



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

October 17, 2007

**H.R. 2786  
Native American Housing Assistance and Self-Determination  
Reauthorization Act of 2007**

*As passed by the House of Representatives  
on September 6, 2007*

**SUMMARY**

H.R. 2786 would reauthorize the Native American and Native Hawaiian Block Grant programs and would authorize the appropriation of such sums as necessary for those programs for each of fiscal years 2008 through 2012. In addition, the act would reauthorize the loan program under Title VI of the Native American Housing Assistance and Self-Determination Act of 1996 for fiscal years 2008 through 2012, and authorize a new loan guarantee demonstration program to finance tribal community and economic development activities.

CBO estimates that implementing H.R. 2786 would cost about \$2.2 billion over the 2008-2012 period, assuming the appropriation of the necessary amounts. Enacting H.R. 2786 would not affect direct spending or revenues.

H.R. 2786 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA); any costs to state, local, and tribal governments would be incurred voluntarily.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 2786 is shown in the following table. The costs of this legislation fall within budget functions 450 (community and regional development) and 600 (income security).

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Native American Housing Block Grants					
Estimated Authorization Level	634	645	657	669	680
Estimated Outlays	231	362	459	541	616
Title VI Loan Guarantees					
Estimated Authorization Level	2	2	2	2	2
Estimated Outlays	2	2	2	2	2
Training and Technical Assistance					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Native Hawaiian Housing Block Grants					
Estimated Authorization Level	9	9	10	10	10
Estimated Outlays	1	3	5	7	9
Loan Guarantee Demonstration					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	0	1	1	1	1
Total Changes					
Estimated Authorization Level	647	658	671	683	694
Estimated Outlays	235	369	468	552	629

## **BASIS OF ESTIMATE**

CBO estimates that implementing H.R. 2786 would cost a little more than \$2.2 billion over the next five years, assuming the appropriation of the necessary funds. For this estimate, CBO assumes that H.R. 2786 will be enacted near the start of fiscal year 2008 and that appropriated funds will be spent at historical rates for the affected programs.

### **Native American Housing Block Grants**

Section 2 would authorize the appropriation of such sums as necessary for the Native American Housing Block Grant program from 2008 through 2012. The block grant program provides funding to tribes to acquire, construct, rehabilitate, or manage affordable housing

for Native American families with low incomes. In 2007, \$622 million was appropriated for this program. Assuming continued appropriations at that level and adjusting for anticipated inflation, CBO estimates that implementing this section would cost \$2.2 billion over the 2008-2012 period.

### **Title VI Loan Guarantees**

Section 6 would extend the authorization of the Title VI loan guarantee program through 2012. Such guarantees allow Native American Block Grant recipients to leverage their funding by pledging future grants as security for the repayment of a loan. A private lender provides the financing and the Department of Housing and Urban Development (HUD) provides a 95 percent guarantee of the principal and interest due in the case of a default. The size of the Title VI loans can be no larger than five times the grant recipient's annual grant amount. HUD estimates this program currently has a subsidy rate of about 12 percent. In 2007, the program received an appropriation for subsidy costs of \$2 million, which will support about \$17 million in loans. Assuming appropriation of similar amounts, CBO estimates that implementing this section would cost \$10 million for additional subsidy costs through 2012.

There have been few losses to date in the Title VI program; however, repayment of these loans have been funded by federal grants. As a result, the actual cost to the government is borne by the grant program. It is uncertain what the cost of these loans would be in the absence of the grant program, but it likely would be higher, perhaps substantially.

### **Training and Technical Assistance**

Section 7 would authorize the appropriation of such sums as necessary for the 2008-2012 period to fund a national organization that represents the housing interests of Native Americans to provide training and technical assistance to Indian housing authorities. Such assistance is intended to build the housing authorities' capacity to administer housing programs in accordance with federal regulations. In 2006, the most recent year in which funds were provided, \$1 million was appropriated to be used by the National American Indian Housing Council for these purposes. Assuming appropriation of similar amounts, CBO estimates that implementing this section would cost \$5 million through 2012.

## **Native Hawaiian Housing Block Grants**

Section 8 would authorize the appropriation of such sums as necessary for the Native Hawaiian Housing Block Grant program from 2008 through 2012. Program grants are used to develop, maintain, and operate affordable housing for low-income Native Hawaiian families through the Department of Hawaiian Home Lands. In 2007, \$9 million was appropriated for this program. Assuming continued appropriations at that level and adjusting for anticipated inflation, CBO estimates that implementing this section would cost about \$25 million through 2012.

## **Loan Guarantee Demonstration**

Section 9 would establish a pilot program within HUD to guarantee 95 percent of the value of loans or bonds issued by Indian tribes and other entities for certain economic development purposes. Eligible projects would include acquiring and rehabilitating improved or unimproved property, constructing and rehabilitating housing, and assisting private entities engaged in neighborhood revitalization, job-creation, and other economic development activities.

The bill would authorize the appropriation of such sums as necessary for the subsidy cost of guaranteeing up to \$200 million in borrowing per year (with no more than \$1 billion outstanding at any given time). CBO estimates this new loan guarantee program would have a 2 percent to 3 percent subsidy cost. That estimate is based on historical data for comparable HUD programs, such as the Indian and Native Hawaiian Housing Loan Guarantee programs and the Section 108 guarantee program. Those programs require borrowers to secure debt with local tax receipts or funds received from federal grant programs. Under H.R. 2786, each borrower would be charged a fee to fully offset the subsidy cost of its loan guarantee—resulting in no significant net cost to the federal government.

Based on expected demand and historical spending patterns of similar programs, CBO estimates that administering this new program would cost about \$4 million over the 2008-2012 period, subject to appropriation of the necessary amounts.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 2786 contains no intergovernmental or private-sector mandates as defined in UMRA. Grants authorized in the act would benefit the state of Hawaii and tribal governments that

participate in housing assistance programs. Any costs to those governments of complying with grant conditions would be incurred voluntarily.

### **PREVIOUS CBO ESTIMATE**

On June 29, 2007, CBO transmitted a cost estimate for H.R. 2786 as ordered reported by the House Committee on Financial Services on June 26, 2007. The two versions of the legislation are similar except that the House-passed version of the legislation includes a provision for a new loan guarantee demonstration program to finance tribal community and economic development activities. Because of that new provision, CBO's estimate of spending subject to appropriation for H.R. 2786 as passed by the House is \$4 million higher over the 2008-2012 period than estimated for the committee-approved version.

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