

**Department of Housing and Urban Development
Salaries and Expenses**

The fiscal year 2010 budget proposes \$1,346 million for HUD's Salaries & Expenses (S&E) accounts, which is \$43 million more than the fiscal year 2009 Omnibus Appropriation. The requested amount will provide the staffing and administrative resources necessary for the Department to deliver, support and oversee a large and diverse housing and community development program universe with significant program funding resources. The HUD program funding resources supported by its S&E accounts are as follows:

- Annual discretionary budget authority ranging from \$30 billion to \$47 billion over the past 10 years, with \$41.2 billion enacted for fiscal year 2009 and \$46.9 billion requested for fiscal year 2010;
- Over \$78 billion in un-liquidated obligations still spending from prior periods, including \$8.8 billion for long-term rental housing assistance contracts awarded in the 1970s and 1980s, \$13.6 billion in stimulus funding received under the American Recovery and Reinvestment Act of 2009 (ARRA) this year, and over \$31 billion in various supplemental appropriations received for disaster assistance over the past 4 years; and
- Over \$1.1 trillion in off-budget financial risk exposure represented by the growing business volumes of the Federal Housing Administration (FHA) and the Government National Mortgage Association (Ginnie Mae) components of HUD.

Specific examples of how the additional funding for personnel increases will be used include the following activities:

- Modernizing the FHA program to provide homebuyers with viable alternatives to higher cost and sub-prime loans;
- Implementing new and expanded initiatives to combat mortgage fraud;
- Continuing the transition by the Office of Public and Indian Housing (PIH) to asset-based management, consistent with private sector practices and recommended by a Harvard University Study;
- 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 (OGC), improving compliance, and reducing the need for enforcement;
- Continue to implement and refine an Intern Program to mitigate the risk posed by having over 60 percent of HUD's employees reach potential retirement by fiscal year 2010. This program also provides training and adds skills to program offices that deliver core business services to HUD clients;
- Creating a new Office of Sustainable Housing and Communities and Office of Strategic Planning and Management; and
- Supporting catalytic change throughout the Department through the implementation of Transformation Initiatives.

This 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. HUD's various programs are administered by extensive networks of third party business partners, and HUD staff provides those programs and networks with policy guidance and procedures, training, technical assistance, on-site and remote monitoring, systems support, reporting of results, and enforcement to better assure efficient and effective program results. In conjunction with the Secretary's "Transformation Initiatives," HUD will be seeking ways to better utilize its workforce to achieve a more efficient and effective program delivery, and enhanced program results.

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Summary of Request

HUD Salaries and Expenses funding is provided in nine separate accounts, fully funding all staff salaries and administrative expenses. As of 2009, HUD utilizes more than 8,500 full-time permanent employees in 81 field offices--located in all 50 states, Washington, DC, and Puerto Rico--to carry out its mission of increasing homeownership, supporting community development, and increasing access to affordable housing free from discrimination. HUD's Headquarters staff and field offices work with cities, counties, states, nonprofit organizations, lenders, and members of the housing industry to serve the American people.

Funding Breakout by Appropriation

	Enacted	Request	Increase/ Decrease
	FY 2009	FY 2010	2010 vs 2009
(Dollars in Thousands)			
Executive Direction:			
Subtotal	\$23,799	\$25,969	\$2,170
Administration, Operations and Management:			
Personal Services	271,936	288,027	16,091
Non-Personal Services	255,497	249,870	-5,627
Subtotal	527,433	537,897	10,464
Personnel Compensation and Benefits:			
Housing/Federal Housing Administration	363,198	374,887	11,689
Public and Indian Housing	190,390	197,074	6,684
Government National Mortgage Association	10,000	11,095	1,095
Community and Planning Development	94,234	98,989	4,755
Policy Development and Research	18,071	21,138	3,067
Fair Housing and Equal Opportunity	69,021	71,800	2,779
Healthy Homes and Lead Hazard Control	6,728	7,151	423
Subtotal	751,642	782,134	30,492
Grand Total	\$1,302,874	\$1,346,000	\$43,126

