

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>2006</u>	FULL-YEAR CR ESTIMATE <u>2007</u>	PRESIDENT'S BUDGET <u>2007</u>	ESTIMATE <u>2008</u>	INCREASE + DECREASE - <u>2008 vs 2007</u>
<u>Budget Authority</u>					
From Appropriation Bill:					
Salaries and Expenses, HUD.....	\$579,000	\$493,200	\$594,000	\$654,093	\$60,093
Transfer from FHA Fund	556,776	556,776	556,776	556,776	0
Transfer from GNMA.....	10,593	10,700	10,593	10,700	107
Community Planning and Development (Section 108).....	742	0	0	0	0
Title VI Indian Federal Guarantees Program Account	148	148	148	148	0
Indian Housing Loan Guarantee Fund Program Account	248	248	248	248	0
Native Hawaiian Housing Loan Guarantee Fund	35	35	35	35	0
Disaster Assistance P.L. 109-234	12,000 a/	0	0	0	
Rescission (P.L. 108-47)	<u>-5,790</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	1,153,752	1,061,107	1,161,800	1,222,000	60,200

a/ Emergency Supplemental, P.L. 109-234.

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	<u>ACTUAL</u> <u>2006</u>	<u>FULL-YEAR</u> <u>CR ESTIMATE</u> <u>2007</u>	<u>PRESIDENT'S</u> <u>BUDGET</u> <u>2007</u>	<u>ESTIMATE</u> <u>2008</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2008 vs 2007</u>
Others Transfers:					
Transfer from the Federal Emergency Management Agency..b/.....	\$2,867 b/	\$0	\$0	...	\$0
Transfer from Revolving Fund for Liquidating Programs	0	0	0	...	0
Interstate Land Sales Registration Fees	694	650	650	650	0
Manufactured Housing Fees	<u>1,200</u>	<u>1,542</u>	<u>1,542</u>	<u>1,600</u>	<u>58</u>
Subtotal	<u>4,761</u>	<u>2,192</u>	<u>2,192</u>	<u>2,250</u>	<u>58</u>
Total	1,158,513	1,063,299	1,163,992	1,224,250	60,258
 Outlays (net)	 535,398	 521,000	 590,000	 622,000	 32,000
 <u>FTE</u>					
Headquarters.....	3,079	3,097	3,122	3,241	119
Field.....	<u>5,375</u>	<u>5,340</u>	<u>5,383</u>	<u>5,359</u>	<u>-24</u>
Total.....	8,454	8,437	8,505	8,600	95

NOTE: In the Appropriations Highlights table, the 2006 program transfer amounts are net the 1 percent rescission.

b/ The Federal Emergency Management Agency (FEMA) issued mission assignments for HUD's assistance in aiding the victims of various hurricane disasters in fiscal year 2006. In fiscal year 2006, \$2,867 thousand was obligated for Departmental overtime and travel costs incurred for assistance relating to Hurricanes Katrina and Rita.

SUMMARY OF BUDGET REQUEST

The fiscal year 2008 budget request represents the Department's required funding level to more effectively promote homeownership free from discrimination, revitalize communities, strengthen economic opportunities and embrace high standards of ethics, management and accountability. It also supports the President's Management Agenda in the areas of strategic management of human capital, addressing program risk through improved internal controls, and improving housing quality. This funding level will enable the Department to execute programs and services outlined in the Annual Performance Plan.

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For fiscal year 2008, the requested appropriation is \$1,222 million, which consists of \$654 million in budget authority and transfers of \$556.8 million from various FHA accounts, \$10.7 million from Ginnie Mae, \$148 thousand from Title VI Indian Federal Guarantees Program Account, \$248 thousand from Indian Home Loan Guarantee Fund Program Account, and \$35 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 \$1,224,000 thousand. These funds will support a total of 8,600 full-time equivalent employees.

The fiscal year 2008 Budget proposes \$1,222 million, which is \$60.2 million more than the President's Request of \$1,161.8 million and \$160.9 million more than the fiscal year 2007 continuing resolution estimate.

This staffing request represents the Department's continuing commitment to focus resources on the delivery of programs and services to the American people. Specifics regarding how the requested FTE support the Department's mission and goals are in the detailed program justifications.

The Department is continuing to shift resources from administrative and overhead functions to program activities, to improve the efficiency and effectiveness of HUD's programs and reduce fraud, waste and mismanagement. Additional resources will be used to increase compliance reviews and monitoring of program participants, conduct enforcement activities, enhance program oversight, and provide extensive outreach to communities and non-profits.

