



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

June 11, 1999

**H.R. 629  
Community Development Financial Institutions Fund  
Amendments Act of 1999**

*As ordered reported by the House Committee on Banking and Financial Services  
on May 26, 1999*

**SUMMARY**

H.R. 629 would authorize annual appropriations for the Community Development Financial Institutions (CDFI) Fund for the next four fiscal years. Specifically, the bill would authorize \$95 million for 2000, \$100 million for 2001, \$105 million for 2002, and \$110 million for 2003. The fund would use these amounts to provide financial and other assistance to financial institutions that serve distressed communities under the CDFI program and to reimburse eligible states for loan guarantees they make under the Small Business Capital Enhancement (SBCE) Program.

The bill also would amend the Community Development Banking and Financial Institutions Act of 1994 and the Bank Enterprise Act of 1991 to:

- Clarify that the purposes of the CDFI fund can be met not only by investing in community development financial institutions but also by enhancing the liquidity of these institutions and by providing them with appropriate incentives;
- Codify the fund, a wholly owned government corporation, under the jurisdiction of the Department of the Treasury;
- Remove technical barriers that block the fund from administering the SBCE Program, which was established in the 1994 act but has not received any funding thus far; and
- Provide for new management controls on the fund, including a scoring system and an independent panel to evaluate applications for assistance as well as new reporting requirements.

The legislation would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on the budgets of state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

Assuming appropriation of the entire amounts authorized for each year, CBO estimates that the Department of the Treasury would spend about \$290 million through fiscal year 2004 to carry out the CDFI and SBCE programs. (The balance of \$120 million would be spent over the following four or five years.) The estimated budgetary impact of H.R. 629 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
CDFI Spending Under Current Law						
Budget Authority <sup>a</sup>	95	0	0	0	0	0
Estimated Outlays	54	56	44	34	16	8
Proposed Changes						
Authorization Level	0	95	100	105	110	0
Estimated Outlays	0	15	37	63	90	85
CDFI and SBCE Spending Under H.R. 629						
Authorization Level <sup>a</sup>	95	95	100	105	110	0
Estimated Outlays	54	71	81	97	106	93

a. The 1999 level is the amount appropriated for that year for the CDFI program.

## BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that the full amounts authorized will be appropriated for each fiscal year and that outlays will occur at the recent spending rates for the CDFI program. Other provisions of the bill, including those creating new management controls, would have no impact on the federal budget.

Amounts in the table include any appropriations of subsidy costs (as defined in section 502 of the Congressional Budget Act) that may be made for direct loans authorized by the Community Development Banking and Financial Institutions Act of 1994. CBO cannot specify how much of the bill's annual authorization levels would be used for such purposes because we cannot predict how the Department of the Treasury would choose to allocate annual CDFI funding among grants, direct loans, and other financial and technical assistance. This allocation could affect future outlay rates, but CBO estimates that any difference from past spending patterns would not be significant.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

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

H.R. 629 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on the budgets of state, local, or tribal governments.

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