

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
2017 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>
2015 Appropriation	\$650,000	\$42,096	...	\$692,096 ^a	\$652,676	\$729,305
2016 Appropriation	650,000	39,420	-\$6,000	683,420 ^b	655,288	724,152
2017 Request	<u>700,000</u>	<u>28,132</u>	...	<u>728,132^c</u>	<u>701,607</u>	<u>728,327</u>
Program Improvements/Offsets	+50,000	-11,288	+6,000	+44,712	+46,319	+4,175

a/ Includes \$13.2 million in recaptures realized in fiscal year 2015.

b/ Total resources, obligations and outlays exclude permanent indefinite authority of \$4 million for guaranteed loan upward re-estimates, and a rescission of Title VI funds in accordance with P.L. 114-113.

c/ Includes an Research and Technology (R&T) transfer of \$3.5 million.

1. What is this request?

The Department requests \$700 million for the two programs authorized by the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), which 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 fiscal year 2017 funding request of \$700 million is \$50 million more than the fiscal year 2016 enacted level. The Department requests an increase due to the overwhelming need for adequate, decent housing in Indian Country, and to support the President’s Native Youth priorities. IHBG housing assistance mitigates the effects of overcrowding, homelessness, and unhealthy, unsafe homes, thereby improving the lives of Native youth.

Key outcomes of the IHBG program are:

- an increase in quantity, quality, and energy efficiency of affordable homes in Indian Country;
- a decrease in the severely overcrowded and substandard living conditions experienced by many Native American communities;
- a greater private-market investment in Indian Country through the Title VI program;

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- an improved quality of life and greater self-sufficiency for Native American families; and
- a positive impact on the social and emotional well-being, an increase in opportunity, and a decrease in social trauma for Native American youth.

Legislative Proposals (Please see Section 5 for more details):

- Clarification of Authority Regarding Unexpended Indian Housing Block Grant Funds
- Safeguarding of IHBG Funds
- Clarification of Authority regarding Misallocated Indian Housing Block Grant Funds
- Technical Edit to NAHASDA

2. What is this program?

The Indian Housing Block Grant (IHBG) program and the Federal Guarantees for Financing Tribal Housing Activities program are two programs authorized by NAHASDA, which was reauthorized in 2008 through fiscal year 2013 (P.L. 110-411). Regulations are at 24 CFR Part 1000. The IHBG program is the principal means by which the United States fulfills its trust obligations to low-income American Indian and Alaska Natives to provide safe, decent, and sanitary housing. IHBGs are the main source of funding for housing assistance in Indian Country. IHBG is an annual formula grant program that provides housing and housing-related assistance to low-income American Indians and Alaska Natives who live on Indian reservations or in other traditional Indian areas. The actual grant recipients are eligible tribal governmental entities or their designated housing entities, which deliver housing assistance to families in need.

Title VI of NAHASDA, "Federal Guarantees for Financing Tribal Housing Activities," established a loan guarantee program for IHBG recipients. Regulations are at 24 CFR Part 1000, Subpart E. The program guarantees repayment of 95 percent of unpaid principal and interest due on obligations. These guaranteed loans are for the IHBG recipients (Indian tribes and their tribally designated housing entities) that are in need of additional funds to engage in eligible affordable housing activities. Recipients can use the program to leverage their federal grant funds, by pledging future IHBGs to HUD for a guarantee on notes and other obligations. Title VI projects frequently include some infrastructure development and take several years to complete.

