

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
2019 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE AMERICAN HOUSING BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2017 Appropriation	\$654,000	\$44,872 ^a	...	\$698,872	\$647,987	\$620,201
2018 Annualized CR	654,000	50,658	-\$4,441 ^b	700,217	648,000	627,381
2019 Request	<u>600,000</u>	<u>50,211</u>	...	<u>650,211</u>	<u>606,211</u>	<u>533,274</u>
Change from 2018	-54,000	-447	+4,441	-50,006	-41,789	-94,107

NOTE: The table above reflects only discretionary budget authority; mandatory authority for upward credit re-estimates is excluded.

a/ This number includes \$28.1 million of funds recaptured from prior year obligations in fiscal year 2017.

b/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Program Purpose and Fiscal Year 2019 Budget Overview

In fiscal year 2019, the President’s Budget requests \$600 million for Native American Housing Block Grants, \$50 million less than the fiscal year 2018 Annualized CR level.

The two programs established by the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA, 25 U.S.C. 4101 *et seq.*) are the Indian Housing Block Grant (IHBG), also known as the Native American Housing Block Grant (NAHBG) program, and the Federal Guarantees for Financing Tribal Housing Activities program, also known as the Title VI Loan Guarantee program.

The programs support Indian tribes and tribally designated housing entities in their efforts to develop, maintain, and operate affordable housing in safe and healthy environments, on Indian reservations and in other Indian areas, for occupancy by low-income Indian families. The Department provides assistance in a manner that recognizes the right of Indian self-determination and tribal self-governance by making grant funds available directly to the Indian tribes or their tribally designated housing entities. This approach has developed successful partnerships among local, State, Federal, and tribal governments, as well as with private and

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non-profit entities. Streamlined rules and regulations allow for ease of administration, more local control and program flexibility—without government involvement in day-to-day activities. Key outcomes of the IHBG program are the following:

- Maintaining of the quantity of affordable homes in Indian Country;
- Improving housing conditions by reducing the number of substandard homes found in many Native American communities; and
- Enabling more private-market investment in Indian Country through the Title VI Loan Guarantee program.

2. Request

The request includes \$598 million for the IHBG program, which was established by Title I of NAHASDA, and is the principal means by which the United States fulfills its trust obligations to low-income American Indian and Alaska Natives by providing them safe, decent, and sanitary housing. Approximately 364 recipients, representing more than 567 tribal entities in 35 states, receive annual grants. Beneficiaries must be primarily low-income American Indians or Alaska Natives. *Housing Needs of American Indians and Alaska Natives in Tribal Areas*¹, published by HUD in January 2017, reported the results of a comprehensive, national study of housing needs in Indian Country. The study found that the physical housing problems for Indian households in tribal areas are much more severe than for U.S. households on average. It documented the immediate need, as of 2015, for 68,000 units of new, affordable housing in Indian Country to replace substandard or overcrowded units. Consistent with the study's recommendation, the Department is using its technical assistance to help tribes enhance their development efforts and to better leverage the assistance they receive through the dissemination of successful tribal strategies that meet the urgent housing needs of tribal communities.

The request includes \$2 million for the Tribal Housing Activities Loan Guarantee program, which was established by Title VI of NAHASDA. Recipients can leverage their block grant funds by using the Title VI loan guarantee program, which encourages private lenders to finance tribal housing development activities. Goals for both programs are to increase homeownership opportunities; support safe, decent, and affordable rental housing; strengthen Native American communities; and ensure high standards of ethics, management, accountability, and fiscal integrity in the management of the program, while observing the policies and principles of tribal self-determination.

¹ See: <https://www.huduser.gov/portal/publications/HNAIHousingNeeds.html> for complete results.

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3. Justification

The IHBG program is the single largest source of funding for housing on Indian tribal lands, where safe, decent, affordable housing is desperately needed. IHBG funds can be leveraged and used as a catalyst for community and economic development. The program substantially contributes to stabilizing communities and building healthy economies within American Indian and Alaska Native communities, many of which are in rural areas.

Grant awards are distributed annually, by formula, to eligible American Indian or Alaska Native tribes, or their tribally designated housing entities, to provide a range of affordable housing activities that primarily benefit low-income Indian families living on Indian reservations or in other Indian areas. During the last decade, individual grants have ranged in size from about \$50,000 to about \$94 million, with a median grant of about \$269,000. Flexibility inherent in this program enables tribes to design, develop, and operate their own affordable housing programs based on local needs and customs; HUD monitors grantees to ensure compliance with applicable statutes and regulations. Eligible affordable housing activities are listed in Section 202 of NAHASDA, and include:

- The provision of modernization or operating assistance for housing previously developed or operated with HUD funds;
- The acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing;
- Property acquisition, site improvement, and the development of infrastructure;
- The provision of housing services, such as housing counseling and self-sufficiency activities;
- Loan processing, inspections, and tenant selection;
- The provision of safety, security, and law enforcement measures to protect residents of affordable housing from crime; and
- Model activities (approved by the Secretary).

