

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

This section provides a consolidated justification for all Salaries and Expenses funds of the Department. Pursuant to 12 U.S.C.701(c)(3), the Secretary is authorized to consolidate all operating expenses into a single account to simplify day-to-day financial operations and provide some measure of flexibility in the use of personnel to carry out the wide variety of Departmental programs. This also permits simplification of personnel, payroll, management, and accounting procedures.

APPROPRIATION HIGHLIGHTS

The following table summarizes the funding sources and staffing included in this request.

| | ACTUAL <u>2004</u> | ENACTED <u>2005</u> | ESTIMATE <u>2006</u> | INCREASE + DECREASE - <u>2006 vs 2005</u> |
|---|------------------------|------------------------|-------------------------|---|
| | (Dollars in Thousands) | | | |
| <u>Budget Authority</u> | | | | |
| From Appropriation Bill: | | | | |
| Salaries and Expenses, HUD | \$547,000 | \$547,197 | \$579,000 | +\$31,803 |
| Transfer from FHA Fund | 563,561 | 556,188 | 562,400 | +6,212 |
| Transfer from GNMA | 10,632 | 10,609 | 10,695 | +86 |
| Community Planning and Development (Sec. 108) | 994 | 992 | 0 | -992 |
| Title VI Indian Federal Guarantees Program Account | 149 | 149 | 146 | - 3 |
| Indian Housing Loan Guarantee Fund Program Account | 249 | 248 | 244 | - 4 |
| Native Hawaiian Housing Loan Guarantee Fund | 35 | 35 | 34 | - 1 |
| Rescission (P.L. 108-447)..... | -3,227 | -4,378 | 0 | +4,378 |
| Funds Control | <u>15,937</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Subtotal | 1,135,330 | 1,111,040 | 1,152,519 | +41,479 |

Salaries and Expenses, Housing and Urban Development

| | <u>ACTUAL</u> <u>2004</u> | <u>ENACTED</u> <u>2005</u> | <u>ESTIMATE</u> <u>2006</u> | <u>INCREASE +</u> <u>DECREASE -</u> <u>2006 vs 2005</u> |
|---|------------------------------|-------------------------------|--------------------------------|---|
| | (Dollars in Thousands) | | | |
| Others Transfers: | | | | |
| Transfer from the Federal Emergency Management Agency | ... | \$2,000 a/ | ... | -\$2,000 |
| Transfer from Revolving Fund for Liquidating Programs | \$100 | 100 | \$100 | ... |
| Interstate Land Sales Registration Fees | 422 | 350 | 350 | 0 |
| Manufactured Housing Fees | <u>1,614</u> | <u>1,420</u> | <u>1,500</u> | <u>+80</u> |
| Subtotal | <u>2,136</u> | <u>3,870</u> | <u>1,950</u> | <u>-1,920</u> |
| Total | 1,137,466 | 1,114,910 | 1,154,469 | +39,559 |
| Outlays (net) | 529,633 | 544,000 | 570,000 | +26,000 |
| <u>FTE</u> | | | | |
| Headquarters | 3,211 | 3,244 | 3,411 | +167 |
| Field | <u>5,831</u> | <u>5,556</u> | <u>5,470</u> | <u>-86</u> |
| Total | 9,042 | 8,800 | 8,881 | +81 |

NOTE: In the Appropriations Highlights table, the 2005 program transfer amounts are net the .80 percent rescission.

a/ In fiscal year 2005, \$2,000 thousand is included for Departmental overtime, travel, and supply costs incurred for the hurricane disasters in Florida that occurred in 2004. The Federal Emergency Management Agency (FEMA) issued a mission assignment for HUD's assistance in aiding the victims of these disasters, and will reimburse HUD for all expenses incurred in fiscal year 2005.

SUMMARY OF BUDGET REQUEST

For fiscal year 2006, the requested appropriation is \$1,152,519 thousand, which consists of \$579,000 thousand in budget authority and transfers of \$562,400 thousand from various FHA accounts, \$10,695 thousand from Ginnie Mae, \$146 thousand from Title VI Indian Federal Guarantees Program Account, \$244 thousand from Indian Home Loan Guarantee Fund Program Account, and \$34 thousand from Public and Indian Housing's Native Hawaiian Loan Guarantee Program Account. Including reimbursements, fees and other sources, it is estimated that total obligations for "Salaries and Expenses" will be \$1,152,519 thousand. These funds will support a total of 8,881 full-time equivalent.

Salaries and Expenses, Housing and Urban Development

The increase in this justification includes personal services funding for the anticipated 2.3 percent January 2006 pay raise, time in grade with-in grade increases, promotions, and increased health and other benefits costs. Increases are requested in other objects of expense and are discussed in more detail later in this justification.