As shown on the previous page, the nine S&E accounts that support HUD personnel are broken down into three functional areas: Executive Direction; Administration, Operations and Management; and Personnel Compensation and Benefits. These areas are described in greater detail later in this document. Both the Omnibus Appropriations Act, 2009 and this fiscal year 2010 request comprise similar percentages by budget object class (BOC), as the following chart demonstrates:

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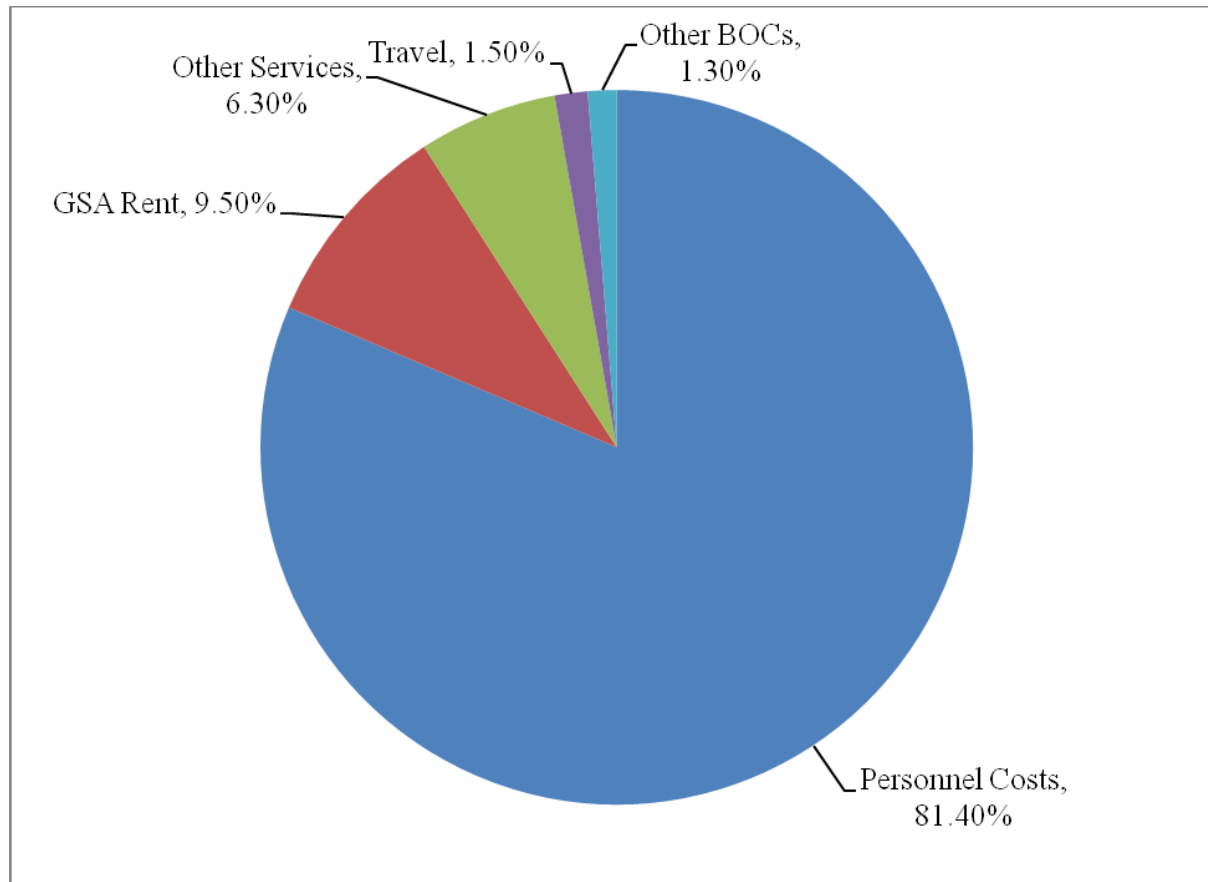
Crosswalk: Fiscal year 2009 versus fiscal year 2010 S&E Allocation

Budget Object Class	FY 2009 ¹		FY 2010	
	Dollars in Millions	% of Total Request	Dollars in Millions	% of Total Request
1100 Personnel Costs	1,047.4	80.4%	1,096.2	81.4%
2100 Travel	20.2	1.6%	20.0	1.5%
2200 Transportation of Things	0.3	0.0%	0.3	0.0%
2300 GSA Rent	131.9	10.1%	128.3	9.5%
2400 Printing	3.9	0.3%	4.0	0.3%
2500 Other Services	87.0	6.7%	84.5	6.3%
2600 Supplies	4.1	0.3%	4.1	0.3%
3100 Furniture and Equipment	6.9	0.5%	7.0	0.5%
4200 Claims and Indemnities	1.2	0.1%	1.6	0.1%
Total	1,302.9	100.0%	1,346.0	100.0%

¹ Amounts may not add due to rounding.

