



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 22, 1999

### **S. 225** **Native American Housing Assistance and Self-Determination** **Amendments of 1999**

*As ordered reported by the Senate Committee on Indian Affairs on June 30, 1999*

#### **SUMMARY**

S. 225 would expand housing assistance for Native Hawaiians by extending to them the same types of federal housing programs available to American Indians and Alaska Natives (AIANs). The bill would authorize appropriations for block grants for affordable housing activities and for loan guarantees for mortgages for owner- or renter- occupied housing.

CBO estimates that the authorizations in S. 225 would total \$222 million over the fiscal years 2000 through 2004, assuming adjustments for inflation, or \$210 million without such adjustments. We estimate that enactment of the bill would not affect direct spending and would have a negligible effect on receipts. Nevertheless, pay-as-you go procedures would apply.

S. 225 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs incurred by the state of Hawaii would be voluntary.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 225 is shown in Table 1. Assuming adjustments for inflation after 1999, CBO estimates that the bill would authorize appropriations of \$43 million in fiscal year 2000; authorizations would increase to \$46 million in 2004. Without adjustments for inflation, the estimated funding needs would be about \$42 million per year. Estimated outlays from those appropriations would total \$3 million in 2000, increasing to \$68 million in 2004 with adjustments for inflation and to \$64 million without adjustments for inflation.

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TABLE 1. ESTIMATED COST TO THE FEDERAL GOVERNMENT

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	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
<b>With Adjustments for Inflation</b>						
Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	626	703	716	0	0	0
Estimated Outlays	792	698	790	411	272	181
Proposed Changes						
Estimated Authorization Level	0	43	44	44	45	46
Estimated Outlays	0	3	16	26	68	68
Spending Under S. 225						
Estimated Authorization Level <sup>a</sup>	626	746	760	44	45	46
Estimated Outlays	792	701	807	437	340	249
<b>Without Adjustments for Inflation</b>						
Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	626	691	691	0	0	0
Estimated Outlays	792	693	775	406	269	178
Proposed Changes						
Estimated Authorization Level	0	42	42	42	42	42
Estimated Outlays	0	3	16	26	64	64
Spending Under S. 109						
Estimated Authorization Level <sup>a</sup>	626	733	733	42	42	42
Estimated Outlays	792	696	791	431	333	242

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a. The 1999 level is the amount appropriated for that year for all programs authorized under NAHASDA, including Title I Indian Housing Block Grants, Title VI Indian Loan Guarantees, and Title VII Indian Loan Guarantees. The levels in subsequent years are estimated authorization amounts for those programs. Those amounts reflect estimated credit subsidies to support the maximum loan guarantee levels authorized by NAHASDA for 2000 and 2001, which are substantially higher than the amounts appropriated for 1999.

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The costs of this legislation fall within budget functions 370 (commerce and housing credit) and 600 (income security).

## **BASIS OF ESTIMATE**

The bill stipulates that the provisions would take effect on October 1, 1999. CBO assumes that the authorized amounts would be fully funded each fiscal year.

### **Block Grants for Affordable Housing Activities**

Section 3 of S. 225 would add title VIII—Housing Assistance for Native Hawaiians—to the Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA). That title would make Native Hawaiians eligible for the types of block grants that are available under current law to American Indians and Alaska Natives and would authorize technical assistance in cases where administrative capacity is lacking. The block grants would be provided by the Department of Housing and Urban Development (HUD) to the Department of Hawaiian Home Lands, an agency of the government of the state of Hawaii. That agency would in turn distribute the grants by formula to the various areas of Hawaiian Home Lands eligible to receive funds. Activities eligible for funding would include the acquisition, development, and rehabilitation of affordable rental or owner-occupied housing, and the provision of housing services such as home ownership counseling, self-sufficiency counseling, housing management services, and crime prevention activities. The housing assistance would generally be limited to Native Hawaiian families who live on or near Hawaiian Home Lands and who have incomes not exceeding 80 percent of the area's median income, adjusted for family size. Under the bill's definition, Native Hawaiians are people with at least 50 percent Hawaiian ancestry—an estimated 69,000 persons at present.

S. 225 would authorize, for each of the fiscal years 2000 through 2004, the appropriations necessary to carry out the block grant program for Native Hawaiians, including funds for technical assistance. CBO estimates that the necessary funding, without adjustment for inflation, would be \$34 million a year. With adjustment for inflation, funding of \$35 million would be necessary for fiscal year 2000, increasing gradually to \$38 million in 2003 (see Table 2).