The fiscal year 2006 budget request of \$1,152,519 thousand represents the Department's required funding level to more effectively promote homeownership for Americans free from discrimination, revitalize communities, strengthen economic opportunities and restore public trust throughout the United States. It also supports the President's Management Agenda in the areas of investment and strategic management of human capital, addressing material weaknesses, and increasing homeownership. This funding level will enable the Department to execute programs and services outlined in the Annual Performance Plan.

This request also includes the continuation of approximately \$1.9 million in funding and 7 FTE for the Center for Faith-Based and Community Initiatives (CFBCI) which was established by Executive Order 13198 on January 29, 2001. The purpose of CFBCI is to coordinate the Department's efforts to eliminate regulatory, contracting, and other programmatic obstacles to the participation of faith-based and other community organizations in the provision of social services. Further, CFBCI will play a key role in facilitating intra-Departmental and inter-Agency cooperation concerning the needs of faith-based and community organizations. The CFBCI reports to the Offices of the Secretary and Deputy Secretary. CFBCI staff will focus their efforts on areas of research, law and policy; development of an inter-agency resource center to service faith-based and community partners; and expanding outreach, training and coalition building. These areas of emphasis are in compliance with the Executive Order. Additionally, the Center will participate in the furtherance of HUD's overall strategic goals and objectives--particularly as they relate to partnership with faith-based and community organizations.

Salaries and Expenses, Housing and Urban Development

ESTIMATED OBLIGATIONS

The table below displays total obligations and estimates by object class.

| | ACTUAL 2004 | ENACTED 2005 | ESTIMATE 2006 | INCREASE + DECREASE - 2006 vs 2005 |
|--|----------------|-----------------|------------------|--|
| (Dollars in Thousands) | | | | |
| Personal Services..... | \$883,290 | \$900,850 | \$935,761 | +\$34,911 |
| Travel and Transportation of Persons..... | 18,105 | 14,236 | 14,236 | 0 |
| Transportation of Things..... | 640 | 248 | 248 | 0 |
| Rent, Communications, and Utilities..... | 126,723 | 120,990 | 127,039 | +6,049 |
| Printing and Reproduction..... | 3,127 | 2,466 | 2,466 | 0 |
| Other Services..... | 66,801 | 66,705 | 67,224 | +519 |
| Supplies and Materials..... | 5,222 | 3,838 | 3,838 | 0 |
| Furniture and Equipment..... | 6,465 | 1,422 | 1,422 | 0 |
| Insurance Claims and Indemnities..... | <u>417</u> | <u>285</u> | <u>285</u> | <u>0</u> |
| Total Obligations..... | 1,110,790 | 1,111,040 | 1,152,519 | +41,479 |
| Funds Control..... | 15,937 a/ | ... | ... | ... |

NOTE: Estimated obligations exclude "other transfers."

a/ In fiscal year 2003, \$20,000 thousand (2-year funding), or \$19,870 thousand, net the .65 percent rescission, was made available for Departmental funds control activities. During fiscal year 2003, \$3,933 thousand was obligated leaving a balance of \$15,937 thousand for obligation in fiscal year 2004. The remaining balance was carried over and was fully obligated in fiscal year 2004.

Salaries and Expenses, Housing and Urban Development

Analysis of Increases and Decreases

| | <u>2005 vs 2004</u> | <u>2006 vs 2005</u> |
|---|---------------------|---------------------|
| Prior year obligations..... | \$1,110,790 | \$1,111,040 |
| Change to personal services..... | 17,560 | 34,911 |
| Change to travel and transportation of persons..... | -3,869 | 0 |
| Change to rent, communications and utilities..... | -5,733 | 6,049 |
| Printing & Reproduction..... | -661 | 0 |
| Change to other services..... | -96 | 519 |
| Supplies & Materials..... | -1,384 | 0 |
| Change to furniture and equipment..... | -5,043 | 0 |
| All other changes..... | <u>-524</u> | <u>0</u> |
| Total Obligations..... | 1,111,040 | 1,152,519 |

NOTE: The significant decreases in all non-personal services object classifications in fiscal year 2005 are needed to remain within the funding levels provided by Congress. The Department's fiscal year 2006 request is essentially remaining at fiscal year 2003 levels with increases for rent, communications, utilities and Department of Homeland Security costs in other services.

PERSONAL SERVICES:

Changes in personal services between the fiscal year 2004 actual and the fiscal year 2005 enacted level reflects an increase of \$17,560 thousand and a decrease of 242 FTE. The changes are due to the following:

- \$23,716 thousand for the FTE decrease;
- 22,096 thousand for the January 2005 pay raise;
- 19,180 thousand for changes to average FTE costs due principally to within-grade increases, promotions, increased health benefit costs, transit subsidy, and change of station costs.