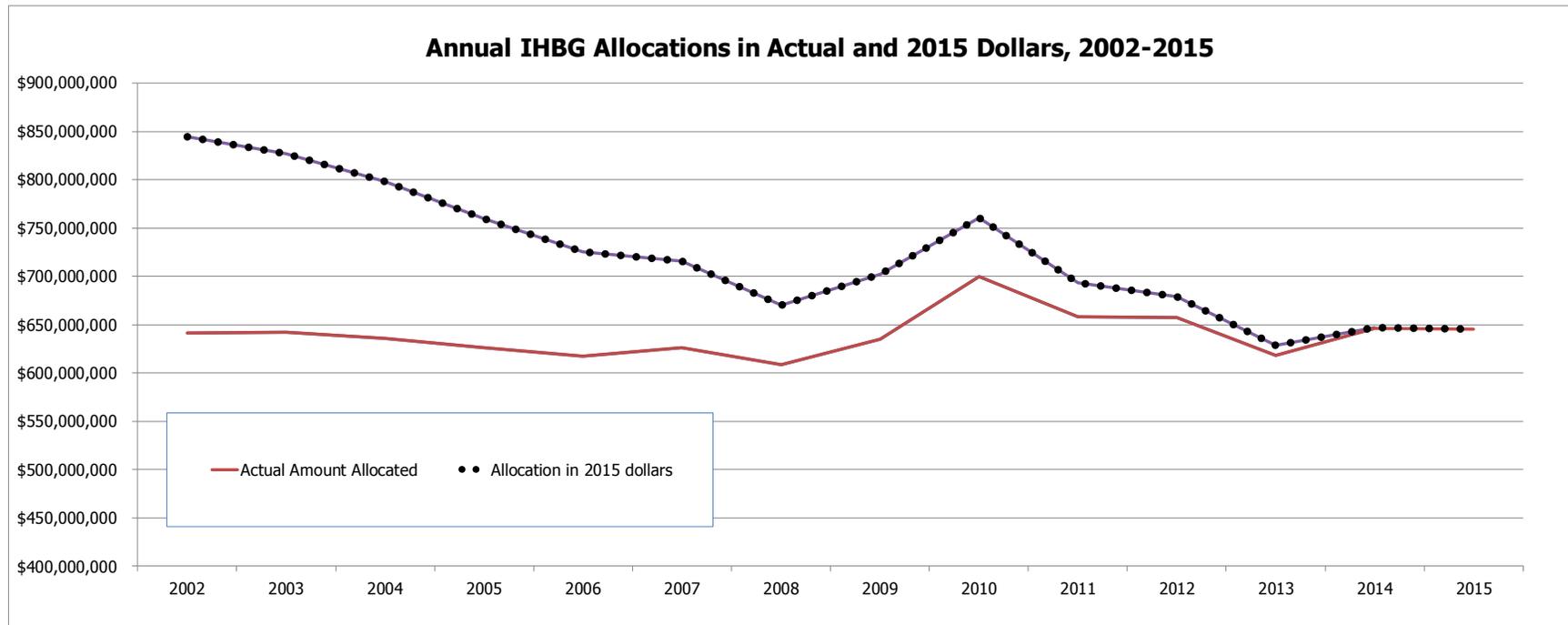
3. Why is this program necessary and what will we get for the funds?

The lack of housing and infrastructure in Indian Country is severe and widespread, and far exceeds the funding currently provided to tribes. Access to financing and credit to develop affordable housing in Indian Country is traditionally difficult to obtain.

The IHBG formula shows, in the last 12 years (2003-2015):

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- the number of low-income families in the IHBG formula areas grew by 41 percent, from 224,461 families, to 317,042 families;
- the number of overcrowded households, or households without adequate kitchens or plumbing, grew by 21 percent, from 91,032 households to 109,811 households; and
- the number of families with severe housing costs grew by 55 percent, from 42,401 families, to 65,667 families.



American Indian and Alaska Native people living in tribal areas in 2006-2010 had a poverty rate and an unemployment rate that were at least twice as high as non-Indians nationally. Compared with the national average, American Indian and Alaska Native households in large tribal areas were more than three times as likely to live in housing that was overcrowded and more than 11 times more likely to live in housing that did not have adequate plumbing facilities. In selected American Indian counties in

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Arizona-New Mexico, there was a 16 percent overcrowding rate; in that same area, almost 10 percent of Indian households had incomplete plumbing, and about 9 percent lacked complete kitchen facilities. In selected Alaska Native counties, there was a 22 percent overcrowding rate; in that same area, 18 percent lacked complete plumbing, and 15 percent lacked complete kitchens (source: *Continuity and Change: Demographic, Socioeconomic, and Housing Conditions of American Indians and Alaska Natives*, published by PD&R (HUD), January 2014).

Overcrowding has negative effects on a family's health, especially children's health, and tends to exacerbate domestic violence, truancy, and poor performance in school. Homes suffer more wear and tear when they are overcrowded, and the over use of appliances coupled with poor ventilation can lead to conditions that promote mold growth.

Over the last several years, there have been numerous studies conducted on the extent of housing needs in Indian Country, and they all concluded that Indian communities are in critical need of improved housing conditions, which IHBG and Title VI provide. Technical assistance and training are needed in most Indian communities for many reasons, including the complexity of financing when trust land is involved, and issues related to sparse, low-income populations, remote locations, and intergovernmental considerations.

