

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 5: POLICY DEVELOPMENT AND RESEARCH

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. All data are presented on a comparable basis for the 3 fiscal years: 2001, 2002, and 2003.

SCOPE OF ACTIVITY

Personnel of the Office of Policy Development and Research (PD&R) are responsible for the management of research and technology studies conducted under contracts, cooperative agreements and grants, as well as in-house research, economic analyses, tax policy analysis, program evaluation and program monitoring, and policy development.

Staff has provided the analytical skills and experience such as assisting in the development of performance measures; targeting of the funds to assure attention to low-income families and vulnerable populations; and assuring that questions of consistency of approach across program lines are addressed. Staff provides continued short range research on basic housing and urban issues to allow the Secretary to be a national spokesperson on these matters. The economic intelligence function, including the American Housing survey and related publications such as the quarterly U.S. Housing Market Conditions report, would also continue. Likewise, setting Fair Market Rents (FMR) and income limits, and assisting on HUDwide, special initiatives are ongoing functions of the Office.

Staff continues to provide extensive support to the Chief Financial Officer and Deputy Secretary on tasks related to the Government Performance and Results Act, including development of the Strategic Plan and the Annual Performance Plan.

PD&R staff supports activities necessary for disseminating and supporting our research products. These materials are made available to all levels of the government, researchers, policy analysts, the private sector and to interested parties through PD&R's research information clearinghouse, HUD USER and via our website www.huduser.org.

Staff works closely with the program offices and the Office of Information Technology to improve automated systems and the program data that reside in these systems, in order to support research and evaluations, and to assure that program managers throughout HUD's organization have the information needed to monitor results.

PD&R is also responsible for the examination of the outcomes of current HUD programs; the evaluation of programs in view of those outcomes; and the review of the continuing efficacy of programs.

PD&R provides technical support to FHA. New ways of doing business require careful up-front study, prompt and thorough evaluations. Actuarial studies, program design, and assessments of who FHA serves are areas where FHA and the Secretary need assistance. PD&R's analytical approach makes its advice particularly useful to FHA and the Secretary.

Staff continues to provide support to the Secretary for mission regulation of Government Sponsored Enterprises (GSEs) activities including: (1) consideration of new program requests; (2) monitoring of GSE performance under geographical and income-based housing goals; (3) research support for establishment of ongoing GSE housing goals; (4) review of fair housing performance; and (5) writing reports to Congress.

Staff also administers outreach and grant programs of the Office of University Partnerships.

Staff continues studies and research to support the international exchange of information and data on housing and development topics.

The economists who serve in HUD field offices report to PD&R. The field economists serve as the Department's primary source of intelligence on local economic and housing conditions, providing analysis and recommendations to field and headquarters management and program officials, including reports for the U.S. Housing Market Conditions quarterly report. They also assist HUD clients in identifying and analyzing economic and demographic data; provide market analysis reviews of various program applications,

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 conduct needs assessments of assisted housing proposals, and advise on the allocations of assisted housing funds.

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

WORKLOAD

The workload of PD&R focuses on ways to improve the efficiency, effectiveness, and equity of HUD programs. This entails developing policy recommendations for the Secretary, performing policy and economic analyses, directing research and demonstration activities, and evaluating and monitoring new and existing programs for the Department. The workload also includes supporting the Secretary in carrying out his responsibilities for Fannie Mae and Freddie Mac regulation and preparing reports to Congress. In carrying out its responsibilities, PD&R conducts analyses using either contract or in-house staff resources, depending on the issue and the nature of the work. Research is also accomplished through the submission of unsolicited proposals from the housing research community. PD&R also works with other HUD staff, State and local governments,

academicians, representatives of various interest groups, and other interested parties, to assure that all accessible knowledge is brought to bear on issues of concern to the Department.

TRAVEL

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Travel	\$245	\$274	\$274	....
Total.....	\$245	\$274	\$274	....

The requested travel amount of \$274 thousand in 2003 will provide funds for the travel requirements of PD&R including: essential travel by the front office and other senior staff, field economists travel, inspection trips to ensure that contractor performance is in line with objectives, and other staff travel.

CONTRACTS

The following table identifies the specific contracts unique to this activity and is followed by a brief description.