- The decrease of 242 FTE in fiscal year 2005 from the actual in fiscal year 2004 FTE reflects the Department's proposed funding of 8,880 FTE in fiscal year 2005 as a result of the reduction to the Salaries and Expenses account related to the absorption of the fiscal year 2005 pay-raise and the across-the-board rescission.

Changes in personal services between the 2005 enacted level and the 2006 request reflects an increase of \$34,911 thousand. The additional funding is required as follows:

- \$7,738 thousand for the January 2005 pay raise;
- 15,266 thousand for the January 2006 pay raise;
- 4,295 thousand for the FTE increase;
- 7,601 thousand for changes to average FTE costs due principally to within-grade increases, promotions, increased health benefit costs, transit subsidy, and change of station costs.

Salaries and Expenses, Housing and Urban Development

- The increase to changes in the average FTE cost is due in part to increased costs for the Federal Employee Health Benefit Program and the Federal Employee Retirement System. As retirements take place, the Department is experiencing a gradual shift of staff from the Civil Service Retirement System (CSRS) to the more costly Federal Employee Retirement System (FERS). Approximately one-third of the Department's employees are currently eligible for retirement.
- In addition, the Department is planning on expanding the Career Intern Program, which is a vital component of HUD's Strategic Management of Human Capital and Workforce Planning. The \$4,295 thousand for the 81 FTE increase assumes hiring entry level interns at the GS-07 and GS-09 grade levels.

NON-PERSONAL SERVICES:

The Department's non-personal services support costs were funded below the 2004 enacted level for fiscal year 2005. As a result, support costs reflect a net decrease of \$17,310 thousand in 2005 to remain within established funding constraints and an increase of \$6,568 thousand in fiscal year 2006 for the Department to restore funding for critical operational requirements curtailed in fiscal year 2005, for renovations postponed in fiscal year 2005 and to fund anticipated rent rate increases and DHS security charges. The changes are due to the following:

- a reduction of \$3,869 thousand in travel in fiscal year 2005 was needed to remain within the funding level provided by Congress that will result in the postponement or elimination of essential travel requirements. Travel is level funded for fiscal year 2006;
- a reduction of \$5,733 thousand in rent, communications and utilities requirement in 2005 reflects the rent, communications and utilities portion of the overall reduction in non-personal services taken in fiscal year 2005 to remain within the funding level provided by Congress and a reduction of \$5,974 thousand realigned to other contractual services for the collection of the Department of Homeland Security (DHS) security charge component of the rent per GSA directive. The increase of \$6,049 thousand is due to anticipated rent rate increases of approximately 5 percent estimated in fiscal year 2006, new rental agreements, and inflationary adjustments for postal services, other communication costs and increases in utilities costs;
- a reduction of \$661 thousand in printing in fiscal year 2005. The decrease in fiscal year 2005 was needed to remain within the funding level provided by Congress that will result in curtailing or postponing the Department's printing requirements. Printing is level funded for fiscal year 2006;
- a reduction of \$96 thousand in other services in fiscal year 2005 is actually a \$6,096 thousand decrease offset by a \$6,000 thousand increase. The \$6,000 thousand increase was used to fund the DHS security charge that was a component of GSA rent in past fiscal years. The \$6,096 thousand decrease was needed to remain within the funding level provided by Congress. The slight increase of \$519 thousand in fiscal year 2006 is due to anticipated increases in DHS security costs;
- a reduction in supplies of \$1,384 thousand in 2005 reflects the supplies portion of the overall reduction in non-personal services taken to remain within the funding level provided by Congress. Supplies are level funded for fiscal year 2006;
- a reduction in furniture and equipment of \$5,043 thousand in fiscal year 2005 reflects the partial accomplishment of furniture and equipment purchases made in fiscal year 2004 and the furniture and equipment portion of the reduction to remain within the funding level provided by Congress. Furniture and equipment is level funded in fiscal year 2006;
- a reduction of \$524 thousand in 2005 for all other items such as transportation of things and claims and indemnities are included in this account. This decrease reflects the reduction in non-personal services to remain within the funding level provided by Congress. Transportation of things and claims and indemnities are both level funded in fiscal year 2006.

EXPLANATION OF CHANGES IN 2006 VS. 2005

Salaries and Expenses, Housing and Urban Development

1. Personal Services. Personal services costs include all salaries and personnel benefits that are paid by the Department. These include health and life insurance, the Government's contribution to employee retirement plans, accrued leave, and reimbursement for costs incurred during transfers, as well as salary and overtime payments and payments made to the Employees' Compensation Fund (ECF) for the medical support of former employees who have job-related medical problems.

