

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 fiscal years 2004, 2005, and 2006.

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, interagency agreements, 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 analytical skills and experience to assist in the development of performance measures; targeted funds so that attention is given to low-income families and vulnerable populations; and assured that questions of consistency of approach across program lines are addressed. PD&R is responsible for major program evaluations and analyses of important issues such as minority homeownership, the removal of regulatory barriers to affordable housing and the reform of RESPA (Real Estate Settlement Procedures Act). Staff provides continued short-range research on basic housing and urban issues to allow the Secretary to be a national spokesperson on these matters. PD&R will continue its economic intelligence function, including the American Housing Survey and related publications such as the quarterly U.S. Housing Market Conditions report. Likewise, setting Fair Market Rents (FMR) and income limits, and assisting on HUDwide special initiatives are ongoing functions of PD&R.

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

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 and prompt and thorough evaluations. Actuarial studies, program design, development of automated underwriting systems, and assessments of whom FHA serves are areas where FHA and the Secretary need assistance. PD&R's analytical approach and economic expertise make its advice particularly useful to FHA and the Secretary.

Staff also administers outreach and grant programs of the Office of University Partnerships, including the following grant programs: Community Outreach Partnership Center (COPC), Historically Black Colleges and Universities HBCU), Community Development Work Study (CDWS), Hispanic-serving Institutions Assisting Communities (HSIAC), Alaska Native/Native Hawaiian Institutions Assisting Communities (AN/NHIAC), and the Tribal Colleges and Universities Program (TCUP).

On behalf of the Secretary, staff of the Office of International Affairs supports and encourages bilateral relations with other countries. As such, this office is responsible for conducting studies and research as well as attending international conferences to support the international exchange of information and data on housing and development topics.

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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. The field economists also assist HUD clients in identifying and analyzing economic and demographic data; provide market analysis reviews of various program applications such as for FHA Multifamily insurance; 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, conducting program evaluations, directing research and demonstration activities, gathering programmatic and basic housing and urban data, and evaluating and monitoring new and existing programs for the Department. The workload also includes supporting the Secretary in carrying out his oversight responsibilities with respect to Fannie Mae and Freddie Mac 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. In fiscal year 2006, PD&R expects to continue increasing contracting for research with small businesses to achieve more innovative and diverse research products. 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 2004	ENACTED 2005	ESTIMATE 2006	INCREASE + DECREASE - 2006 vs 2005
	(Dollars in Thousands)			
Travel	\$257	\$210	\$210	...
Total	257	210	210	...

The requested travel amount of \$210 thousand in fiscal year 2006 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, international travel, and other staff travel.

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CONTRACTS

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

	<u>ACTUAL</u> 2004	<u>ENACTED</u> 2005	<u>ESTIMATE</u> 2006	<u>INCREASE +</u> <u>DECREASE -</u> 2006 vs 2005
	(Dollars in Thousands)			
Data and Statistical Services	\$3,404	\$2,369	\$2,369	...
Total	3,404	2,369	2,369	...

The 2006 estimate will provide funds for the contract needs of PD&R as described below.

DATA AND STATISTICAL SERVICES

The following are fiscal year 2006 contracts planned for S&E funding:

	<u>Amount</u>
	(Dollars in Thousands)
Quality Control(QC) for Rental Assist Subsidy Determinations.....	\$1,444 a/
F.W. Dodge Data.....	125
Economy.com data.....	90
Temp Personnel Services Contract.....	420
REIS, various small contracts.....	190
Program Support Research.....	100
Total.....	2,369

a/ Insufficient to fund annual Quality Control study of \$3.6 million in fiscal year 2006. See explanation below.