Specific examples of how the requested additional FTE, Travel and Other Services will be used include:

- Continuing the transition by the Office of Public and Indian Housing to asset-based management, consistent with private sector practices and recommended by a Harvard University study;
- Modernizing FHA programs to provide homebuyers with viable alternatives to higher cost and sub-prime loans;
- Enhancing the management, evaluation, and monitoring of disaster relief funds;
- Implementing new Housing Opportunities for Persons with AIDS (HOPWA) grantee reporting requirements;
- Increasing lead hazard removal enforcement and compliance activities;
- Providing HUD clients with more comprehensive program compliance assistance and outreach services from the Office of General Counsel, improving compliance and reducing the need for enforcement; and
- Implementing an Intern Program to mitigate the risk posed by having over 50 percent of HUD's employees reach potential retirement age by fiscal year 2008. This Intern Program will provide training and add skills to those program offices that deliver core business services to our clients.

The request also addresses critical workforce planning issues such as succession planning and mitigating skill gaps. Administrative and other support needs are being addressed through streamlining, increased automation, and process improvements.

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ESTIMATED OBLIGATIONS

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

	ACTUAL 2006	FULL-YEAR CR ESTIMATE 2007	PRESIDENT'S BUDGET 2007	ESTIMATE 2008	INCREASE + DECREASE - 2008 vs 2007
	(Dollars in Thousands)				
Personal Services.....	\$903,181	\$849,929	\$941,902	\$986,785	\$44,883
Travel and Transportation of Persons.....	17,361	14,010	15,531	18,000	2,469
Transportation of Things.....	225	232	280	300	20
Rent, Communications, and Utilities.....	125,168	125,192	130,336	132,129	1,793
Printing and Reproduction.....	3,416	1,284	3,255	3,675	420
Other Services.....	71,500	67,057	62,438	71,511	9,073
Supplies and Materials.....	4,669	2,500	4,358	4,600	242
Furniture and Equipment.....	6,370	2,042	2,700	4,000	1,300
Insurance Claims and Indemnities.....	495	1,053	1,000	1,000	0
Subtotal Obligations.(S&E).....	1,132,385	1,063,298	1,161,800	1,222,000	60,200
Transfer to WCF.....	2,500	0	0	0	0
Subtotal Obligations.....	1,134,885	1,063,298	1,161,800	1,222,000	60,200
Disaster Assistance P.L. 109-234	<u>2,166</u>	c/ <u>0</u>	d/ <u>0</u>	d/ <u>0</u>	<u>0</u>
Total Obligations.....	1,137,051	1,063,298	1,161,800	1,222,000	60,200

NOTE: Estimated obligations exclude "other transfers."

c/ Emergency Supplemental, P.L. 109-234. This amount represents actual obligations for fiscal year 2006.

d/ A detailed plan is being developed to spend the \$9.8 million provided for administration of the Gulf Recovery funding. This plan will take into account: (1) our needs to provide oversight over the programs and (2) the needs of the grantees to implement the recovery programs.

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EXPLANATION OF CHANGES

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 2008 request is \$986,785 thousand and will fund an estimated 8,600 FTE. This level of funding reflects an increase of \$44.9 million from the fiscal year 2007 estimated level and an estimated increase of 95 FTE. The increase will fund an estimated 2.2 percent pay raise in January 2008, increases to health and retirement benefits, terminal leave payments, transit subsidy for headquarters and field offices, student loan repayment, flexible spending account fees, awards and relocation costs.

**Personal Services
Summary of Change
(Dollars in Thousands)**

<u>Personal Services</u>	<u>FTE</u>	<u>S&E Cost</u>
2006 Actual.....	8,454	903,181
2007 President's Budget.....	8,505	941,902
<u>Changes Due To</u>		
Additional Workdays (2).....		6,983
2008 January Pay Raise.....		16,383
2007 January Pay Raise.....		5,513
FTE increase/decrease.....	95	5,424
Other benefit changes.....		10,580
2008 Estimate.....	8,600	986,785

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.

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The fiscal year 2008 request is \$18,000 thousand, which reflects a \$2,469 thousand increase from the fiscal year 2007 estimated level. This represents a significant increase from fiscal year 2007 request due to implementation of asset-based management. Asset-based management is a result of the Quality Housing Work Responsibility Act which directed the Department to develop a new funding formula for the Public Housing Operating Fund. A study conducted by the Harvard University resulted in two recommendations, the first, a new funding formula based on the Public Housing Agency (PHA) project/development, and the second, that PHAs implement asset management. Congress then directed the Department to conduct Negotiated Rulemaking with the public housing industry to develop the final Operating Fund formula. As PHAs begin transitioning to asset management, the Department's oversight and monitoring responsibilities will shift from approximately 3,400 PHAs to 14,000 properties, increasing the amount of travel for field office staff. The inspection and review processes relating to this implementation are critical to the Department's efforts to restore and maintain integrity in HUD's housing programs.