Personal services costs also include payments to/or for former personnel, including payments to the Federal Employee Compensation Account (FECA), which is a vehicle for reimbursing the various States for unemployment compensation payments made to former HUD employees. The FECA program is administered by the Department of Labor. In addition, severance pay for employees who were involuntarily separated is directly provided to eligible former employees.

The fiscal year 2006 request is \$935,761 thousand and will fund 8,881 FTE. This level of funding reflects an increase of \$34,911 thousand from the fiscal year 2005 enacted level and will fully fund the anticipated 2.3 percent pay raise in January 2006, increases to the average cost per FTE, within-grade increases, health benefits, terminal leave payments, transit subsidy, student loan repayment, flexible spending account fees, and relocation costs.

2. Travel and Transportation of Persons. This category represents the transportation of Government employees and/or other persons who travel under the auspices of the Federal Government, their per diem allowances when in authorized travel status, and other expenses incidental to travel, that are paid by the Government directly or by reimbursing the traveler. It consists of travel both away from the official duty station and in and around the official station of an employee.

The fiscal year 2006 request is \$14,236 thousand and reflects no change to the fiscal year 2005 enacted level.

3. Transportation of Things. This classification consists of charges for the transportation of things and the care of such things while in the process of being transported. It includes rental trucks and other transportation equipment, and reimbursement to Government personnel for authorized movement of household effects or house trailers.

The fiscal year 2006 request of \$248 thousand reflects no change to the fiscal year 2005 enacted level.

4. Rent, Communications, and Utilities. The funds under this object class provide for all rental costs for both space and equipment, communication services, and utilities. The major cost associated with this object class is real property rental. The General Services Administration (GSA) establishes rental rates and provides cost estimates for the space requirements identified by the Department.

The fiscal year 2006 estimate is \$127,039 thousand and reflects a \$6,049 thousand increase from the fiscal year 2005 enacted level. The increase is due to anticipated rent rate increases of approximately 5 percent estimated in fiscal year 2006, new rental agreements, and inflationary adjustments for postal services, other communication costs and increases in utilities costs.

5. Printing. The funds included under this object class represent the cost of contractual printing and reproduction services, and related composition and binding operations performed by or through the Government Printing Office (GPO).

The fiscal year 2006 request of \$2,466 thousand reflects no change from the fiscal year 2005 enacted level.

6. Other Services. The object class encompasses a wide array of services that are not captured in the other object classes. The types of services included are training; storage of household goods; data processing services; contracts such as data and statistical collection and analysis, management studies, technical, and public information services; and other services such as health services, library services, stenographic services, visual art services, etc. This budget request includes contractual activity in support of the President's Management Agenda.

The fiscal year 2006 request of \$67,224 thousand reflects a \$519 thousand increase from the fiscal year 2005 enacted level due to anticipated increases in Department of Homeland Security costs.

Salaries and Expenses, Housing and Urban Development

7. Supplies and Materials. This object class identifies charges for commodities, whether acquired by formal contract or other form of purchase, that are ordinarily consumed or expended within 1 year after they are put into use, converted in the process of construction or manufacture, or used to form a minor part of equipment or fixed property.

The fiscal year 2006 request of \$3,838 thousand reflects no change from the fiscal year 2005 enacted level.

8. Equipment. This object class is used to support the purchase of various types of equipment. Equipment purchases may include, but are not limited to, office furniture and fixtures, office equipment, such as typewriters, quick copy machines and calculators; equipment to deliver in-house training and books.

The fiscal year 2006 request of \$1,422 thousand reflects no change from the fiscal year 2005 enacted level.

9. Insurance Claims and Indemnities. This object class provides for the Federal Government's self-insurance costs including court ordered payments. Historically, it is difficult to project these types of claims. In recent years, average claims have ranged between \$100 thousand and \$500 thousand.

The fiscal year 2006 request of \$285 thousand reflects no change from the fiscal year 2005 enacted level.

