



**CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE**

January 9, 2001

**H.R. 5640
American Homeownership and Economic Opportunity Act of 2000**

*As cleared by the Congress on December 7, 2000, and
signed by the President on December 27, 2000*

SUMMARY

H.R. 5640 (enacted as Public Law 106-569) contains several provisions that will affect direct spending and revenues, including changes to the Department of Housing and Urban Development's (HUD's) manufactured housing program, HUD's section 236 housing program, and the Federal Reserve Board's earnings. In total, CBO estimates that the act will decrease direct spending by \$115 million and revenues by \$208 million over the 2001-2010 period.

ESTIMATED PAY-AS-YOU-GO COST

CBO's estimate of the impact of H.R. 5640 on direct spending and revenues is shown in Table 1. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year (which was 2001 when the act was signed into law) and the succeeding four years are counted. The costs of this legislation fall into budget functions 370 (commerce and housing credit) and 600 (income security).

TABLE 1. SUMMARY OF DIRECT SPENDING AND REVENUE EFFECTS OF H.R. 5640

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	-13	-8	-9	-10	-10	-11	-12	-13	-14	-15
Changes in receipts	-68	-13	-14	-14	-14	-15	-16	-17	-18	-19

BASIS OF ESTIMATE

CBO estimates that the act will decrease direct spending by \$13 million in 2001, \$50 million over the 2001-2005 period, and \$115 million over the 2001-2010 period. The estimated revenue losses for the comparable periods are \$68 million, \$123 million, and \$208 million. Three provisions account for these effects.

Manufactured Housing

Under previous law, HUD charged manufacturers fees for the cost of inspecting manufactured homes. The budget recorded the receipt of those fees as revenues, and they were spent by HUD without further appropriation action. CBO estimates that under previous law such spending and revenue would have averaged about \$20 million annually over the next 10 years. Title VI of H.R. 5640 makes any future federal spending associated with the regulation of manufactured housing subject to appropriation actions. But no amounts have been appropriated for this program to date, and without appropriations, the inspections and resulting fee collections will end. CBO estimates that this provision of H.R. 5640 will cause both revenues and direct spending to decline by \$196 million over the next 10 years (see Table 2).

Housing Assistance

Section 861 of H.R. 5640 allows the owners of uninsured section 236 housing projects to retain any excess income that they receive from tenants rather than returning those funds to HUD. (This is already allowed for insured properties.) The excess income results when 30 percent of a tenant's income is greater the base rent established by HUD. Based on data provided by HUD, CBO estimates that the owners will retain about one-half of the excess income for the properties affected, or about \$9 million annually. Because the HUD appropriations act for 2001 already provides owners this option for 2001, the costs for H.R. 5640 begin to accrue in 2002.

Federal Reserve Board

Title X of the act authorizes the Federal Reserve Board to acquire a new office building and to increase salaries of the Chairman and members of the Board of Governors. The federal budget does not include the operations of the Federal Reserve Board, but net earnings of the Board are transmitted to the Treasury and are recorded as budgetary receipts. Based on information provided by the Board, CBO estimates that the provision allowing the Federal

Reserve Board to have more than one building will reduce Treasury receipts by \$12 million over the 2001-2010 period, as shown in Table 2. CBO estimates that the purchase of the building will reduce receipts by \$55 million in 2001, but will increase receipts thereafter as the Board will save rental costs it would otherwise incur and lease excess space in the new building to other entities. The increase in salaries for the Chairman and members of the Board of Governors and the act's reporting requirements will have a negligible effect on the budget.

TABLE 2. DIRECT SPENDING AND REVENUE EFFECTS OF H.R. 5640 BY TITLE

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in Direct Spending										
Title VI, Manufactured Housing	-13	-17	-18	-19	-19	-20	-21	-22	-23	-24
Title VIII, Housing Assistance	<u>0</u>	<u>9</u>								
Total Direct Spending	-13	-8	-9	-10	-10	-11	-12	-13	-14	-15
Changes in Revenues										
Title VI, Manufactured Housing	-13	-17	-18	-19	-19	-20	-21	-22	-23	-24
Title X, Federal Reserve Board	<u>-55</u>	<u>4</u>	<u>4</u>	<u>5</u>						
Total Revenues	-68	-13	-14	-14	-14	-15	-16	-17	-18	-19

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