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
		(Dollars in Thousands)		
Data and Statistical Services .	\$3,439	\$3,442	\$3,442	....
Total.....	\$3,439	\$3,442	\$3,442	....

The 2003 estimate will provide adequate funds for the contract needs of PD&R as described below.

DATA AND STATISTICAL SERVICES

The following are fiscal year 2003 contracts planned for S&E funding:

	<u>Amount</u>
	(Dollars in Thousands)
Quality Control for Rental	
Assist Subsidy Determinations.	\$2,800
F.W. Dodge Data	125

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Census Special Tabs.	150
Temp Personnel Services Contract.	300
Various small contracts	<u>67</u>
TOTAL.	\$3,442

The Quality Control (QC) for Rental Assistance Subsidy Determinations system is a core part of the Department's Rental Housing Integrity Improvement Program (RHIIP) efforts to reduce subsidy mis-payments. These studies involve on-site income and rent recertifications for a national sample of Public Housing and Section 8 households. The QC income and rent determinations are compared with program sponsor determinations and with IRS/SSA income matches to produce national estimates of the type, severity, and cost of subsidy errors. Starting in fiscal year 2003, these studies will be done on an annual basis to provide more detailed and timely information to program managers on the major sources of error and the effectiveness of measures to reduce these errors. The results will also be used in the HUD's annual financial statements. The annual cost of these studies is estimated at \$2.8 million.

The F.W. Dodge Data study provides information used by Field Economists in reviewing the marketability and risk of multifamily projects proposed for FHA insurance.

PERFORMANCE MEASURES

Strategic Goal 6: Embrace high standards of ethics, management and accountability.

Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.

Indicator 6.2.2 HUD partners become more satisfied with the Department's performance, operations and programs.

Detail of Policy Development and Research Staff Requirements

Workload Guideline	Workload Indicator	----- Fiscal Year 2002 -----				----- Fiscal Year 2003 -----			
		Underfunded Workload/ Allocation	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE
Headquarters Employment									
AS for Policy Development and Research									
Provide Policy and Program Support	NA	1	...	...	5.0	1	...	...	5.0
Provide General Direction	NA		...	...	3.0		...	...	3.0
Subtotal		1			8.0	1			8.0
Budget, Contracts, and Program Control Division									
Administer Financial Agreements	# of Grants Processed (Research & University Grants)	56	250	75.17	7.0	56	250	75.17	7.0
Subtotal		56			7.0	56			7.0
Management and Administrative Services Division									
Administrative and Management Support for PD&R	# of Personnel Supported	29	169	74.14	5.0	29	169	74.14	5.0
Subtotal		29			5.0	29			5.0
Office of University Partnerships									
Award and Administer Grant Programs	# of Grants Awarded	60	400	17.75	2.9	60	400	17.75	2.9
Outreach to Colleges, Community Based Organizations, Local Governments, and HUD Staff	# of Customer Contacts	682	3,500	1.55	2.1	682	3,500	1.55	2.1
Subtotal		742			5.0	742			5.0
DAS for International Affairs									
International Exchanges, Contracts, and Programs	# of Major International Exchanges, Contracts, and Programs Developed and Managed	7	15	1,531.00	6.0	7	15	1,531.00	6.0

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Subtotal		7			6.0	7			6.0
<u>DAS for Economic Affairs</u>									
DAS for Economic Affairs									
General Direction	NA		4.0		4.0
Subtotal					4.0				4.0
Economic Market Analysis Division									
	# of Economists								
Oversight of Economist	Supported	6	40	365.40	6.0	6	40	365.40	6.0
Subtotal		6			6.0	6			6.0
Housing Finance Analysis Division									
Expert Advice on Systems for Financing Single-Family and Multifamily Housing in the United States	# of Offices and Agencies Supported	11	40	354.96	5.0	11	40	354.96	5.0
Subtotal		11			5.0	11			5.0
Housing and Demographic Analysis Division									
	# of Surveys Produced or								
Perform Survey Functions	Supported	21	52	200.77	3.0	21	52	200.77	3.0
Subtotal		21			3.0	21			3.0
Economic Development and Public Finance Division									
Perform Special Initiatives, Studies and Projects		3	NA	NA	4.0	3	NA	NA	4.0
Subtotal		3			4.0	3			4.0
Financial Institutions Regulation Division									
Support for HUD's Regulatory Oversight Function for Fannie Mae and Freddie Mac	# of Analyses Produced	34	200	62.64	5.0	34	200	62.64	5.0
Subtotal		34			5.0	34			5.0
<u>DAS for Policy Development</u>									
General Direction	NA	2	...	...	1.0	2	...	...	1.0
Subtotal		2			1.0	2			1.0
Policy Development Division									
Substantive Policy Guidance on HUD's Programs and Research Agenda	# of Programs and Policies Developed and Reviewed	36	470	67.08	14.0	36	470	67.08	14.0
Subtotal		36			14.0	36			14.0