With this funding, the following accomplishments are expected:

- HUD will distribute \$698 million in block grant funds to approximately 369 recipients, from among 567 tribes in 34 States.
- HUD estimates that this level of funding would allow IHBG recipients to build, acquire, or substantially rehabilitate 5,065 affordable units in fiscal year 2017. Recipients will also operate and maintain approximately 40,000 older affordable units, which were funded by programs authorized under the United States Housing Act of 1937 (before NAHASDA was enacted). Some recipients will offer other types of housing assistance, such as rent subsidies. The wide range of eligible IHBG-funded activities is described in the next section of this document. Because grant recipients must spend more of their grant each year on operating and maintaining their current, aging stock of homes, new development has become less feasible, and has declined each fiscal year since 2011.
- The \$2 million in requested credit subsidy for the Title VI loan guarantee program can support up to \$17.9 million in loans. IHBG recipients may use this program to borrow from private lenders up to five times the amount of the "need portion" of their annual IHBG award to fund larger, longer term housing developments. (Part of the annual grant is based on need, and part is based on the amount of stock in a recipient's inventory that was funded under the U.S. Housing Act of 1937.) About five loans each year are guaranteed, but the size of the projects, and the loans, vary widely from tribe to tribe.

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Presidential Initiatives and Interagency Partnerships: President Obama, through the Office of Management and Budget, directed federal agencies to focus resources on programs that support American Indian and Alaska Native tribes' efforts to help Native youth reach their potential. Agencies committed to working on issues of poverty, health, educational inequality, and student opportunities, are all participants in the Administration's holistic approach to achieve the following discrete outcome goals: Improve Educational Outcomes and Life Outcomes for Native Youth; Increase Access to Quality Teacher Housing in Indian Areas; and Reduce Teen Suicide in Indian Communities. It is undisputed that an adequate supply of decent, safe, affordable housing is one of the foundations of stable families and communities, and there is a direct link between the immediate effects of this program, and the positive, long-term goals that the President has identified. Without additional funding for IHBG, current services will continue to erode, and recipients will find it difficult or impossible to invest in new initiatives that support youth development.

President Obama also established the interagency White House Council on Native American Affairs in 2013. The Council includes more than 30 federal departments and agencies, and coordinates the Administration's engagement with tribal governments. Its focus is on five priorities: 1) promoting sustainable economic development; 2) supporting greater access to and control over healthcare; 3) improving the effectiveness and efficiency of tribal justice systems; 4) expanding and improving educational opportunities for Native American youth; and 5) protecting and supporting the sustainable management of Native lands, environments, and natural resources.

As part of the President's commitment to Native Americans, HUD's Office of Native American Programs frequently collaborates with other federal agencies as well as state, local, non-profit, and for-profit entities that serve Indian Country, especially the Bureau of Indian Affairs (BIA), the Indian Health Service (IHS), the Departments of Agriculture (USDA) and Energy (DOE), the Federal Emergency Management Agency (FEMA), and the Environmental Protection Agency (EPA).

4. How do we know this program works?

IHBG recipients have the flexibility to design and implement appropriate, place-based housing programs, according to local needs and customs. This fundamental provision of IHBG has proved to be extremely effective in Indian Country, where local conditions, needs, and cultures vary widely. Local control has empowered Indian community planners to strategically consider long-term housing development that makes sense for their particular circumstances, taking into consideration climate, geography, and their population's needs and preferences. IHBG recipients also have the flexibility to leverage their federal dollars to access other sources of funds, which spurs further community and economic development.

Performance History and Projections

The following chart illustrates the number of affordable housing units built, acquired and rehabilitated since 2007:

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Fiscal Year	# Units Built or Acquired	Units Rehabilitated	Total Units
FY 2017 (estimate)	865	4,200	5,065
FY 2016 (estimate)	865	4,200	5,065
FY 2015 (actual)	765	4,249	5,014
FY 2014	1,238	4,291	5,529
FY 2013	1,566	4,499	6,065
FY 2012	2,423	4,648	7,071
FY 2011	2,679	5,537	8,216
FY 2010	2,100	3,485	5,585
FY 2009	2,678	4,942	7,620
FY 2008	2,453	3,859	6,312
FY 2007	2,426	3,974	6,400

*data as of November 23, 2015

HUD estimates that, over the life of the IHBG program, (funding years 1998-2015), recipients have developed more than 37,700 affordable units, and rehabilitated almost 77,000.