The Quality Control for Rental Assistance Subsidy Determinations system is a core part of the Department's Rental Housing Integrity Improvement Program (RHIIIP) 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. Annual studies were started in fiscal year 2003 to provide more detailed and timely information to program managers on the major sources of error and the effectiveness of efforts to reduce these errors. The results of these studies are shown in HUD's annual financial statements. PD&R's budget traditionally included an allowance for QC studies, but that allowance was premised on doing the studies every two to four years. Starting in fiscal year 2006, both the QC and the income matching component will be annual studies and require funding of \$3.6 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.

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POLICY DEVELOPMENT AND RESEARCH
 Personal Services
 Summary of Change
 (Dollars in Thousands)

<u>Personal Services</u>	<u>FTE</u>	<u>S&E Cost</u>
2004 Actual.....	139	\$15,388
2005 Appropriation.....	146	16,555
<u>Changes Due To</u>		
2006 January Pay Raise.....	0	306
2005 January Pay Raise.....	0	155
Staffing increase/decrease.....	10	1,157
Other benefit changes.....	0	91
2006 Request.....	156	\$18,264

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POLICY DEVELOPMENT AND RESEARCH
 Summary of Requirements by Grade
 Salaries and Expenses
 (Dollars in Thousands)

<u>Grade:</u>	<u>2004 Actual</u>	<u>2005 Appropriation</u>	<u>2006 Request</u>	<u>Increase/ Decrease</u>
Executive Level	1	1	1	0
Executive Service	3	2	2	0
GS-15	23	25	27	+2
GS-14	48	48	50	+2
GS-13	32	33	35	+2
GS-12	13	13	14	+1
GS-11	5	6	7	+1
GS-10	4	5	5	0
GS-9	5	4	8	+4
GS-8	4	4	2	-2
GS-7	2	2	4	+2
GS-6	1	2	0	-2
GS-5	0	1	1	0
GS-4	1	0	0	0
GS-3	0	0	0	0
GS-2	2	0	0	0
GS-1	0	0	0	0
Total Positions	144	146	156	+10
Average ES Salary	\$139,808	\$142,604	\$145,456	+\$2,852
Average GS Salary	\$87,920	\$89,679	\$91,472	+\$1,793
Average GS Grade	12.8	12.9	12.9	0.0

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POLICY DEVELOPMENT AND RESEARCH
Summary of Requirements by Object Class
Salaries and Expenses
(Dollars in Thousands)

<u>Object Class</u>	<u>2004 Actual</u>	<u>2005 Appropriation</u>	<u>2006 Request</u>	<u>Increase/Decrease</u>
Personal Services.....	\$15,388	\$16,555	\$18,264	+\$1,709
Travel and Transportation of Persons.....	257	210	210	0
Transportation of Things.....	0	0	0	0
Rent, Communication & Utilities.....	0	0	0	0
Printing and Reproduction.....	229	194	194	0
Other Services.....	3,404	2,369	2,369	0
Supplies and Materials.....	29	26	26	0
Furniture & Equipment.....	0	0	0	0
Insurance Claims & Indemnities.....	0	0	0	0
Total Obligations.....	\$19,307	\$19,354	\$21,063	+\$1,709

Overall Summary of Policy Development and Research Staff Requirements

	Estimate 2004	Estimate 2005	Estimate 2006	Increase + Decrease - 2006 vs 2005
Headquarters.....	103.5	106.6	113.9	7.3
Field	35.1	39.4	42.3	2.9
Total	138.6	146.0	156.2	10.2