Salaries and Expenses, Housing and Urban Development

PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

| ACTIVITY | <u>Fiscal Year 2004</u> | | <u>Fiscal Year 2005</u> | | <u>Fiscal Year 2006</u> | |
|------------------------------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
| | <u>\$ in 000's</u> | <u>FTE</u> | <u>\$ in 000's</u> | <u>FTE</u> | <u>\$ in 000's</u> | <u>FTE</u> |
| Housing | | | | | | |
| Headquarters | \$80,086 | 801 | \$83,375 | 817 | \$83,324 | 792 |
| Field | <u>223,991</u> | <u>2,495</u> | <u>226,032</u> | <u>2,387</u> | <u>225,920</u> | <u>2,313</u> |
| Subtotal | 304,077 | 3,296 | 309,407 | 3,204 | 309,244 | 3,105 |
| Government National Mortgage Assn. | | | | | | |
| Headquarters | 7,240 | 66 | 7,715 | 67 | 8,514 | 72 |
| Public and Indian Housing | | | | | | |
| Headquarters | 65,359 | 623 | 66,276 | 610 | 68,945 | 615 |
| Field | <u>91,597</u> | <u>971</u> | <u>98,940</u> | <u>982</u> | <u>102,983</u> | <u>991</u> |
| Subtotal | 156,956 | 1,594 | 165,216 | 1,592 | 171,928 | 1,606 |
| Community Planning and Development | | | | | | |
| Headquarters | 25,512 | 240 | 26,850 | 247 | 28,396 | 254 |
| Field | <u>60,747</u> | <u>646</u> | <u>56,903</u> | <u>569</u> | <u>60,180</u> | <u>583</u> |
| Subtotal | 86,259 | 886 | 83,753 | 816 | 88,576 | 837 |
| Fair Housing and Equal Opportunity | | | | | | |
| Headquarters | 15,926 | 150 | 13,559 | 128 | 14,093 | 129 |
| Field | <u>50,795</u> | <u>560</u> | <u>47,029</u> | <u>492</u> | <u>48,935</u> | <u>496</u> |
| Subtotal | 66,721 | 710 | 60,588 | 620 | 63,028 | 625 |
| Policy Development and Research | | | | | | |
| Headquarters | 11,677 | 104 | 12,507 | 107 | 13,782 | 114 |
| Field | <u>3,711</u> | <u>35</u> | <u>4,048</u> | <u>39</u> | <u>4,482</u> | <u>42</u> |
| Subtotal | 15,388 | 139 | 16,555 | 146 | 18,264 | 156 |
| Departmental Management | | | | | | |
| Headquarters | \$19,582 | 193 | \$19,784 | 187 | \$22,286 | 204 |
| Lead Hazard Control | | | | | | |
| Headquarters | 4,331 | 43 | 4,662 | 45 | 5,107 | 48 |
| Chief Financial Officer | | | | | | |
| Headquarters | 27,427 | 172 | 29,873 | 176 | 33,161 | 184 |
| Field | <u>3,809</u> | <u>51</u> | <u>3,902</u> | <u>51</u> | <u>4,224</u> | <u>54</u> |
| Subtotal | 31,236 | 223 | 33,775 | 227 | 37,385 | 238 |

Salaries and Expenses, Housing and Urban Development

PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

| <u>ACTIVITY</u> | <u>Fiscal Year 2004</u> | | <u>Fiscal Year 2005</u> | | <u>Fiscal Year 2006</u> | |
|---|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
| | <u>\$ in 000's</u> | <u>FTE</u> | <u>\$ in 000's</u> | <u>FTE</u> | <u>\$ in 000's</u> | <u>FTE</u> |
| General Counsel | | | | | | |
| Headquarters | 40,878 | 380 | 44,348 | 395 | 47,509 | 410 |
| Field | <u>29,954</u> | <u>282</u> | <u>30,416</u> | <u>273</u> | <u>32,585</u> | <u>284</u> |
| Subtotal | 70,832 | 662 | 74,764 | 668 | 80,094 | 694 |
| Administration | | | | | | |
| Headquarters | 39,402 | 383 | 42,152 | 410 | 48,203 | 448 |
| Field | <u>25,730</u> | <u>301</u> | <u>26,651</u> | <u>298</u> | <u>30,047</u> | <u>326</u> |
| Subtotal | 65,132 | 684 | 68,803 | 708 | 78,250 | 774 |
| Field Policy and Management | | | | | | |
| Headquarters | 2,621 | 24 | 2,651 | 23 | 2,235 | 19 |
| Field | <u>49,816</u> | <u>490</u> | <u>49,943</u> | <u>465</u> | <u>42,224</u> | <u>381</u> |
| Subtotal | 52,437 | 514 | 52,594 | 488 | 44,459 | 400 a/ |
| Faith-Based & Community Development Initiatives | | | | | | |
| Headquarters | \$748 | 7 | \$803 | 7 | \$864 | 7 |
| Departmental Equal Employment Opportunity | | | | | | |
| Headquarters | 2,351 | 25 | 2,431 | 25 | 2,577 | 26 |
| Career Intern Program | | | | | | |
| Headquarters | ... | ... | ... | ... | 5,185 | 89 b/ |
| Summary | | | | | | |
| Headquarters | 343,140 | 3,211 | 356,986 | 3,244 | 384,181 | 3,411 |
| Field | <u>540,150</u> | <u>5,831</u> | <u>543,864</u> | <u>5,556</u> | <u>551,580</u> | <u>5,470</u> |
| Total | 883,290 | 9,042 | 900,850 | 8,800 | 935,761 | 8,881 |