The grant distribution formula, developed in consultation with tribes under statutorily mandated Negotiated Rulemaking, is based on need and the number of existing housing units that were funded under the U.S. Housing Act of 1937 (before NAHASDA was enacted). Need is calculated using several weighted factors, such as the local population's income levels, the condition of existing housing, and the level of local housing costs. In November 2016, the Department published a Final Rule that marked the completion of three years of work by the negotiated rulemaking committee charged with developing regulatory changes to the funding formula of the IHBG program². Starting in fiscal year 2018, the formula data are drawn from the United States Decennial Census and the American Community Survey, with adjustments to spread the impact on individual grantees' yearly funding levels over a number of

² FR-5650-F-14 Native American Housing Assistance and Self-Determination Act; Revisions to the Indian Housing Block Grant Program Formula.

<https://www.regulations.gov/document?D=HUD-2016-0054-0017>

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years. Other changes included administrative changes to the demolition language and conveyance requirements, and an increase to the minimum grant amount.

The results of the comprehensive national study on housing needs in Indian Country, as previously stated, show that housing problems of American Indians and Alaska Natives on reservations and other tribal areas are extremely severe. For example, physical deficiencies in plumbing, kitchen, heating, electrical, and maintenance issues were found in 23 percent of households in tribal areas, compared to 5 percent of all U.S. households. The study estimated that between 42,000 and 85,000 Native Americans are "doubled up," i.e., living with family or friends because they have no place else to stay and would otherwise be staying in a homeless shelter or a place not meant for human habitation or living on the streets. In tribal areas homelessness often translates into overcrowding, and 68,000 units of new affordable housing are needed to replace substandard or overcrowded units. With few exceptions, American Indian and Alaska Native communities rank below other groups when comparing statistical indicators of social and economic well-being. For example, during the 2006-2010 Census period, the poverty rate for American Indians and Alaska Natives in tribal areas was 32 percent, compared to the 18 percent national rate for non-Indians. For these reasons, the federal investment in the IHBG program is critical, as is the dissemination of leveraging and other affordable housing development strategies that work in tribal areas.

The study also found that, under NAHASDA, Indian tribes have matched or exceeded the previous rate of assisted housing production that was accomplished under prior HUD programs (before 1998). Tribal leaders and administrators that were interviewed for the study almost uniformly prefer operations under NAHASDA to the system that existed before. The tenets of the tribal self-determination policy, as embodied in the block grant program, give tribes greater flexibility to determine what types of products and services they offer, how they will deliver programs and projects, and whom they serve (although with certain specified exceptions, they are still required to serve low-income Indian families). This approach has worked well in Indian Country, where geographies, climates, customs, resources, and economic conditions vary widely. Researchers also found ample evidence of partnerships among tribes and other community stakeholders, not only to leverage funds, but also to provide homebuyer education, teach home maintenance, improve home energy efficiency, and provide training and employment in the building trades.

Recipients of IHBG funds are required to prepare and submit to HUD, an annual Indian Housing Plan that spells out how they intend to use the funds they receive under their IHBG in the coming year. The Plan must describe the recipient's existing housing stock, assess housing needs, and detail how resources will be expended. Recipients must also prepare and submit an Annual Performance Report, which covers the amount of funds spent and quantifies what the recipient has accomplished the program year. Monitoring is accomplished through processes designed to respect tribal sovereignty and self-governance. Using a risk-based approach, HUD monitors recipients and works with them to correct or remedy any noncompliance that is found. In addition to amounts enacted in

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this account in prior years, technical assistance and training will be provided in fiscal year 2019 through the Department's Research and Technology account.

As part of its responsibility to provide public accountability, HUD's Office of Native American Programs developed performance indicators, short-term and long-term goals, and a performance tracking database. The information in the database helps ONAP's managers evaluate the program's performance and plan activities. The database has evolved and expanded over the last decade, and is also used to process day-to-day grant management and monitoring activities. Primary outputs tracked for the Indian Housing Block Grant program are the number of affordable housing units built, acquired, or rehabilitated. Also tracked are the dollar amounts of program funds expended on the various eligible housing activities. A good indicator of an efficient administration is that the annual planning and administrative expenses are generally less than 15 percent of total expenditures, far below the maximum allowed.