The request equates to \$1,346 million for salaries and expenses for fiscal year 2010. This level of funding reflects an increase of \$43.1 million and approximately 138 FTE over the appropriated fiscal year 2009 funding level. As the following chart illustrates, the vast majority--over 97 percent--of HUD's proposed salaries and expenses expenditures are for Personnel Services (81.4 percent), GSA rent (9.5 percent), and Other Services (6.3 percent). Travel and the remaining object classes represent just 3 percent of HUD's obligations.

Proposed S&E Allocation by Object Class, FY 2010



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**Adjustments to Base
(Dollars in Millions)**

Item	FY 2009 Enacted	2009 Adjustments to Base	Revised Total	2010 Request	Increase/D ecrease
Personnel Costs*	\$1,047.4	\$20.9	\$1,068.3	\$1,096.2	\$27.9 **
Travel	20.2	-	20.2	20.0	-0.2
Transportation of Things	0.3	-	0.3	0.3	-
GSA Rent	131.9	-	131.9	128.3	-3.6
Printing	3.9	-	3.9	4.0	0.1
Other Services	87.0	-	87.0	84.5	-2.5
Supplies	4.1	-	4.1	4.1	-
Furniture and Equipment	6.9	-	6.9	7.0	0.1
Claims and Indemnities	1.2	-	1.2	1.6	0.4
Totals	1,302.9	20.9	1,323.8	1,346.0	22.2

*Adjustments to Base (ATB) includes mandatory pay raise of 3.9% in 2009 and 2.0% in 2010

** \$3.4 million of Personal Services increase is due to the mandated increased in transit subsidy costs included in the ARRA of 2009.

Adjustments to Base (+\$20.9 million)

In order to fully fund the 2009 and 2010 pay raises for all HUD staff in fiscal year 2010, the Department will require an additional \$20.9 million. This is based upon a 3.9 percent pay raise in fiscal year 2009 and a 2.0 percent pay raise in fiscal year 2010. Additionally, this amount includes other increases to base level requirements for staff support, such as health and retirement benefits, terminal leave payments, transit subsidies for Headquarters and field employees, student loan repayment, flexible spending account fees, awards, and relocation costs. Inflationary increases for non-personnel items such as contracts, printing, furniture, and transportation of things are offset by reductions to rent and travel that equate to zero growth in base requirements for these items in 2010.

Enhancements

Personnel Increase: 138 FTE and \$22.2 million

With respect to the current efforts by the Administration to make more efficient use of resources, the Department is requesting minimal staffing increases for fiscal year 2010. More than half of the Department's requested increase for Salaries and Expenses is necessary to fund the 2010 pay raise and the Congressionally mandated increase in transit subsidy benefits. The Department is reducing the non-personnel services portion of the budget to accommodate part of these increases.

The net enhancement over the Department's fiscal year 2010 base salaries and expenses costs is \$22.2 million, which will fund staffing increases in priority areas throughout the Department, as follows:

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Account	FTE		Increase/ Decrease 2010 vs 2009
	FY 2009 Enacted	FY 2010 Request	
Executive Direction	153.8	156.1	2.3
Administration, Operations and Management	2,100.8	2,144.2	43.4
Office of Public and Indian Housing	1,525.7	1,540.7	15.0
Office of Community Planning and Development	782.5	801.9	19.4
Office of Housing	3,181.4	3,203.7	22.3
Government National Mortgage Association	72.2	78.2	6.0
Office of Policy Development and Research	132.3	151.0	18.7
Office of Fair Housing and Equal Opportunity	593.0	601.8	8.8
Office of Healthy Homes and Lead Hazard Control	53.9	55.9	2.0
Total Change	8,595.6	8,733.5	137.9

Request by Account

As depicted on the first page of this section, HUD receives appropriations in three account structures to support the S&E budgets: Executive Direction; Administration, Operations and Management; and Personnel Compensation and Benefits. The request for each of these accounts is outlined on the following pages.

