriation—a cut of \$5.4M. The budget provides effectively level funding to the State and local agencies participating in FHAP, increasing the program funding by \$400,000.

Federal Tax

President Trump has broken away from the traditions of previous administrations in that his budgets typically do not include many detailed tax proposals. This is the case again for FY 2021. Among the few specific tax proposals that are included in the document, the following are the most relevant to real property and real estate professionals.

- After many years of serious budget cuts to the Internal Revenue Service, the FY2021 budget proposes substantial increases in funding for the agency. The proposed \$528 million (up 5 percent from last year) increase would restore IRS funding to a level nearly as high as it was in 2011, before the recent cuts began. Along with the increase is a legislative proposal to strengthen tax enforcement. If enacted, these changes could increase tax audits and federal tax collections, yielding a substantial net savings.
- At a projected cost of \$1.4 trillion, the budget again calls for the permanent extension of those portions of the Tax Cuts and Jobs Act of 2017 that are set to expire at the end of 2025. This includes provisions affecting individuals, including the tax rate reductions, the increase of the standard deduction, the \$10,000 limit on the state and local tax (SALT) deduction, and the 20 percent tax deduction on qualified business income under Section 199A, among many others.

- Despite talk from some Trump Administration officials about new tax cuts to be proposed this year, the budget is silent about them. Thus, any new tax cuts would have to be paid for from some other source or the cost would be added to the deficit.

Housing

Overall, the HUD budget includes a 15.2% decrease in funding from FY2020.

Single Family

- The budget asks for \$20 million to support upgrades to Single Family information technology systems.
- The budget asks for \$45 million for housing counseling, the same request as in FY20.

Multi-Family & Community Development

- The FY21 HUD budget would eliminate Community Development Block Grants, the HOME Investments Partnership Program, the Public Housing Capital Fund, Choice Neighborhoods Initiative, and Self-Help & Assisted Homeownership (SHOP). These are programs that NAR has supported.
- The FY21 budget provides no new funds for the Veterans Affairs Supportive Housing Vouchers (VASH), a program that has seen success in addressing veteran homelessness.
- The budget provides funding for tenant-based and project based rental assistance programs at approximately the same level they were funded in FY20.
- The budget includes increases for the Section 202 and 811 programs, providing housing assistance for the elderly and disabled. It requests \$180 million for the construction of 1,200 new units of housing for elderly and persons with disabilities.
- The FY20 USDA budget includes \$1.4 billion for the Section 521 Rural Rental Assistance program, an increase over last year. However, it proposes the elimination of the Multifamily preservation and revitalization program, which has been successful in keeping rural multifamily units in the program. It also eliminates the 515 Rental Housing direct loan program.

Rural Development

- The budget would eliminate the Rural Housing single-family 504 Direct Loan program and the Section 504 Home Repair program.

Infrastructure

The Budget provides \$1 trillion in direct Federal investment in our infrastructure.

This investment has two major components. The first is an \$810 billion, 10-year reauthorization of surface transportation programs. The proposal includes \$602 billion for highway infrastructure, \$155 billion for transit infrastructure, \$20 billion for traffic and motor carrier safety, \$17 billion for rail infrastructure, \$16 billion for TIFIA loans and BUILD grants, and almost \$1 billion for pipeline and hazardous materials safety.

The second major component is an additional \$190 billion in investments across a range of infrastructure sectors, including:

- **A new Building Infrastructure Great grants program:** This program will spend \$60 billion to accelerate delivery of projects across a range of sectors: surface transportation road, bridge, rail, transit, pipeline, landside port, and intermodal connection capital investments; lock, dam, and canal investments; drinking water and waste treatment capital investments; and energy and broadband capital investments.
- **A new Bridge Rebuilding program:** Approximately 47,000 bridges in the United States are classified in poor condition – 80 percent of which are in rural areas. This program will spend \$35 billion in targeted investments in critical bridge infrastructure to restore them to good condition. \$12 billion will be provided for “off-system” bridges via formula, and \$23 billion will be provided for larger bridges via a competitive process.
- **A new Revitalizing Rural America program:** This program recognizes the unique needs and contributions to our economy made by rural communities, and will invest \$25 billion to help them deliver broadband, transportation, water and other infrastructure projects. Funding will be distributed via formula to States, territories and Tribes, and bonus grants will be provided based on the boldness of locally-developed investment and performance plans.

