



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

October 24, 2007

**S. 2062
Native American Housing Assistance and Self-Determination
Reauthorization Act of 2007**

*As ordered reported by the Senate Committee on Indian Affairs
on September 27, 2007*

SUMMARY

S. 2062 would reauthorize the Native American Block Grant program and would authorize the appropriation of such sums as are necessary for that program for each of fiscal years 2008 through 2012. In addition, the bill 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 S. 2062 would cost about \$2.2 billion over the 2008-2012 period, assuming the appropriation of the necessary amounts.

The Joint Committee on Taxation (JCT) estimates that enacting S. 2062 would reduce revenues by \$1 million over the 2008-2012 period and by \$6 million over the next 10 years by changing how Native American Block Grant funds are treated when awarding Low Income Housing Credits. In addition, CBO estimates that the bill would increase direct spending by less than \$500,000 per year by allowing the Treasury Forfeiture Fund to be used to make payments to Indian tribes to cover costs to clean up areas used as methamphetamine laboratories.

S. 2062 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2062 is shown in Table 1. The costs of this legislation fall within budget functions 450 (community and regional development) and 600 (income security).

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2062 will be enacted by the end of calendar year 2007, that the amounts necessary to implement the bill will be appropriated for each year, and that outlays will follow historical patterns. Components of the estimated costs are described below.

Spending Subject to Appropriation

In total, CBO estimates that S. 2062 would authorize the appropriation of \$639 million in 2008 and \$3.3 billion over the 2008-2012 period. Appropriation of those amounts would result in estimated outlays of \$2.2 billion over the next five years.

Native American Housing Block Grants. Section 801 would authorize the appropriation of such sums as are 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 funding at that level after 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 801 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.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 2062

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION^a					
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
Loan Guarantee Demonstration					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	0	1	1	1	1
Study of Need					
Estimated Authorization Level	1	0	0	0	0
Estimated Outlays	1	0	0	0	0
Total Changes					
Estimated Authorization Level	639	649	661	673	684
Estimated Outlays	235	366	463	545	620

a. Enacting the bill also would affect revenues and direct spending. According to the Joint Committee on Taxation, revenues would decline by \$1 million over the 2008-2012 period and \$6 million over the 2008-2017 period as shown in Table 2. Direct spending would increase under the bill by less than \$500,000 each year over the 10-year period.

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 701 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.

Loan Guarantee Demonstration. Title VI of the bill 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 are 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.

Study of Need Data. Section 301 would require the HUD to enter into contract for an assessment of data sources that could be used to assist in the allocation of grant funding to Native American tribes and authorize the appropriation of such sums as are necessary for that purpose. Based on information provided by HUD and assuming the availability of appropriated funds, CBO estimates that implementing this provision would cost \$1 million in 2008.

Revenues

Section 205 would not allow rental assistance provided through the Native American Block Grant program to be considered as federal funds for purposes of the Low Income Housing Credit under section 42 of the Internal Revenue Code of 1986. By not counting rental assistance as federal funds, housing entities would be eligible to receive larger tax credits.

The JCT estimates that revenue would decline by \$1 million over the 2008-2012 period and by \$6 million over the 2008-2017 period as shown in Table 2.

TABLE 2. ESTIMATED CHANGES IN REVENUES UNDER S. 2062

	By Fiscal Year, in Millions of Dollars											2008-	2008-	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2012	2017		
CHANGES IN REVENUES														
Estimated Revenues	*	*	*	*	*	*	-1	-1	-1	-1	-1	-1	-6	

Note: * = revenue loss between 0 and -\$500,000.

Direct Spending

S. 2062 would permit the Secretary of Treasury to use the Treasury Forfeiture Fund to make payments to Indian tribes to cover costs to clean up areas used as methamphetamine laboratories. Because only a small number of sites on Indian reservations have been cleaned, CBO estimates that this provision would cost less than \$500,000 annually.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2062 contains no intergovernmental or private-sector mandates as defined in UMRA. Grants authorized in the bill would benefit tribal governments that participate in housing assistance programs. Any costs to those governments of complying with grant conditions would be incurred voluntarily.

PREVIOUS CBO ESTIMATES

On October 17, 2007, CBO transmitted a cost estimate for H.R. 2786, the Native American Housing Assistance and Self-Determination Reauthorization Act of 2007, as passed by the House of Representatives on September 6, 2007. S. 2062 is similar to the House-passed bill except that S. 2062 would not reauthorize the Native Hawaiian Block Grant program and would authorize appropriations for a data collection study. CBO's estimate of spending subject to appropriation for S. 2062 is \$23 million less than estimated for H.R. 2786 over the

2008-2012 period. In addition, H.R. 2786 would not affect direct spending or revenues. However, JCT estimates that S. 2062 would reduce revenues by \$1 million over the 2008-2012 period and by \$6 million over the next 10 years and CBO estimates that it would increase direct spending by less than \$500,000 per year.

On September 6, 2007, CBO transmitted a cost estimate for H.R. 3002, the Native American Economic Development and Infrastructure for Housing Act of 2007, as ordered reported by the House Committee on Financial Services on July 26, 2007. H.R. 3002 would establish a pilot program to guarantee loans or bonds issued by Indian tribes for certain economic development purposes. Title VI of S. 2062 is similar to H.R. 3002 and the estimated costs are identical.

ESTIMATE PREPARED BY:

Federal Spending: Chad Chirico, Daniel Hoople and Mark Grabowicz
Federal Revenues: Thomas Holtmann, Joint Committee on Taxation
Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Keisuke Nakagawa

ESTIMATE APPROVED BY:

Peter H. Fontaine
Assistant Director for Budget Analysis