Executive Direction (ED) Account

The Department requests \$26 million for the Executive Direction account in fiscal year 2010. This account provides all personnel compensation and benefits and non-personnel services for the Office of the Secretary and the Deputy Secretary, the Office of Congressional and Intergovernmental Affairs, the Office of Public Affairs, the Office of Hearings and Appeals, and the Office of Small and Disadvantaged Business Utilization. Additionally, funding is provided for executive management of the Office of the Chief Financial Officer, the Office of General Counsel, the Office of Administration, the Office of Public & Indian Housing, the Office of Community Planning and Development, the Office of Housing, the Office of Policy Development and Research, and the Office of Fair Housing and Equal Opportunity. These individuals are responsible for developing policy and managing the resources necessary to carry out HUD's mission.

Additionally, HUD will be creating a new Chief Operating Office (COO Office) within the Office of the Deputy Secretary. Building upon the Chief Operating Officer position that is being created in fiscal year 2009, the Department will fully staff a small office to provide leadership and a comprehensive strategy for HUD's operations, including procurement, human resources, technology and fiscal and budget processes with direct oversight from the Deputy Secretary. These agency operations have been effectively broken. This is in part due to the compartmentalized organizational structure and lack of integration that has historically resulted in turf struggles instead of collaborative decision making and lack of focused senior level attention to ensure strategic attention and accountability. Currently 18 functions, both operating and program, report directly to the Deputy Secretary. With this many direct reports, the capacity of the Deputy Secretary to proactively manage operations has been more limited, leading to operations management based more on crisis than proactive strategic planning.

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Creating a COO position will consolidate HUD operations functions under one single point of leadership thereby increasing focus and attention to operational management. Having an office dedicated to coordinating the interrelated operating challenges of the department is critically important to provide the foundation for further program reform in the Department. Information technology systems, human capital management, procurement and fiscal and budget processes are interdependent functions that require a comprehensive and coordinated strategy to be most effective. This Office will provide a way to coordinate these strategies, make decisions and ensure accountability. As such, the COO office will provide comprehensive and coordinated leadership to four Offices: 1) Administration, 2) Procurement, 3) Information Technology, and 4) Finance.

The requested funding level is \$2.2 million above the fiscal year 2009 enacted level. This increase includes the cost of the 2010 pay raise, as well as slight increases in staffing and non-personnel services.

Administration, Operations and Management (AOM) Account

HUD proposes \$537.9 million for Administration, Operations, and Management (AOM) in fiscal year 2010. In addition to funding the vast majority of the non-personnel costs for the entire Department, the AOM account funds the personnel compensation and benefits costs of the remaining staff in the Office of General Counsel, the Office of the Chief Financial Officer, and the Office of Administration, as well as the entire staff of the Office of the Chief Procurement Officer, the Office of Departmental Equal Employment Opportunity, the Office of Field Policy and Management, the Office of Departmental Operations and Coordination, and the Office of Faith-Based and Community Initiatives. These offices provide the support services required to ensure the Department performs its core mission, and is compliant with all legal, operational, and financial guidelines established by the Congress.

Personnel Services

The Department requests \$288 million in personnel services for the AOM account in fiscal year 2010. In addition to the offices listed above, the Department proposes creating two new offices within the AOM account: the Office of Strategic Planning and Management and the Office of Sustainable Housing and Communities.