HUD's database showed that, in fiscal year 2017, 846 affordable housing units were built or acquired using IHBG funds, and 4,536 units were substantially rehabilitated. In addition, tribes operated, maintained, and renovated about 42,000 units of 1937 Act housing. Since the program's first year of funding in 1998, through fiscal year 2017, recipients built or acquired more than 39,300 units of affordable housing, and rehabilitated about 87,700 units. These indicators represent some of the most important and consistent uses of program funds, but they do not reflect the entire scope of program activity. For example, since 2013, tribes have used IHBG funds to purchase more than 1,300 acres of land to develop affordable housing, and have provided down payment or closing cost assistance to 3,850 families.

Also funded under this account is the Tribal Housing Activities Loan guarantee program, also known as the Title VI Loan Guarantee Program, which promotes homeownership opportunities through a public-private partnership. This request includes \$2 million to be set aside as a credit subsidy to support loan guarantee authority of \$17.76 million, based on a subsidy rate of 11.26 percent. Under the Title VI program, HUD guarantees 95 percent of principal and interest on loans made by private lenders to recipients of Indian Housing Block Grant funds. Borrowers pledge a portion of their current and future grant funds as security. The guarantee has proven to be an incentive for lenders to partner with tribes in the development of tribal housing. From the inception of the Title VI Loan Guarantee program in 2000 through September 30, 2017, a total of 100 loans have been guaranteed, for 243 million. Approximately 3,276 affordable units are associated with these loans. Title VI projects typically span several years, and include infrastructure development.

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General Provisions

The President's Budget proposes the following General Provisions for the Native American Housing Block Grants account:

- Clarification of Authority Regarding Unexpended Indian Housing Block Grant Funds. This proposal clarifies HUD's authority to address unexpended Indian Housing Block Grant (IHBG) funds. The language makes clear that regardless of the ability of IHBG recipients to accumulate grant funds for future use, HUD can still find that a recipient has failed to carry out eligible activities and expend grant funds in a timely manner. (Sec. 242)
- Safeguarding IHBG Funds. This proposal would revise the Indian Housing Block Grant (IHBG) hearing process for suspected misappropriations of IHBG grant funds to allow HUD to commence – rather than complete - hearing procedures in 60 days and be able to suspend funds until the hearing is completed. (Sec. 243)
- Clarification of Authority regarding Misallocated Indian Housing Block Grant Funds. This proposal clarifies HUD's authority to recapture misallocated HUD funds. Funding allocations are in part based on self-reported, and sometimes incorrect, information from recipients, which can lead to a recipient receiving more Indian Housing Block Grant (IHBG) funding than it should have according to the allocation formula. This proposal makes clear that HUD has the authority to require the IHBG grantee to pay the excess funds back to agency, and allow HUD to recapture the funding by offsetting the excess funds against past, current, or future grants if a grantee cannot or refuses to repay the excess funds. (Sec. 244)
- Technical Edit to NAHASDA. This language is a necessary technical correction to an outdated cross reference in the Native American Housing Assistance and Self-Determination Act (NAHASDA). Section 103(c) (3) of NAHASDA contains a reference to section 102(c)(5) of NAHASDA but that citation was deleted in the 2008 Reauthorization of NAHASDA. The reference should be section 102(b)(2)(D). (Sec. 245)

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Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2017 Budget Authority</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2017 Obligations</u>	<u>2018 Annualized CR</u>	<u>2017 Carryover Into 2018</u>	<u>2018 Total Resources</u>	<u>2019 Request</u>
Formula Grants	\$645,000	\$42,949	\$687,949	\$645,987	\$640,620	\$41,735	\$682,355	\$598,000
Loan Guarantee - Title VI (Credit Subsidy) ..	2,000	900	2,900	1,067	1,987	1,833	3,820	2,000
Technical Assistance ..	3,500	280	3,780	190	3,476	3,590	7,066	...
National or Regional Organization	<u>3,500</u>	<u>743</u>	<u>4,243</u>	<u>743</u>	<u>3,476</u>	<u>3,500</u>	<u>6,976</u>	<u>...</u>
Total	654,000	44,872	698,872	647,987	649,559	50,658	700,217	600,000

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**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Appropriations Language**

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For the Native American Housing Block Grants program, as authorized under title I of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) (25 U.S.C. 4111 et seq.), \$600,000,000, to remain available until September 30, 2023: Provided, That, notwithstanding NAHASDA, to determine the amount of the allocation under title I of such Act for each Indian tribe, the Secretary shall apply the formula under section 302 of such Act with the need component based on single-race census data and with the need component based on multi-race census data, and the amount of the allocation for each Indian tribe shall be the greater of the two resulting allocation amounts: Provided further, That of the amount provided under this heading, \$2,000,000 shall be made available for the cost of guaranteed notes and other obligations, as authorized by title VI of NAHASDA: Provided further, That such costs, including the costs of modifying such notes and other obligations, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: Provided further, That these funds are available to subsidize the total principal amount of any notes and other obligations, any part of which is to be guaranteed, not to exceed \$17,761,989.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.