



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 6, 2007

### **H.R. 3002** **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 within the Department of Housing and Urban Development (HUD) to guarantee loans or bonds issued by Indian tribes and other entities for certain economic development purposes. Under the bill, participating tribes and housing entities would be charged fees in the amount necessary to cover the full subsidy cost of the program. Based on the expected demand and historical spending patterns of similar guarantee programs, CBO estimates that implementing this legislation would cost about \$4 million over the 2008-2012 period for administrative expenses. Enacting H.R. 3002 would not affect direct spending or revenues.

H.R. 3002 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments. The bill would benefit tribal governments that receive federal loan guarantees to develop housing. Any costs to those tribes would be incurred voluntarily as a condition of receiving federal assistance.

The legislation would direct the Secretary of HUD to establish a five-year pilot program to guarantee 95 percent of the value of loans and bonds issued by federally recognized Indian tribes and certain housing entities for economic development projects. 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.

H.R. 3002 would authorize the appropriation of whatever amounts are necessary for the subsidy cost to guarantee 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 the bill, 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.

The CBO staff contact for this estimate is Daniel Hoople. This estimate was approved by Theresa Gullo, Chief, State and Local Government Cost Unit, Budget Analysis Division.