NOTE: In the above table, personal services for each program includes a prorated share of centrally funded costs such as the Federal Employee Compensation Act payment (Workers' Compensation), Change of Station, Transit Subsidy, and Unemployment Compensation.

a/ The proposed 88.8 FTE decrease in fiscal year 2006 in the Office of Field Policy and Management (FPM) reflects a reduced level of staffing required as a result of improved efficiency being realized from the field office realignment that was completed mid-year in fiscal year 2002. In addition to decreased workload, FPM has improved oversight of the field operations and simplified budget and administrative functions.

b/ The 88.8 FTE will be used for the Department's Career Intern Program, which is a vital component of the Department's Strategic Management of Human Capital and Workforce Planning.

Salaries and Expenses, Housing and Urban Development

Distribution of Staff By Grade Level

| | ACTUAL 2004 | ESTIMATE 2005 | ESTIMATE 2006 | INCREASE + DECREASE - 2006 VS 2005 |
|--------------------------|----------------|------------------|------------------|--|
| Executive Level | 13 | 12 | 12 | 0 |
| Executive Service | 94 | 94 | 94 | 0 |
| GS/GM-15 | 875 | 849 | 833 | -16 |
| GS/GM-14 | 1,262 | 1,220 | 1,225 | +5 |
| GS/GM-13 | 2,467 | 2,399 | 2,400 | +1 |
| GS-12 | 2,297 | 2,270 | 2,265 | -5 |
| GS-11 | 501 | 454 | 463 | +9 |
| GS-10 | 47 | 50 | 50 | 0 |
| GS-9 | a/ 331 | 292 | 321 | +29 |
| GS-8 | 101 | 100 | 97 | -3 |
| GS-7 | a/ 764 | 741 | 801 | +60 |
| GS-6 | 112 | 91 | 96 | +5 |
| GS-5 | 102 | 110 | 106 | -4 |
| GS-4 | 103 | 83 | 83 | 0 |
| GS-3 | 31 | 19 | 19 | 0 |
| GS-2 | 26 | 14 | 14 | 0 |
| GS-1 | 3 | 2 | 2 | 0 |
| Total | 9,129 | 8,800 | 8,881 | +81 |
| Average GS/GM Grade/Step | 11.9 | 12.0 | 11.9 | - 0.1 |

NOTE: Consultants and Wage-Grade are not reflected in table above.

a/ The FTE increases in fiscal year 2006 in grade levels GS-7 and GS-9 respectively, represents the proposed increase in the Department's Career Intern Program.

Salaries and Expenses
Justification of Proposed Changes in Appropriations Language

The 2006 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For necessary administrative and non-administrative expenses of the Department of Housing and Urban Development, not otherwise provided for, including purchase of uniforms, or allowances therefore, as authorized by 5 U.S.C. 5901-5902; hire of passenger motor vehicles, services as authorized by 5 U.S.C. 3109; and not to exceed \$25,000 for official reception and representation expenses, [\$1,120,000,000,] *\$1,152,519,000* of which [\$560,673,000] *\$562,400,000* shall be provided from the various funds of the Federal Housing Administration, [\$10,695,000] *\$10,695,000* shall be provided from funds of the Government National Mortgage Association [\$1,000,000 shall be provided from the "Community development loan guarantees program" account, \$150,000] *\$146,000* shall be provided by transfer from the "Native American housing block grants" account, [\$250,000] *\$244,000* shall be provided by transfer from the "Indian housing loan guarantees program" account and [\$35,000] *\$34,000* shall be transferred from the "Native Hawaiian housing loan guarantee fund" account[: *Provided*, That funds made available under this heading shall only be allocated in the manner specified in the report accompanying this Act unless the Committees on Appropriations of both the House of Representatives and the Senate are notified of any changes in an operating plan or reprogramming]: *Provided further*, That no official or employee of the Department shall be designated as an allotment holder unless the Office of the Chief Financial Officer (OCFO) has determined that such allotment holder has implemented an adequate system of funds control and has received training in funds control procedures and directives: *Provided further*, That the Chief Financial Officer shall establish positive control of and maintain adequate systems of accounting for appropriations and other available funds as required by 31 U.S.C. 1514: *Provided further*, That for purposes of funds control and determining whether a violation exists under the Anti-Deficiency Act (31 U.S.C. 1341 et seq.), the point of obligation shall be the executed agreement or contract, except with respect to insurance and guarantee programs, certain types of salaries and expenses funding, and incremental funding that is authorized under an executed agreement or contract, and shall be designated in the approved funds control plan: *Provided further*, That the Chief Financial Officer shall: (1) appoint qualified personnel to conduct investigations of potential or actual violations; (2) establish minimum training requirements and other qualifications for personnel that may be appointed to conduct investigations; (3) establish guidelines and timeframes for the conduct and completion of investigations; (4) prescribe the content, format and other requirements for the submission of final reports on violations; and (5) prescribe such additional policies and procedures as may be required for conducting investigations of, and administering, processing, and reporting on, potential and actual violations of the Anti-Deficiency Act and all other statutes and regulations governing the obligation and expenditure of funds made available in this and any other Act: *Provided further*, That up to \$20,000,000 may be transferred to the Working Capital Fund; [*Provided further*, That the Secretary shall fill 7 to 10 vacancies at the GS-14 and GS-15 levels until the total number of GS-14 and GS-15 positions in the Department has been reduced from the number of GS-14 and GS-15 positions on the date of enactment of Public Law 106-377 by 2½ percent]. (*Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, FY 2005.*)

