

NAR Issue Brief

The Federal Government's Proposed Budget for Fiscal Year 2018

(As of March 16, 2017)

On March 16, 2017, President Trump released his budget for the 2018 fiscal year, which begins on October 1. Below are highlights of the budget proposal that impact real estate.

Business Issues

- **Department of Labor:** With the Administration's priority on increasing military spending without increasing the deficit, the budget proposes a 21 percent (\$2.5 billion) decrease in Department of Labor (DOL) funding, requesting \$9.6 billion for operations. The budget proposal reduces spending on ineffective and duplicative job training grants and services and instead shifts this responsibility to states, localities, and employers. If implemented, such cuts would likely impact DOL's enforcement efforts, including actions on independent contractor misclassification.
- **Visas:** The budget "Invests \$15 million to begin implementation of mandatory nationwide use of the E-Verify Program, an internet-based system that allows businesses to determine the eligibility of their new employees to work in the United States. This investment would strengthen the employment verification process and reduce unauthorized employment across the U.S."
 - Many resort areas/hotels employ seasonal workers as lifeguards, amusement park employees, landscapers, etc. who work under H-2B visas (temporary non-agriculture workers). Expanded E-Verify capabilities could make it easier for employers to ascertain the legality of their employees; this is not an issue that NAR has been involved in, but it is one that the resort and hotel communities care about.

Commercial Issues

- **Department of Commerce** "Continues to support the National Telecommunications and Information Administration (NTIA) in representing the United States interest at multi-stakeholder forums on internet governance and digital commerce. The Budget supports the commercial sector's development of next generation wireless services by funding NTIA's mission of evaluating and ensuring the efficient use of spectrum by Government users."
 - NAR has worked with the NTIA on issues including best practices for UAS users re: privacy.
- **Small Business Administration**
 - "Supports more than \$45 billion in loan guarantees to assist America's small business owners with access to affordable capital to start or expand their businesses."
 - "Supports over \$1 billion in disaster relief lending to businesses, homeowners, renters, and property owners to help American communities recover quickly in the wake of declared disasters."
 - "Maintains \$28 million in microloan financing and technical assistance to help serve, strengthen, and sustain the smallest of small businesses and startups."

- These all seem positive – though the SBA is a small source of financing for NAR’s members, it is still a source, and NAR has made steps to increase the visibility of the SBA by highlighting the agency at national conferences and events in the DC office. SBA loans are typically about the size of NAR’s commercial membership’s deals; the microloan category is even smaller, and can be used to help businesses expand. The SBA disaster loan program is not popular among NAR’s members that have dealt with it, but in the event that the NFIP is reduced, could fill in some of the gaps that are left. However, the SBA’s budget is still reduced by \$43.2 million – a 5% reduction from the current allocation.

Department of Treasury

- The budget “Empowers the Treasury Secretary, as Chairperson of the Financial Stability Oversight Council, to end taxpayer bailouts and foster economic growth by advancing financial regulatory reforms that promote market discipline and ensure the accountability of financial regulators.”
 - This is vague, but could implicate any number of financial regs (Dodd-Frank, Basel III, etc.) that impact real estate, as well as a number of agencies (the Federal Reserve, FDIC, OCC, SEC, etc.).

Environment and Energy Issues

- Environmental Protection Agency: The president's budget blueprint has proposed eliminating a broad swath of climate initiatives at EPA that reduce carbon emissions and other greenhouse gases. Funding would disappear for implementing the Clean Power Plan limiting emissions from the power sector, for voluntary programs like Energy Star that encourage industry efficiency, and for helping other nations address climate change through the Paris Agreement. The proposed cuts would limit climate change research, limit science education efforts, and reduce reporting for tracking climate change impacts on public health and a number of environmental factors. Changes to the funding for wildfire suppression remains an administration priority in the budget. It renews a proposal to change the Wildfire Management Program to provide more predictable funding sources, with 70 percent coming from discretionary spending, including \$290 million for the adjustment fund.
- Department of Interior: The Interior Department would receive \$11.6 billion under Trump's plan, a 12 percent cut from current spending levels. The budget increases funding for core energy development programs while supporting DOI's priority agency mission and trust responsibilities, including public safety, land conservation and revenue management. It reduces funds for lower priority activities, such as acquiring new lands and boosts energy development on public lands. The budget increases funding for Interior's efforts that "support environmentally responsible development of energy on public lands and offshore waters." Investment in the National Park Service's deferred maintenance projects would also see an increase.
- Department of Energy: Trump has requested \$28 billion for DOE, down \$1.7 billion — or 5.6 percent — from current spending levels. That includes an 11 percent increase for the National Nuclear Security Administration and cuts to other DOE programs deemed unnecessary by the new administration. The budget for DOE "emphasizes energy