Insurance

Health Insurance Issues

- **Department of Health and Human Services:** The Administrations’ budget proposal requests \$94.5 billion, proposing \$1.6 billion in net mandatory savings. This is a 10 percent decrease from the 2020 enacted level to reduce long-term deficits. The budget proposal promises to eliminate wasteful spending, while preserving beneficiaries’ access to care, enhancing competition, and prioritizing Federal resources for the most vulnerable.

National Flood Insurance Reforms:

- Proposes to phase-out grandfathering based on location or date of construction
- Proposes new means-tested affordability program based on income or ability pay.
- Flood Map Funding: Requests \$100 million – \$163 million less than 2020.

Land Use, Property Rights & Environment

- **Reducing Lead Exposure:** EPA is aggressively addressing lead issues across America by working with communities and partners to further identify and reduce lead exposure. Resources are requested to reduce childhood lead exposure and associated health impacts through the *Federal Action Plan to Reduce Childhood Lead Exposure*. The Budget includes an additional \$45 million to support the Lead Exposure Reduction Initiative, a cross-media effort to reduce lead exposure, particularly in children.
- **Investments in Water Infrastructure:** The Budget supports strategic investments in infrastructure repair, replacement and modernization by providing funding to states, municipalities, and private entities to finance high-priority infrastructure investments. The Budget includes \$1.98 billion for the Clean Water and Drinking Water State Revolving

Funds (SRF) and provides approximately \$82 million to support America's Water Infrastructure Act of 2018 (AWIA) programs. Additionally, \$25 million is requested for the Water Infrastructure Finance and Innovation Act (WIFIA) program, which could potentially provide up to \$2 billion in direct credit assistance, and, when combined with other funding sources, could spur over an estimated \$4 billion in total infrastructure investment.

- **Reinvesting in American Communities:** EPA's cleanup programs, including Superfund and brownfields, return formerly contaminated sites to productive use, promoting redevelopment of blighted areas and protecting human health and the environment. The Budget dedicates over \$1 billion to revitalize American land and prevent future contamination. Within this amount, \$18 million is set aside within the Brownfields Projects program to support projects in qualified Opportunity Zones.
- **Reducing Harmful Algal Blooms (HABs):** The FY 2021 Budget proposes an additional \$22.4 million with 5.5 FTE to address and reduce Harmful Algal Blooms that pose significant health or economic risks to American communities. The program will provide data standards and geo-referencing expertise for EPA's research, predictive modeling and monitoring tools and analyses, and policy approaches to target and reduce nutrient pollution

Technology

Broadband and Cybersecurity

- President Trump has included \$250 million for the expansion of rural broadband. Additionally, the budget provides \$690 million in loans to finance broadband infrastructure deployment of rural telecommunication facilities, and \$30 million for the Community Connect grant program, which specifically targets remote areas.

The budget also proposes an 80 percent spending boost for the Commerce Department's National Telecommunications and Information Administration to help prepare the agency for 5G and other technological changes.

The budget includes more than \$1.1 billion for Department of Homeland Security (DHS) cybersecurity efforts. These resources would increase the number of DHS-led network risk assessments from 1,800 to more than 6,500. Nearly \$10 billion is provided to support DOD cyber missions and grow the capacity of military cyber forces.

The budget also includes additional funding for the Cybersecurity and Infrastructure Security Agency (CISA) to lead a Government-wide cybersecurity workforce program for all federal cyber professionals.