Summary of Policy Development and Research Staff Requirements

	Estimate 2004	Estimate 2005	Estimate 2006	Increase + Decrease - 2006 vs 2005
<u>Headquarters Employment</u>				
AS for Policy Development and Researc	6.5	6.5	7.0	0.5
Budget, Contracts, and Program Control Divisio	7.0	7.0	7.3	0.3
Management and Administrative Services Divisic	5.5	5.5	6.0	0.5
Subtotal	19.0	19.0	20.3	1.3
Office of University Partnerships	7.0	7.0	7.8	0.8
DAS for International Affairs	6.0	6.0	6.1	0.1
DAS for Economic Affairs				
DAS for Economic Affairs	2.0	2.0	3.0	1.0
Economic Market Analysis Division	6.0	6.0	6.0	0.0
Housing Finance Analysis Division	4.0	4.0	4.1	0.1
Housing and Demographic Analysis Division	3.5	4.0	4.3	0.3
Economic Development and Public Finance Division	2.0	2.0	3.0	1.0
Financial Institutions Regulation Division	4.5	5.0	5.0	0.0
Subtotal	22.0	23.0	25.4	2.4
DAS for Policy Development				
DAS for Policy Development	1.0	1.0	2.0	1.0
Policy Development Division	7.5	8.0	9.1	1.1
Research Utilization Division	7.5	8.0	8.2	0.2
Subtotal	16.0	17.0	19.3	2.3

	Estimate 2004	Estimate 2005	Estimate 2006	Increase + Decrease - 2006 vs 2005
DAS for Research, Evaluation, and Monitoring				
DAS for Research, Evaluation, and Monitoring	4.0	4.6	4.6	0.0
Program Evaluation Division	9.5	10.0	10.2	0.2
Program Monitoring and Research Division	11.0	11.0	11.1	0.1
Affordable Housing Research and Technology Division	9.0	9.0	9.1	0.1
Subtotal	33.5	34.6	35.0	0.4
Total	103.5	106.6	113.9	7.3
<u>Field Employment</u>				
Field Economists	35.1	39.4	42.3	2.9
Total	35.1	39.4	42.3	2.9

Detail of Policy Development and Research Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2004			Fiscal Year 2005				Fiscal Year 2006			
		Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE
Headquarters Employment												
AS for Policy Development and Research												
Immediate Office DAS	NA	...	...	3.0	0.0	...	...	3.0		...	...	3.0
Provide Policy and Program Support	NA	...	...	3.5	0.5	...	...	3.5	0.2	...	...	4.0
Subtotal				6.5	0.5			6.5	0.2			7.0
Budget, Contracts, and Program Control Division												
Administer Financial Agreements	# of Grants Processed (Research & University Grants)	196	75.17	7.0	1.0	195	75.17	7.0	0.7	203	75.17	7.3
Subtotal				7.0	1.0			7.0	0.7			7.3
Management and Administrative Services Division												
Administrative and Management Support for PD&R	# of Personnel Supported	155	74.14	5.5	0.5	155	74.14	5.5	0.2	168	74.14	6.0
Subtotal				5.5	0.5			5.5	0.2			6.0
Office of University Partnerships												
Award and Administer Grant Programs	# of Grants Awarded	470	17.75	4.0	0.5	470	17.75	4.0	0.2	540	17.75	4.6
Outreach to Colleges, Community Based Organizations, Local Governments, and HUD Staff	# of Customer Contacts	4,100	1.55	3.0	0.5	4,100	1.55	3.0	0.3	4,250	1.55	3.2
Subtotal				7.0	1.0			7.0	0.5			7.8
DAS for Economic Affairs												
DAS for Economic Affairs												
DAS Economic Affairs	NA	...	...	2.0	1.0	...	...	2.0	0.2	...	...	3.0
Subtotal				2.0	1.0			2.0	0.2			3.0
Economic Market Analysis Division												
Oversight of Economist	# of Economists Supported	35	365.40	6.0	1.0	35	365.40	6.0	1.0	34	365.40	6.0
Subtotal				6.0	1.0			6.0	1.0			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	24	354.96	4.0	1.0	24	354.96	4.0	0.9	24	354.96	4.1
Subtotal				4.0	1.0			4.0	0.9			4.1
Housing and Demographic Analysis Division												
Perform Survey Functions	# of Surveys Produced or Supported	37	200.77	3.5	1.0	42	200.77	4.0	0.7	45	200.77	4.3
Subtotal				3.5	1.0			4.0	0.7			4.3