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 request reflects a continuation of HUD's policy to limit the funding for employee moves. This is necessary to continue support services operations in other budget object classes, and remain within the requested funding levels. The fiscal year 2008 request is \$300 thousand, which reflects a \$20 thousand increase from the fiscal year 2007 estimated level.

4. Rent, Communications, and Utilities. The funds under this object class provide for all rental costs for 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 2008 request is \$132.1 million, which reflects a \$1.8 million increase from the fiscal year 2007 estimated level. The increase is due to anticipated rent rate increases in fiscal year 2008, 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 2008 request is \$3.7 million, which reflects a \$420 thousand increase from the fiscal year 2007 estimated level is required to maintain the Department's critical printing requirements and pay for inflationary increases.

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; 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 fiscal year 2008 request is \$71.5 million, which reflects a \$9.1 million increase from the estimated fiscal year 2007 level to get back to the fiscal year 2006 funding level to fully address HUD's needs. Funding is needed to sustain contract services for essential functions that have already been outsourced, to fulfill new statutory requirements for which HUD has insufficient staffing, and to address Departmental training and staff development needs in support of strategic human capital management plans. Contract funding is required for services to: conduct internal control assessments under OMB Circular A-123; provide an annual comprehensive improper payment measurement study of the \$27 billion expended on HUD's various rental assistance programs under the Improper Payments Information Act of 2002; support Business Process Reengineering and A-76 Competitive Sourcing activity; provide training to staff on new concepts and procedures related to asset-based management in public housing and reforms in FHA and Tenant-based Voucher Programs; and other critical needs in support of the President's Management Agenda (PMA). Funding will be needed to support the HUD Intern program, as training and other related services will be required. Funds are also required for the Departmentwide security door upgrade project as mandated by the Presidential Directive HSPD-12. Funds will also be required to implement a phased-in space consolidation plan to reduce leased space costs thereby reducing rent costs.

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7. Supplies and Materials. This object class identifies charges for commodities, whether acquired by formal contract or other forms 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 2008 request is \$4.6 million, which reflects a \$242 thousand increase from the fiscal year 2007 estimated level.

8. Furniture and 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 multifunctional devices, quick copy machines and calculators; equipment to deliver in-house training and books. The fiscal year 2008 request is \$4.0 million, which reflects a \$1.3 million increase from the fiscal year 2007 estimated 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. The fiscal year 2008 request is \$1.0 million and reflects no increase from the fiscal year 2007 estimated level.

Salaries and Expenses, Housing and Urban Development

PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

<u>ACTIVITY</u>	<u>Fiscal Year 2006</u>		<u>President's Budget 2007</u>		<u>Fiscal Year 2008</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	\$80,060	746	\$89,992	794	\$89,266	813
Field	<u>230,745</u>	<u>2,366</u>	<u>236,388</u>	<u>2,339</u>	<u>257,279</u>	<u>2,394</u>
Subtotal	310,805	3,112	326,380	3,133	346,545	3,207
Government National Mortgage Assn.						
Headquarters	7,724	66	8,120	68	8,985	71
Public and Indian Housing						
Headquarters	72,736	637	77,156	650	79,121	641
Field	<u>91,162</u>	<u>874</u>	<u>95,972</u>	<u>895</u>	<u>99,164</u>	<u>880</u>
Subtotal	163,898	1,511	173,128	1,545	178,285	1,521
Community Planning and Development						
Headquarters	23,492	212	25,523	215	25,819	215
Field	<u>61,082</u>	<u>591</u>	<u>64,772</u>	<u>605</u>	<u>67,134</u>	<u>602</u>
Subtotal	84,574	803	90,295	820	92,953	817
Fair Housing and Equal Opportunity						
Headquarters	13,626	120	14,245	121	15,166	123
Field	<u>48,025</u>	<u>477</u>	<u>50,467</u>	<u>488</u>	<u>53,450</u>	<u>486</u>
Subtotal	61,651	597	64,712	609	68,616	609
Policy Development and Research						
Headquarters	13,373	110	13,486	105	14,028	107
Field	<u>3,837</u>	<u>35</u>	<u>4,131</u>	<u>38</u>	<u>4,025</u>	<u>34</u>
Subtotal	17,210	145	17,617	143	18,053	141
Departmental Management						
Headquarters	\$19,359	176	\$19,715	171	\$20,331	171
Healthy Homes\Lead Hazard Control						
Headquarters	4,691	44	4,579	42	5,962	51