- HUD is requesting \$2.5 million to establish the **Office of Strategic Planning and Management**, which will drive organizational, programmatic, and operational change across the Department to maximize efficiency and performance. Building on the model that the Secretary successfully implemented at the Department of Housing Preservation and Development in New York City, the Office will facilitate HUD's strategic planning process with the Secretary, his senior leadership team, and external stakeholders. This will serve as the starting point for HUD transformation. The process will identify HUD's strategic priorities and transformational change initiatives, create and manage work plans for targeted transformation projects, and develop key program performance measures and targets for monitoring. Office staff will assist with such projects as implementing strategies to engage HUD's partners in program planning and implementation; working with OCIO to develop new cross-program analytic tools; human capital issues, or developing new performance indicators and reporting tools in support of improved program management and increased research-based evaluation.
- The **Office of Sustainable Housing and Communities** will provide technical and policy support for energy, green building, and transportation programs at HUD and throughout country. The primary function will be to manage new grant programs to catalyze the home retrofit market and promote transit-oriented development. Such efforts aim at maximizing affordability, livability, and durability while minimizing the impact on the environment and reducing energy dependence. This Office will also coordinate inter- and intra-agency efforts to ensure that housing programs targeting the built environment—including FHA, Public Housing, Low Income Housing Tax Credit (LIHTC), and HOME—are well-coordinated with the programs of the Department of Transportation, the Department of Energy, and the Environmental Protection Agency. The Office will also coordinate with the Office of Policy Development and Research to develop and undertake integrated research to support efforts leading to sustainable housing and regional planning. To this end, the Department is requesting \$2.4 million to establish this office in fiscal year 2010.
- At the request level, the following offices in the AOM account will receive minor increases in staffing:

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- **Office of the Chief Financial Officer (OCFO).** The Chief Financial Officer advises the Secretary and HUD leadership on all aspects of financial management and ensures that the Department meets financial management goals and complies with financial management legislation and directives. OCFO is responsible for the preparation, justification, and execution HUD's annual budget; establishes policies and standards for development, maintenance, operation, and evaluation of the Department's financial management systems and systems of internal control; provides accounting and reporting and prepares the Department's annual consolidated financial statements. OCFO also has responsibility for overseeing Departmental implementation of the Federal Managers' Financial Integrity Act and the Government Performance and Results Act.
- OCFO requests an increase of \$1.2 million in fiscal year 2010 over the fiscal year 2009 enacted level. Of this increase, \$681 thousand is needed to fund the 2010 pay raise. The remaining \$487 thousand will fund minimal staffing increases in support of the HUD Integrated Financial Management Improvement Project, which will replace HUD's core financial systems.
- **Office of the General Counsel (OGC).** The General Counsel acts as the legal adviser to the Secretary and principal staff throughout HUD. The General Counsel provides legal opinions, advice and services with respect to all programs and Departmental activities, and provides counsel and assistance in the development of the Department's programs and policies.
- The OGC requests \$89.1 million for personnel compensation and benefits in fiscal year 2010; an increase of \$4.2 million over fiscal year 2009. Of this, \$2.5 million will fund staffing increases to support OGC's enhanced role in HUD's efforts to combat fraudulent and abusive mortgage practices; to perform disaster assistance work; and to support implementation of the Housing and Economic Reform Act (HERA).
- **Office of the Chief Procurement Officer (OCPO).** The Chief Procurement Officer serves as HUD senior procurement executive and is responsible for all matters related to the Department's acquisition needs and activities. OCPO's procurement staff work with program offices to provide the necessary support to achieve the Department's goals through the award and administration of contracts, purchase orders, and interagency agreements; developing and implementing Departmental policies, standards, and procedures for an effective contracting program; and ensuring that HUD receives the best value for the funds expended
- OCPO requests \$14.6 million in fiscal year 2010; an increase of \$1.2 million over the fiscal year 2009 enacted level. The majority of this increase will fund additional staff to support the heightened workload due to ARRA and other new procurement activity. OCPO will continue the proven successful strategy of dedicating contracting staff to specific clients in order to enhance establishment of Integrated Program Teams (IPTs) to effectively shepherd requirements from planning through final delivery.
- **Office of Departmental Equal Employment Opportunity (ODEEO).** The Office of Departmental Equal Employment Opportunity processes complaints, provides counseling, and investigates discrimination complaints filed by HUD employees, former employees, and applicants for employment. The Office trains EEO Counselors and Program Office Discrimination Complaint Managers, and drafts final decisions for the Director of EEO, including remedial orders and recommendations for disciplinary action. The Division also maintains the Department's Equal Employment Opportunity Tracking System and provides assistance to EEO Officers and Discrimination Complaint Managers.
- ODEEO requests an increase of \$211 thousand to support minimal staffing increases to address sufficiently and timely the workload associated with EEO investigations.
- **Office of Field Policy and Management (FPM).** The Office of Field Policy and Management, through its 81 Regional and Field Offices nationwide, provides management and oversight to the field offices and coordinates Presidential and Secretarial priorities and initiatives at the local level. FPM staff work to accomplish cross program projects and to improve coordination of local disaster response and recovery in the field. Since FPM is uniquely positioned in the Regional and Field Offices, it is able to effectively build relationships, maintain partnerships, and provide outreach to community groups, industry groups, and State and local government officials. As the senior management officials in the field, the Regional and Field Office Directors are also responsible for ensuring effective and efficient use of limited staff and operational resources.