PD&R HEADQUARTERS/FIELD EMPLOYMENT

EXPLANATION OF CHANGES FROM 2005 BUDGET ESTIMATE TO 2006 ESTIMATE

The 2006 requested PD&R FTE level is 156.2, an increase of 10.2 over the 2005 FTE level but is 13.8 FTE less than the requirements identified in the recently completed Resources Estimation and Allocation Program (REAP) study. This staffing level will result in under funded workload in certain key areas of PD&R. Of the 10.2 increase in the FTE level, 7.3 FTEs will be in PD&R's Headquarters offices and 2.9 FTE will in the field. The offices showing a FTE increases over fiscal year 2005 are identified below:

Headquarters:

- Management and Administrative Services Division. One additional FTE is requested for this Division. The Management and Administrative Services Division provides support to PD&R staff for key functions including travel management, personnel and labor relations assistance, training, space management and other key support services.
- Office of Economic Affairs. One additional FTE is requested for support staff for the main Office of Economic Affairs. The Office of Economic Affairs is comprised of five divisions and is responsible for providing economic information and analyses and policy recommendations to the Secretary, Deputy Secretary, Assistant Secretaries, and the principal staff within the Department. The Office analyzes the economic impact of Departmental and other Federal legislative proposals, directs surveys of national housing conditions, mortgage markets, and interest rates, and provides recommendations for Departmental policy and program analyses.
- Economic and Public Finance Division. One additional FTE is requested for the Economic and Public Finance Division within the Office of Economic Affairs. The Economic Development and Public Finance Division is responsible for all economic and regulatory analysis for the Department on all new rules and regulations as required by OMB. It also conducts policy research studies of public finance, economic development, taxation, and general economic policy as it affects housing, public sector financing, and community development. This responsibility includes development and monitoring of major databases, analysis of major economic and fiscal trends, research on major fiscal and economic policy development, and preparation of a biennial report to Congress on urban policy.
- Housing and Demographic Analysis Division. One additional FTE is requested for the Housing and Demographic Analysis Division. This Division produces the American Housing Survey, supports the Survey of Construction, and sponsors other surveys that involve the cooperation of HUD and the Bureau of the Census. The Division is the primary office involved in analyzing AHS data to support departmental policy making. The Division works with the Census Bureau to support the President's homeownership initiative through monitoring and disseminating homeownership rates. The division also produces the quarterly publication, *U.S. Housing Market Conditions*, short- and long-term studies as departmental needs require, and data files on subsidized households.
- Office of Policy Development. One additional FTE is requested for support staff for the main Office of Policy Development. The Office of Policy Development consists of two divisions that have distinct but related responsibilities. The Office of Policy Development engages in policy analysis, policy development, policy-related research and data analysis, and dissemination of policy findings. In addition, the Office is actively involved in analysis of legislative proposals, development of legislative initiatives, interpretation of statutory guidance, and preparation of regulatory guidance.

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- Policy Development Division. One additional FTE is requested for the Policy Development Division. This Division has principal responsibility for the Office's development of program and legislative initiatives, analysis of legislative proposals, interpretation of statutory language, and preparation of regulatory guidance. The Division's staff of analysts and economists have a wide range of expertise in housing and community development issues.
- Program Evaluation Division. One additional FTE is requested for the Program Evaluation Division. This Division conducts research, evaluations, and approved demonstrations across a wide range of topics. It carries out research for most of the Department's efforts related to: homelessness, assisted housing (including Section 8 and Public Housing), fair housing and equal opportunity, crime, community development, economic development/empowerment zones, housing rehabilitation, homeownership, and housing for the elderly. It is also carrying out work related to approved demonstrations.

Field Staff:

- Field Economists. Three additional FTE are requested for the Field Office Economist who advise program managers, provide them with economic data and analysis, and conduct market analysis reviews of housing and community development applications.