For the Title VI loan guarantee program, the target for fiscal years 2016 and 2017 is to guarantee five loans each year. As of September 30, 2015, 86 guarantees had been issued over the 16-year life of the program, for approximately \$220 million. Almost 3,100 affordable housing units or the supporting infrastructure has been financed with this funding. In fiscal year 2015, six loans were guaranteed, for a total of \$13.4 million.

IHBG Eligible Activities: The program allows grant recipients to develop and support affordable housing and provide housing services through the following eligible activities:

1. Development. The acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing, which may include real property acquisition, site improvement, development and rehabilitation of utilities, necessary infrastructure and utility services, conversion, demolition, financing, administration and planning, improvement to achieve greater energy efficiency, mold remediation, and other related activities.

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- In fiscal years 2011 through 2015, IHBG recipients expended approximately \$941 million on activities in this category, or an average of \$188.1 million each year. During this 5-year period, 6,546 affordable homes were built, 2,284 were acquired, and 23,224 were substantially rehabilitated.
- This activity averaged about 29 percent of total expenditures.

2. Indian Housing Assistance. The provision of modernization or operating assistance for housing previously developed or operated pursuant to a contract between the Secretary and an Indian housing authority. "Indian Housing Assistance" refers to the operation and maintenance of "pre-NAHASDA," or Formula Current Assisted Stock (FCAS) HUD units.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately \$1.16 billion on activities in this category, or an average of \$232.9 million each year.
- About half of IHBG recipients maintain an inventory of older "HUD units" that were funded before IHBG was implemented, that is, units that were funded by the U.S. Housing Act of 1937. In fiscal year 2015, there were approximately 46,400 of these FCAS units. In accordance with the disbursement formula, tribes with FCAS receive a percentage of the annual IHBG appropriation to ensure these units are properly operated and modernized.
- This activity averaged about 36 percent of total expenditures.

3. Housing Services. Funds used to provide housing counseling for rental or homeownership assistance, establishment and support of resident management organizations, energy auditing, supportive and self-sufficiency services, and other related services assisting owners, residents, contractors, and other entities participating or seeking to participate in eligible housing activities.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately \$204 million on activities in this category, or an average of \$40.8 million each year.
- This activity averaged about 6 percent of total expenditures.

4. Housing Management Services. The provision of management services for affordable housing, including preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, the costs of operation and maintenance of units developed with funds provided by NAHASDA, and management of affordable housing projects.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately \$214.6 million on activities in this category, or an average of \$42.9 million each year.
- This activity averaged about 7 percent of total expenditures.

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5. Crime Prevention and Safety. Funding provided for safety, security, and law enforcement measures with activities appropriate to protect residents of affordable housing from crime.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately \$85.0 million on activities in this category, or an average of \$17 million each year.
- This activity averaged about 3 percent of total expenditures.

6. Model Activities. The Department may approve housing activities under model programs that are designed to carry out the purposes of the Act and are specifically approved by the Secretary as appropriate for such purpose. Examples of model activities include: renovating a homeless facility in the community, providing rental subsidy for units developed under the low-income housing tax credits program, and developing a neighborhood park to be used primarily by low-income residents.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately \$72.6 million on activities in this category, or an average of \$14.5 million each year.
- This activity averaged about 3 percent of expenditures each year.

7. Administrative Expenses. Recipients may expend up to 20 percent of their grant funds for planning and administration, or 30 percent, if the annual IHBG is \$50,000 or less (24 CFR § 1000.238). Activities include administrative management, evaluation and monitoring, preparation of the Indian Housing Plan and Annual Performance Report, and staff and overhead costs directly related to carrying out affordable housing activities.

- In fiscal years 2011 through 2015, IHBG recipients expended approximately \$518.8 million on activities in this category, or an average of \$103.8 million each year.
- This activity averaged about 16 percent of total expenditures each year.

Training and Technical Assistance for Program Recipients: HUD highlights and promotes best practices that support development in Indian Country, and encourages innovative methods of construction, management, and finance. Training and technical assistance are provided to tribes and tribally designated housing entities to build their capacity to deliver affordable housing programs. Training and technical assistance is provided to residents of low-income housing to increase their self-sufficiency and life skills. In fiscal year 2015, HUD provided training to more than 1,700 persons at 64 events, covering topics essential to program administration: Procurement, Environmental Review, NAHASDA Essentials, Contract Administration, Financial Management, Human Resources, New Trends in Construction, Sustainable Housing, Self-Monitoring, Meth Prevention and Remediation, Mixed-Income Development, Project Management, Board of Commissioners training, Indian Housing Planning, Annual Performance Reporting, and Self-Sufficiency (for residents).