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- FPM requests \$51.275 million for personnel compensation and benefits in fiscal year 2010. This represents an increase of \$2.5 million over the fiscal year 2009 enacted level, while remaining \$25 thousand below the fiscal year 2008 level. This increase is needed to support FPM's "Model Office" staffing level as determined by a strategic analysis of operations across the Department's 81 field offices.
- **Center for Faith-Based Initiatives (CFBI).** HUD's Center for Faith-Based and Community Initiatives assists the Department in its outreach to non-profits who are interested in or qualified to work with HUD to provide safe, affordable, decent housing. The Center works to remove regulatory barriers that unduly burden faith-based and community organizations (FBCOs); creates innovative pilot projects that creatively engage the capacity, knowledge, skills, and abilities of FBCOs; and provides technical assistance to FBCOs seeking to partner, or partner more fully, with HUD.
- CFBCI requests \$1.4 million for personnel compensation and benefits in fiscal year 2010. This includes a minor increase to support the Unlocking Doors Initiative, which assists grassroots organizations that aid disadvantaged applicants in the home-buying process.
- Enhancements in program and support offices throughout the Department are partially offset by a proposed reduction in the Office of Administration.
- **Office of Administration** supports the Department in areas such as strategic human capital management, skill gap training, management analysis, human resource management, grants management, correspondence and scheduling for the Secretary, staffing and performance analysis, general building operations/maintenance, FOIA processing, and office services. Since 2008, Administration has also centrally managed and funded the HUD Fellows Program.
- The Department requests \$77.0 million for Office of Administration, an increase of \$1.5 million over the fiscal year 2009 enacted level. The fiscal year 2010 funding level includes both the 2010 pay raise and \$3.4 million in support of the Department's mandated employee transit subsidy increase. Also reflected is a reduction in staffing due to the decentralization of the HUD Fellows Program. Program offices will fund their intern program directly instead of through the Office of Administration.

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Non-Personnel Services

The Department is requesting a slight decrease for non-personnel items as shown in the following chart (Dollars in Millions):

Non-Personnel Services	FY 2009 Enacted	2010 Request	Increase/Decrease
Travel	\$20.2	\$20.0	-\$0.2
Transportation of Things	0.3	0.3	-
GSA Rent	131.9	128.3	-3.6
Printing	3.9	4.0	0.1
Other Services	87.0	84.5	-2.5
Supplies	4.1	4.1	-
Furniture and Equipment	6.9	7.0	0.1
Claims and Indemnities	1.2	1.6	0.4
Totals	255.5	249.8	-5.7

The \$5.7 million reduction in non-personnel services demonstrates HUD's commitment to utilizing scarce resources more efficiently. In addition to achieving savings due to success in the space consolidation plan, the Department will implement additional efficiencies in Other Services that will save \$2.5 million.

Travel and Transportation of Persons (2100), \$20 million. 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. It consists of travel both away from the official duty station and in and around the official station of an employee. These funds allow HUD staff to monitor Public Housing Agencies and grant recipients, conduct technical assistance and training, and carry out other mission critical responsibilities.

The request of \$20 million reflects a \$200,000 decrease from the fiscal year 2009 anticipated funding level.

Transportation of Things (2200), \$0.3 million. 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 of \$300,000 is the same as the fiscal year 2009 anticipated level, and reflects a continuation of HUD's policy to limit the expenses associated with employee moves.

Rent, Communications, and Utilities (2300), \$128.3 million. 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 establishes rental rates and provides cost estimates for the space requirements identified by the Department.