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PERSONAL SERVICES AND FULL-TIME EQUIVALENTS (FTE)

<u>ACTIVITY</u>	<u>Fiscal Year 2006</u>		<u>President's Budget 2007</u>		<u>Fiscal Year 2008</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>
Chief Financial Officer						
Headquarters	27,468	167	27,859	170	29,148	164
Field	<u>4,111</u>	<u>47</u>	<u>4,019</u>	<u>45</u>	<u>4,388</u>	<u>47</u>
Subtotal	31,579	214	31,878	215	33,536	211
General Counsel						
Headquarters	42,058	365	44,961	366	44,736	360
Field	<u>34,563</u>	<u>306</u>	<u>36,162</u>	<u>307</u>	<u>36,763</u>	<u>301</u>
Subtotal	76,621	671	81,123	673	81,499	661
Administration						
Headquarters	\$40,866	333	\$37,252	292	\$41,439	315
Field	<u>24,255</u>	<u>244</u>	<u>22,045</u>	<u>220</u>	<u>21,910</u>	<u>206</u>
Subtotal	65,121	577	59,297	512	63,349	521
Intern Program						
Headquarters	0		0		\$5,027	83
Chief Procurement Officer						
Headquarters	5,021	49	8,043	77	8,295	76
Field	<u>0</u>	<u>0</u>	<u>4,454</u>	<u>44</u>	<u>4,556</u>	<u>43</u>
Subtotal	5,021	49	12,497	121	12,851	119
Field Policy and Management						
Headquarters	2,501	20	2,082	17	2,281	17
Field	<u>48,774</u>	<u>435</u>	<u>46,568</u>	<u>402</u>	<u>44,494</u>	<u>366</u>
Subtotal	51,275	455	48,650	419	46,775	383

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Faith-Based & Community Development Initiatives						
Headquarters	\$951	8	\$990	8	\$1,052	8
Departmental Equal Employment Opportunity						
Headquarters	2,701	26	2,921	26	2,966	26
Summary						
Headquarters	356,627	3,079	376,924	3,122	393,622	3,241
Field	<u>546,554</u>	<u>5,375</u>	<u>564,978</u>	<u>5,383</u>	<u>593,163</u>	<u>5,359</u>
Total	903,181	8,454	941,902	8,505	986,785	8,600

Salaries and Expenses, Housing and Urban Development

Distribution of Staff By Grade Level

	<u>ACTUAL</u> <u>2006</u>	<u>PRESIDENT'S</u> <u>BUDGET</u> <u>2007</u>	<u>ESTIMATE</u> <u>2008</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2008 VS 2007</u>
Executive Level	11	8	11	3
Executive Service	99	92	97	6
GS/GM-15	839	827	805	-28
GS/GM-14	1,292	1,224	1,255	22
GS/GM-13	2,416	2,338	2,362	32
GS-12	2,241	2,274	2,197	-82
GS-11	324	415	342	-75
GS-10	43	38	43	6
GS-9	252	210	260	61
GS-8	102	83	99	15
GS-7	715	731	723	-3
GS-6	49	63	48	-16
GS-5	104	83	113	33
GS-4	157	83	153	67
GS-3	40	21	39	18
GS-2	29	10	29	19
GS-1	<u>24</u>	5	<u>24</u>	<u>17</u>
Total	8,737	8,505	8,600	95
Weighted Average GS/GM Grade	11.9	12.0	11.9	

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

Salaries and Expenses

Justification of Proposed Changes in Appropriations Language

The 2008 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized, 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, \$1,222,000,000 of which \$556,776,000 shall be provided from the various funds of the Federal Housing Administration, \$10,700,000 shall be provided from funds of the Government National Mortgage Association, \$148,500 shall be provided by transfer from the "Native American housing block grants" account, \$247,500 shall be provided by transfer from the "Indian housing loan guarantee fund program" account and \$34,650 shall be transferred from the "Native Hawaiian housing loan guarantee fund" account: Provided, That up to \$15,000,000 may be transferred to the Working Capital Fund. Provided, 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 statues and regulations governing the obligation and expenditure of funds made available in this or any other Act.