5. Proposals in the Budget

- 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. 253)
- 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 hearing procedures in 60 days and be able to suspend funds until the hearing is completed.

In these instances, HUD is authorized to suspend access to unspent funds, however HUD is required to "complete" a hearing within 60 days on the validity of the suspension, or return access to unspent funds. It typically takes a year to complete an enforcement action for illegal spending and apply remedies. Practically, HUD cannot complete a hearing on the suspension of access within 60 days, so grantees still have access to the funds. HUD's proposal would require that HUD has to "commence" the hearing process within 60 days. This would allow HUD to suspend access to funds until the action is resolved. (Sec. 254)

- Clarification of Authority regarding Misallocated Indian Housing Block Grant Funds. This proposal clarifies HUD's authority to recapture misallocated HUD funds. Under the language, if funds were distributed based on incorrect information and a recipient received 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. It would also allow HUD to recapture the funding by offsetting the debt against future grants if a grantee refuses to repay the debt. (Sec. 255)
- Technical Edit to NAHASDA. This language is a necessary technical correction to an outdated cross reference in the Native American Housing and Self-Determination Act (NAHASDA.) Section 103(c) (3) of NAHASDA contains a reference to section 102(c)(5) of NAHASDA but that citation no longer exists as section 102(c)(5) was deleted in the 2008 Reauthorization of NAHASDA. The reference should be section 102(b)(2)(D). (Sec. 256)

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**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Formula Grants	\$642,500	\$33,289	\$675,789	\$651,593	\$642,500	\$25,192	\$667,692	\$698,000
Loan Guarantee - Title VI (Credit Subsidy) ..	2,000	7,391	9,391	848	-4,000	8,542	4,542	2,000
Technical Assistance ..	2,000	1,372	3,372	235	2,000	2,142	4,142	...
National or Regional Organization	3,500	44	3,544	...	3,500	3,544	7,044	...
Research and Technology (transfer)	[3,500]
Total	650,000	42,096	692,096	652,676	644,000	39,420	683,420	700,000

NOTE: Fiscal year 2016 carryover includes a rescission in the amount of \$6 million in accordance with the Consolidated Appropriations Act, 2016 (P.L. 114-113).

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PUBLIC AND INDIAN HOUSING NATIVE AMERICAN HOUSING BLOCK GRANT Appropriations Language

The fiscal year 2017 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

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.), [~~\$650,000,000~~] *\$700,000,000*, to remain available until September 30, [~~2020~~] *2021*: *Provided*, That, notwithstanding the Native American Housing Assistance and Self-Determination Act of 1996, 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 amounts made available under this heading, \$3,500,000 shall be contracted for assistance for national or regional organizations representing Native American housing interests for providing training and technical assistance to Indian housing authorities and tribally designated housing entities as authorized under NAHASDA: *Provided further*, That of the funds made available under the previous proviso, not less than \$2,000,000 shall be made available for a national organization as authorized under section 703 of NAHASDA (25 U.S.C. 4212): *Provided further*, That of the amounts made available under this heading, \$2,000,000 shall be to support the inspection of Indian housing units, contract expertise, training, and technical assistance in the training, oversight, and management of such Indian housing and tenant-based assistance:] *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 [~~\$17,452,007~~]: *Provided further*, That the Department will notify grantees of their formula allocation within 60 days of the date of enactment of this Act: *Provided further*, notwithstanding section 302(d) of NAHASDA, if on January 1, 2016, a recipient's total amount of undisbursed block grants in the Department's line of credit control system is greater than three times the formula allocation it would otherwise receive under this heading, the Secretary shall adjust that recipient's formula allocation down by the difference between its total amount of undisbursed block grants in the Department's line of credit control system on January 1, 2016, and three times the formula allocation it would otherwise receive: *Provided further*, That grant amounts not allocated to a recipient pursuant to the previous proviso shall be allocated under the need component of the formula proportionately among all other Indian tribes not subject to an adjustment: *Provided further*, That the two previous provisos shall not apply to any Indian tribe

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that would otherwise receive a formula allocation of less than \$8,000,000: *Provided further*, That to take effect, the three previous provisos do not require issuance or amendment of any regulation, and shall not be construed to confer hearing rights under any section of NAHASDA or its implementing regulations] \$17,857,142. (*Department of Housing and Urban Development Appropriations Act, 2016.*)