The request is \$128.3 million and reflects a \$3.6 million decrease from the fiscal year 2009 anticipated level. The decrease in costs results from HUD's 5-year space consolidation plan, which seeks to reduce Headquarters satellite rental space by a total of 57 percent by the end of fiscal year 2009.

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Printing (2400), \$4.0 million. 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 request is \$4.0 million and reflects a \$100 thousand increase from the fiscal year 2009 anticipated level, and is required to maintain the Department's critical printing requirements and pay for inflationary increases required by the GPO.

Other Services (2500), \$84.5 million. This object class encompasses a wide array of services that are not captured in the other object classes. The types of services included are employee training; storage of household goods; data processing services; contracts such as data and statistical collection and analysis, management studies, and technical and public information services; and other services such as health services, library services, online database services, stenographic services, visual art services, and building maintenance and services.

The fiscal year 2010 request is \$84.5 million and reflects a \$5.7 million decrease from the fiscal year 2009 anticipated level, representing HUD's continuing efforts to identify efficiencies in the Department's contracting activities. In addition to the core contractual services listed above and funded from this account, the Department will also require funds to continue to meet the requirements of the Improper Payments Information Act of 2002. This includes contract services to cover the estimated cost of providing a comprehensive consolidated error measurement study of the \$26 billion expended on HUD's various rental assistance programs, as well as the cost of an Interagency Agencies Agreement with HHS to cover computer matching costs to verify tenant income. Other anticipated initiatives are business process reengineering efforts throughout the Department to improve core functions like human capital management and procurement activities. Additionally, funding in this object class will also support succession planning studies and increased employee training and development, which will be critical as the Department addresses the impending increase in employee retirements.

Supplies and Materials (2600), \$4.1 million. This object class identifies charges for commodities, whether acquired by formal contract or other forms of purchase, which 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. This includes purchases necessary for basic business operations. The request is \$4.1 million, the same as the fiscal year 2009 anticipated level.

Equipment (3100), \$7 million. 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 quick copy machines and calculators, equipment to deliver in-house training, and books. The request is \$7.0 million, which reflects a \$100,000 increase over the fiscal year 2009 anticipated level.

Insurance Claims and Indemnities (4200), \$1.6 million. 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 request is \$1.6 million and reflects a \$400,000 increase over the fiscal year 2009 level, due to an anticipated increase in legal fees associated with bid protests resulting from re-competed HUD contracts.

Personnel Compensation and Benefits Accounts

Office of Housing

The Office of Housing requests \$376.9 million for personnel compensation and benefits in fiscal year 2010 to allow the Department to achieve the following:

- Support increased workload due to the banking and credit crisis, distressed housing markets, and the increased number of homeowners facing foreclosure due to the subprime lending and the economic recession;
- Support Single Family programs including Federal Housing Administration (FHA) mortgage insurance on loans to purchase new or existing homes, condominiums, manufactured housing, and houses needing rehabilitation, and for reverse equity mortgages to elderly homeowners;
- Increase capital grants to non-profit sponsors for the development of housing for the elderly or persons with disabilities;

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- Administer the Project-Based Section 8 program, which provides subsidized rental assistance to over 1.2 million to low- and very low-income families; and
- Administer and support the RESPA and the Interstate Land Sales Program.

The request includes an increase of \$11.7 million over the fiscal year 2009 enacted level. Of this increase, \$7.3 million is necessary to fund the 2010 pay raise. The additional \$4.4 million will fund staffing increases to support efforts to combat mortgage fraud and to handle an increased mortgage insurance workload.