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Research Utilization Division

Dissemination of Research									
Results and Policy Information	NA		8.0		8.0
Subtotal					8.0				8.0

DAS for Research, Evaluation, and Monitoring

Provide Policy and Program									
Support	NA	1	...	...	3.0	1	...	...	3.0
General Direction	NA		...	...	2.0		...	...	2.0
Subtotal		1			5.0	1			5.0

Program Evaluation Division

Program Research, Evaluations, and Demonstrations	# of Research Projects		60	452.31	13.0		60	452.31	13.0
Subtotal					13.0				13.0

Program Monitoring and Research Division

Support and Enhance									
Departmental Programs and Program Monitoring	# of Organizations Supported	2,136	14,700	1.49	9.0	2,136	14,700	1.49	9.0
Subtotal		2,136			9.0	2,136			9.0

Affordable Housing Research and Technology Division

Conduct Studies Related to Building Technologies, Environmental Issues and Community Development									
	# of Studies Conducted	28	78	294.46	7.0	28	78	294.46	7.0
Subtotal		28			7.0	28			7.0

Subtotal PD&R Headquarters 115.0 115.0

Field Employment

Field Economists

Oversight of Field Economist in SE/Caribbean Region	# of areas monitored for economic and market analysis	14	52	417.6	7.7	14	52	417.6	7.7
Economic Analysis, Evaluations, and Reviews	# of Section 221(D)(3) and (D)(4) reviews	156	609	74.4	16.2	156	609	74.4	16.2
Economic Intelligence and Advice to Program and Management Officials and Outside Clients	# of regional summaries and spotlight narratives	14	52	261.0	4.8	14	52	261.0	4.8

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Fair Market Rent Reviews and Related Analytical Support	# of metropolitan areas monitored	86	330	19.61	2.3	86	330	19.61	2.3
	# of models, databases, and spreadsheets updated								
Database Management		70	250	69.32	6.0	70	250	69.32	6.0
Subtotal		340			37.0	340			37.0
TOTAL PD&R FTE					152.0				152.0

Detail of Policy Development and Research Staff Requirements

	Estimate 2002	Estimate 2003	Increase + Decrease - 2003 vs 2002
<u>Headquarters Employment</u>			
AS for Policy Development and Research	8.0	8.0	0.0
Budget, Contracts, and Program Control Division	7.0	7.0	0.0
Management and Administrative Services Division	5.0	5.0	0.0
Subtotal	20.0	20.0	0.0
Office of University Partnerships	5.0	5.0	0.0
DAS for International Affairs	6.0	6.0	0.0
DAS for Economic Affairs			
DAS for Economic Affairs	4.0	4.0	0.0
Economic Market Analysis Division	6.0	6.0	0.0
Housing Finance Analysis Division	5.0	5.0	0.0
Housing and Demographic Analysis Division	3.0	3.0	0.0
Economic Development and Public Finance Division	4.0	4.0	0.0
Financial Institutions Regulation Division	5.0	5.0	0.0
Subtotal	27.0	27.0	0.0
DAS for Policy Development			
DAS for Policy Development	1.0	1.0	0.0
Policy Development Division	14.0	14.0	0.0
Research Utilization Division	8.0	8.0	0.0
Subtotal	23.0	23.0	0.0
DAS for Research, Evaluation, and Monitoring			
DAS for Research, Evaluation, and Monitoring	5.0	5.0	0.0
Program Evaluation Division	13.0	13.0	0.0
Program Monitoring and Research Division	9.0	9.0	0.0
Affordable Housing Research and Technology Division	7.0	7.0	0.0
Subtotal	34.0	34.0	0.0
Total	115.0	115.0	0.0
<u>Field Employment</u>			
Field Economists	37.0	37.0	0.0
Total	37.0	37.0	0.0