Explanation of Changes:

- (1) Deletes language providing \$1,000,000 from the Community development loan guarantees program account.
- (2) Deletes language requiring the funds be allocated only in the manner specified in the Conference Report.
- (3) Deletes language requiring the Secretary to fill 7 out of 10 vacancies at the GS-14 and GS-15 levels until the total number of GS-14 and GS-15 positions in the Department has been reduced from the number of GS-14 and GS-15 positions on the date of enactment of Public Law 106-377 by 2 ½ percent.
- (4) Deletes reference to fiscal year 2005 and adds reference to fiscal year 2006.

**SALARIES AND EXPENSES
Performance Measurement Table**

| Program Mission: Pursuant to 12 U.S.C. 701©(3), the Secretary is authorized to consolidate all operating expenses into a single account to simplify day-to-day financial operations and provide some measure of flexibility in the use of personnel to carry out the wide variety of Departmental programs. This also permits simplification of personnel, payroll, management, and accounting procedures. | | | | | |
|--|-----------------------------|--|---|---|---|
| Performance Indicators | Data Sources | Performance Report | | Performance Plan | |
| | | 2004 Plan | 2004 Actual | 2005 Plan | 2006 Plan |
| HUD will complete a Comprehensive Workforce Analysis that will inventory skills needed now and in the future and recommend actions to close gaps. | NFC Reports; TEAM/REAP | Pilot Program Area (PIH) completed | Completed PIH, Housing, CPD and FHEO Workforce Plans (65% of HUD); and completed Draft Departmental Workforce Plan. | Remaining Offices in HUD Completed (35% of HUD Workforce). | Implement Departmental Workforce Plans. |
| Increase the efficiency of HUD human capital management through the implementation of a single enterprise-wide HR information system, the HUD Integrated Human Resources and Training System (HIHRTS). | HIHRTS | Commercial Off-the-Shelf (COTS) solution chosen and enterprise portal implemented. | HIHRTS COTS solution chosen and enterprise portal implemented. | HIHRTS fully implemented and in use. | Eliminate 17 legacy systems. |
| Employees receive professional and continuing education training and mission-critical core competency training to carry out HUD's mission. | Departmental training plans | Training programs developed | Training programs developed. 380 managers and supervisors received leadership and supervisory skills training; 527 employees received training on using Operation Braintrust; 70% of the HQs acquisition staff trained; 83% of field acquisition staff trained. | 30% of required core competency training is delivered via HUD Virtual University. | HUD's critical skill gaps are reduced by 10% from the 2005 baseline that HUD stopped work on. |

Salaries and Expenses, Housing and Urban Development

| Performance Indicators | Data Sources | Performance Report | | Performance Plan | |
|--|---|----------------------------|---|--|---|
| | | 2004 Plan | 2004 Actual | 2005 Plan | 2006 Plan |
| Employee satisfaction improves by a minimum of 10 percent in four targeted dimensions when measured during the fiscal year 2005 Organizational Assessment Survey (OAS). | OAS Action Plan | OAS action plans developed | 12 of 16 (75%) OAS action plan recommendations implemented. | OAS action plans implemented at the Department and program levels. | OAS readministered, employee satisfaction in targeted areas increases by at least 10% |
| HUD financial statements receive unqualified audit opinion. | Inspector General's Audit | 100% | 0% | 100% | 100% |
| Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General. | Audit Resolution and Corrective Action Tracking System-ARCATS | 100% | 100% | 100% | 100% |
| The Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism will be refreshed and will continue to be utilized for budget formulation and managing resource requirements and prioritizing staffing allocations by program and office. | Total Estimation and Allocation Mechanism (TEAM) | 100% | 100% | N/A On-demand REAP studies will be conducted on an as needed basis. | N/A On-demand REAP studies will be conducted on an as needed basis. |

N/A = Not Applicable

Explanation of Indicators

Each of the above performance indicators support the President's Management Agenda initiative related to human capital. The Department has developed a comprehensive human capital plan, and has completed the workforce analysis in four core program areas, and completed a Departmentwide workforce plan. The Department is on target to achieve the milestones related to the implementation of the workforce plan.