technologies best positioned to enable American energy independence and domestic job-growth in the near to mid-term," the blueprint says. The budget would provide \$120 million to restart licensing activities for the Yucca Mountain nuclear waste repository and \$6.5 billion to advance nuclear waste cleanup efforts. The budget would eliminate DOE's Advanced Research Projects Agency-Energy (ARPA-E) office, the Title 17 Innovative Technology Loan Guarantee Program and renewable energy and building efficiency programs.

Federal Housing Issues

- HUD: The budget would cut \$6.2 billion from the U.S. Department of Housing and Urban Development; and proposes eliminating the Community Development Block Grant (CDBG) program, Choice Neighborhoods, HOME Investment Partnership program and Self-help Housing programs (SHOP). These programs provide resources for states and local communities to provide downpayment assistance, home renovation, rental assistance and development. The budget does make provisions to continue the FHA mortgage insurance program.

Flood Insurance Issues

- FEMA: The budget would
 - Eliminate \$190 million in federal funding for flood mapping which steers new development away from high-risk flood zones and reduces the amount of post-disaster financial assistance paid for by taxpayers. Lenders also use these maps to determine whether property is located in a flood zone where flood insurance is required for a federally related mortgage in more than 22,000 communities nationwide.
 - Cut \$667 million from mitigation grant programs, which enable states to elevate, buy out and move existing construction out of harm's way and reduce the future risk of flooding and other natural disasters. Instead, these states would have to find alternative funding sources to pay for the federal share of these programs.
 - Propose a new user fee for NFIP policyholders to "ensure the cost of Government services is not subsidized by taxpayers."

Health Insurance Issues

- Department of Health and Human Services: The Administrations' budget proposal requests \$69 billion for Health and Human Services (HHS) operations, with the goal of eliminating programs that are duplicative or have limited impact on public health and well-being. This is a 17.9 percent (\$15 billion) decrease from the 2017 budget level that cuts funding for programs like the National Institutes of Health (NIH), a premier medical research center, and health professions and nurse training programs. The requested funding level focuses only on discretionary spending, excluding certain mandatory spending programs like Medicare and Social Security. Additional funds are included for improving program integrity,

implementing recent legislation such as the 21st Century CURES Act, and creating a new federal emergency response fund to respond to public health emergencies like the Zika virus. The budget also includes a \$500 million increase to expand opioid abuse and treatment efforts.

Transportation Issues

- Department of Transportation: “Eliminates funding for the unauthorized TIGER discretionary grant program, which awards grants to projects that are generally eligible for funding under existing surface transportation formula programs, saving \$499 million from the 2017 annualized CR level. Further, DOT’s Nationally Significant Freight and Highway Projects grant program, authorized by the FAST Act of 2015, supports larger highway and multimodal freight projects with demonstrable national or regional benefits. This grant program is authorized at an annual average of \$900 million through 2020.”
 - NAR has spoken favorably about TIGER grants in the past; though I know it’s come up more recently than this (at least on staff-level discussion), in our Budget Brief for FY 2015 (from March 2014), we stated: “TIGER Grants (funded through HTF): permanently authorizes the “Transportation Investment Generating Economic Recovery” grant program. TIGER grants are competitively selected and are well regarded by state, local and Metropolitan Planning Organizations because the grants foster regional partnerships, spurs innovation, and creates jobs. To qualify for TIGER grants, transportation plans must include specific long-term outcomes and benefits.”