Detail of Policy Development and Research Staff Requirements

	FTE			Increase + Decrease - 2003 vs 2002
	Actual 2001	Estimate 2002	Estimate 2003	
Headquarters.....	112.0	115.0	115.0	0.0
Field	40.0	37.0	37.0	0.0
Total	152.0	152.0	152.0	0.0

HEADQUARTER EMPLOYMENT

EXPLANATION OF CHANGES FROM 2002 BUDGET ESTIMATE TO 2003 ESTIMATE

Overall, the reduction of FTEs will reduce the level of research, monitoring and policy development support to the Department. The initiation of some of the analyses, research and studies will necessarily be delayed. Response time on some short term projects may be less timely. Some of the lower priority projects may not be done. The office/division explanations are described below.

The Office of the Assistant Secretary for PD&R is under funded by one FTE. This will cause the other FTEs providing support to assume more functions and responsibilities to keep the office running smoothly and response time for some of the important tasks will be less timely.

The Division of Budget, Contracts and Program Control Division is under funded by two FTEs. This will cause the division to devote less than the desired time needed to satisfactorily administer and monitor existing grant agreements and cause delays in the development and execution of new grant agreements.

The Division of Management and Administrative Services Division is under funded by one FTE. This will cause the division to devote less administrative and management support to the personnel of PD&R as it accommodates all the needs of the staff.

The Office of University Partnerships is under funded by one FTE. This will cause the office to devote less time monitoring the technical accomplishments of the grantees and to decrease their efforts in providing outreach to colleges, community-based organizations, local governments and HUD staff.

The Office of International Affairs is under funded by 5 FTEs. This will cause the office to have less major international exchanges of information and data on housing and development topics, contracts and programs.

The Division of Economic Market Analysis is under funded by one FTE. This will cause the oversight load of the field economists to increase for the existing FTEs and less support and time will be devoted to the field economists.

The Division of Housing Finance Analysis is under funded by 1.8 FTEs. This will cause the division to provide expert advice on systems for financing single-family and multifamily housing in the US to fewer office and agencies.

The Division of Housing and Demographic Analysis is under funded by two FTEs. This will cause the division to devote less time per survey in performing survey functions and monitoring survey agreements.

The Division of Economic Development and Public Finance is under funded by 2.5 FTEs. This will cause the division to reduce the amount of special initiatives, studies or projects performed by the division, and to delay initiating other projects.

The Division of Financial Institutions Regulation is under funded by one FTE. This will cause the division to reduce the number of analyses done for the support of HUD's

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Regulatory Oversight function of Fannie Mac and Freddie Mac, and to delay other analyses.

The Office of Policy Development is under funded by two FTEs. The support provided for the office will be reduced and will cause the FTE providing support to assume more functions.

The Division of Policy Development is under funded by 1.2 FTEs. This will cause a reduction in the substantive policy guidance provided on HUD's Programs and Research Agenda.

The Office of Research, Evaluation and Monitoring is under funded by one FTE. The support provided for the office will be reduced and will cause the FTEs providing support to assume more responsibilities.

The Division of Program Monitoring and Research is under funded by 1.5 FTEs.

This will cause the division to provide support and enhancements of Departmental Programs and Program Monitoring to fewer organizations.

The Division of Affordable Housing Research and Technology is under funded by four FTEs. This will cause the division to conduct less studies related to Building Technologies, Environmental Issues and Community Development.

The Field Economists are under funded by 13.1 FTEs. This will cause a reduction in the following areas:

- Number of areas monitored for economic and market analysis
- Number of Section 221(D)(3) and (D)(4) reviews
- Number of regional summaries & spotlight narratives
- Number of Metropolitan areas monitored
- Number of models, databases & spreadsheets updated.

The analysis and recommendations provided to the field and headquarters and management officials will be at a reduced level.