The implementation of the HUD HIHRTS project was initiated in 2003. In late 2004, HUD assessed the need to continue development of an internal system in light of the newly available services offered by another Federal agency. HUD stopped development of its internal HIHRTS system and entered into an Inter-Agency Agreement with the Department of Treasury for the provision of these services. The new solution (still named HIHRTS) will be implemented in 2005. The Department will utilize the Department of Treasury's HR Connect System.

The Department has completed the following training initiatives:

- Operation Braintrust, Wave 1 course delivery, where over 1,025 employees participated.
- Identification of initial list of critical skills for PIH, CPD, Housing and FHEO.
- Implemented the Delegated Examining Unit Accountability System.
- Core competency training (Housing and Community Development Program) for all interns.
- 41 percent of supervisors have taken the "Supervisor Survival Seminar," exceeding the targeted 25 percent.

Salaries and Expenses, Housing and Urban Development

The following training initiatives are planned:

- Launch the Senior Executive Service Candidate Development Program.
- Necessary training for the expansion of the Career Intern Program.

Employee satisfaction has been identified as a critical factor included in effective human capital management. The last survey, conducted in fiscal year 2002, identified four dimensions which management has targeted for improvement. Four regional Action Teams meet on a bimonthly basis to address employee satisfaction in these areas. Action plans have been developed for these targeted dimensions. Sixteen recommendations were selected for immediate action and 12 of them are completed.

Indicator: HUD financial statements receive unqualified audit opinions.

HUD received an unqualified audit opinion on its annual consolidated financial statements for four consecutive fiscal years, 2000 - 2003, a strong indicator of the success of HUD's efforts to stabilize its financial management systems and operating environment. However, the Office of the Inspector General (OIG) was unable to complete its audit of HUD's fiscal year 2004 consolidated financial statements before the Office of Management and Budget's accelerated deadline of November 15, 2004, and had to issue a disclaimer of an audit opinion. HUD management is unaware of any issue that would have precluded the Department from receiving an unqualified audit opinion on its fiscal year 2004 financial statements had the OIG been given additional time to complete its audit. HUD is working with the OIG to improve the plans and timeline for the fiscal year 2005 financial audit and expects an unqualified opinion for fiscal year 2005. HUD will also reduce the number of material internal control weaknesses and reportable conditions disclosed in the OIG's annual financial statement audit. In the fiscal year 2003 audit, HUD reduced the number of material weaknesses from 3 to 2 and the number of reportable conditions from 10 to 7. HUD eliminated an additional reportable condition in fiscal year 2004, however, a new material weakness and a new reportable condition issue were reported by the OIG in fiscal year 2004. HUD plans to eliminate 3 of the 10 existing internal control deficiency issues in fiscal year 2005, and is making progress on plans to eliminate all of the other remaining issues. HUD also continues to accelerate the preparation and reporting of its financial statements to provide more timely information for program decision makers in the Congress and Executive Branch. In fiscal year 2004, HUD began issuing of quarterly financial statements within 21 days after the end of each quarter. Issuance of HUD's annual audited consolidated financial statements for fiscal year 2003 was accelerated by 6 weeks to December 19, 2003. HUD plans to issue its annual audited financial statements within 45 days after the end of the fiscal year for fiscal year 2005 and each year thereafter.

Indicator: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.

The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on OIG audit recommendations by agency managers. By statute, agency managers have 6 months from the date of issuance of an audit report to reach acceptable management decisions on OIG audit recommendations. HUD achieved its goal of "no overdue" management decisions for the last five semi-annual reporting cycles ending on September 30, 2001, March 31, 2002, September 30, 2002, March 31, 2003, and September 30, 2003. HUD has previously only achieved this goal one other time since audit resolution tracking began under the Inspector General Act of 1978. During the two reporting cycles in fiscal year 2003, timely management decisions were reached on 858 audit recommendations. In addition, final actions were completed on 831 audit recommendations, as HUD continues to reduce the number of overdue final actions on audit recommendations. HUD began the March 31, 2004, reporting cycle with 222 new audit recommendations requiring management decisions, and 810 audit recommendations pending final action.

Indicator: The Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism will be refreshed and will continue to be utilized for budget formulation and managing resource requirements and prioritizing staffing allocations by program and office.

REAP refresh studies for the Department was completed in fiscal year 2004 per HUD's Corrective Action Plan (CAP). Future on-demand REAP studies will be conducted on an "as needed" basis.