The estimated amounts are based on the assumption that appropriations for the Native Hawaiian block grants would be proportional to the amount that was appropriated for fiscal year 1999 under NAHASDA. The proportion was estimated so as to reflect the need for assistance to Native Hawaiians relative to the need for all tribes, with need defined by current regulations. Under current policy, a share of annual appropriations for block grants is first allocated to operate and maintain existing federally assisted Indian housing. Native Hawaiians would not qualify for this funding component because there is no federally

assisted housing on the Hawaiian Home Lands. The remaining funds are distributed among Indian tribes according to a need-based formula, which incorporates seven factors, including the number of persons in the tribe, the number of households with various types of housing problems, and the number of households in various income categories. The percentage of funds each tribe receives is adjusted further for the relationship between local housing development costs and the national average.

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TABLE 2. ESTIMATED AUTHORIZATIONS BY PROGRAM TYPE

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	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
<b>SPENDING SUBJECT TO APPROPRIATION</b>					
<b>With Adjustments for Inflation</b>					
Block Grants <sup>a</sup>					
Estimated Authorization Level	35	36	36	37	38
Estimated Outlays	1	7	15	60	60
Loan Guarantees					
Estimated Authorization Level	8	8	8	8	8
Estimated Outlays	2	9	11	8	8
Total					
Estimated Authorization Level	43	44	44	45	46
Estimated Outlays	3	16	26	68	68
<b>Without Adjustments for Inflation</b>					
Block Grants <sup>a</sup>					
Estimated Authorization Level	34	34	34	34	34
Estimated Outlays	1	7	15	56	56
Loan Guarantees					
Estimated Authorization Level	8	8	8	8	8
Estimated Outlays	2	9	11	8	8
Total					
Estimated Authorization Level	42	42	42	42	42
Estimated Outlays	3	16	26	64	64

a. Includes funds for technical assistance.

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Based on data provided by HUD, the Department of Hawaiian Home Lands, and a recent study by the Urban Institute on housing problems of Native Hawaiians, CBO estimates that in 1999 Native Hawaiians would have received 8.6 percent of the need-based component if they had been eligible for NAHASDA funding. In 1999, that component was about \$358 million of the \$608 million appropriated for block grants under NAHASDA. In order not to diminish funding for AIANS and to provide Native Hawaiians 8.6 percent of the funds, it would have been necessary to increase the 1999 need-based component by \$33.6 million.

In addition to authorizing funds for need-based block grants for Native Hawaiians, the bill would also make them eligible for technical assistance in cases where administrative capacity is lacking. In 1999, \$6 million of the total appropriation of \$620 million was set aside for that purpose. Using assumptions similar to those made for estimating the authorization level for block grants, CBO estimates that \$0.6 million would have been necessary for technical assistance for Native Hawaiians in fiscal year 1999. (Another \$6 million was set aside in the 1999 appropriation for title VI loan guarantees, but S. 225 would not authorize that component of NAHASDA for Native Hawaiians.)

In estimating the stream of outlays from the estimated budget authority each year, CBO assumed that the regulations to carry out this program would be similar to those that have been implemented to carry out current law. Under a negotiated rule, AIANS that have shown that they have the technical capacity to carry out NAHASDA's provisions are allowed to draw down 100 percent of the grants from the need-based component when the funds are first obligated. Based on experience with those advance drawdowns to date, CBO further assumed that such drawdowns by the Department of Hawaiian Homelands would not start until fiscal year 2003. Disbursement rates prior to that time were assumed to be similar to those for traditional assisted construction programs. As a result, estimated outlays in fiscal years 2003 and 2004 are relatively high because they include the spending of all of the budget authority authorized for those years as well as outlays from authorizations in prior years.

## **Loan Guarantees**

Section 4 of S. 225 would establish a loan guarantee program for Native Hawaiian housing similar to the current Indian Housing Loan Guarantee program authorized under section 184 of the Housing and Community Development Act of 1992 as amended by title VII of NAHASDA. HUD would be authorized to guarantee up to \$100 million of loans each fiscal year over the 2000-2004 period. CBO assumes that the 2000 subsidy rate for such loan guarantees would be similar to that under the existing program—about 8.1 percent. CBO

estimates that such a program would require an appropriation of about \$8 million in fiscal year 2000 and total appropriations of about \$40 million over the next five years (see Table 2).

Section 4 also would provide for civil penalties against lenders or holders of a guarantee certificate who have intentionally failed to meet certain requirements. Payments of such penalties would be recorded as miscellaneous receipts to the Treasury. CBO expects that any increase in penalty collections would be insignificant.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Because the civil penalties that would be imposed by section 4 of the bill would constitute receipts, pay-as-you-go procedures would apply. However, CBO estimates that the amount of receipts collected would be insignificant.

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

S. 225 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would provide funds to the state of Hawaii for housing assistance grants; any costs to the state would be incurred as a condition of receiving those grants.

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