- **Single Family Housing.** The Office of Single Family Housing administers FHA mortgage insurance programs for loans to purchase new or existing homes, condominiums, manufactured housing, houses needing rehabilitation, and for reverse equity mortgages to elderly homeowners. The collapse of the subprime housing market and current economic conditions has significantly increased demand for these products. In fiscal year 2008, FHA endorsed a record 1.2 million loans, up 125 percent from fiscal year 2007; FHA anticipates at least another 33 percent increase to 1.6 million endorsements in fiscal year 2009. Nearly 75 percent of the increase over Housing's base fiscal year 2010 personnel compensation and benefits costs will assist the FHA in managing this increased workload.
- **Office of Regulatory Programs and Manufactured Housing.** The Office of Regulatory Programs oversees five programs: the Real Estate Procedures Act (RESPA); Interstate Land Sales; the Manufactured Housing program; Minimum Property Standards (MPS); and the Secure and Fair Enforcement (SAFE) program. The Office of Housing will continue to administer and support RESPA, a HUD consumer protection statute designed to help protect and better inform potential home-buyers. The fiscal year 2010 budget requests an increase to the Office of Interstate Land Sales and RESPA. The Interstate Land Sales program protects consumers from fraud and abuse in the sale or lease of land. The Manufactured Housing program regulates the construction of certain factory built housing units, and oversees the enforcement of the construction standards working through private inspection agencies and State governments. Minimum Property Standards (MPS) establish certain minimum standards for buildings constructed under HUD housing programs. This includes single family homes, multifamily housing and health care type facilities. The Secure and Fair Enforcement (SAFE) program is designed to enhance consumer protection and reduce fraud by encouraging states to establish minimum standards for the licensing and registration of state-licensed mortgage loan originators.
- **Combating Mortgage Fraud.** In addition to supporting the programs above, the fiscal year 2010 request provides additional staff, which will be targeted to the Office of Regulatory Programs to support new and enhanced initiatives focused on combating mortgage fraud.
- **Multifamily Housing.** The fiscal year 2010 request continues support for the Office of Multifamily Housing. Multifamily programs collectively provide over 2.2 million units of housing through various project-based rental housing assistance programs, as well as FHA mortgage insurance to HUD-approved lenders to facilitate the construction, substantial rehabilitation, purchase and refinancing of various types of multifamily housing projects. Multifamily staff manages the current FHA GI/SRI portfolio, which includes approximately 12 thousand mortgages and an outstanding principal balance of over \$52 billion. The office also oversees mortgage insurance under sections 232 (Nursing and Assisted Living Facilities) and 242 (Hospitals) of the National Housing Act, to enable the affordable financing of healthcare facility projects by reducing capital costs. Currently, the Section 242 program insures 86 hospital mortgage loans with a total remaining principal balance of \$7.3 billion. The Section 232 program insures 2,155 loans with a total remaining principal balance of \$13.1 billion. Both programs are experiencing increasing demand stemming from a combination of the Department's improvements in processing time and the reduced availability of affordable credit in the capital markets. The Office of Multifamily housing also manages various project-based rental housing assistance programs - under Sections 8, 202, 236, 811 and other older terminated programs - which collectively outlay in excess of \$9 billion each year.
- **Office of Affordable Housing Programs.** The fiscal year 2010 budget also continues support for the Office of Affordable Housing Programs (OAHP). OAHP administers the Mark to Market program (M2M), with over 3,200 Section 8 properties assigned to the Participating Administrative Entities (PAEs). To date, OAHP has completed over 3,100 Section 8 debt-restructuring or mark-to-market transactions. OAHP has also introduced a Green Initiative, a nationwide pilot to encourage owners and

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purchasers of affordable, multifamily properties to rehabilitate and operate their properties using sustainable, green building principles. In addition, OAHF administers regulatory programs designed to help make homeownership more accessible and less expensive and protect consumers from fraud and abuse, and the Housing Counseling Assistance program that provided services to over 800 thousand households in fiscal year 2008.

Public and Indian Housing (PIH)

In 2010, PIH requests \$374.9 million for personnel compensation and benefits--an increase of \$6.7 million--to work on neighborhood transformation initiatives in public housing reconstruction and land banking, and to increase Native American homeownership.

Programs administered by the Office of Public and Indian and Housing comprise 55 percent of the Departments overall fiscal year 2010 budget request, or \$25.6 billion. PIH staff oversee Public Housing Authorities' (PHAs) use of HUD program funds to assure they are efficiently and effectively providing decent, safe, and sanitary housing to eligible low-income households with correctly calculated rents and subsidies. Program monitoring systems established by HUD's Real Estate Assessment Center (REAC) have enabled PIH to remotely monitor the physical, financial, and management conditions at PHAs. This information allows staff to target on-site monitoring efforts to the sub-set of PHAs or PHA properties with apparent performance problems. The on-going implementation of "asset-based management" for public housing will provide even better information for targeting performance problems. In fiscal year 2010, PIH will focus on:

- Improving the management of the small number of PHAs designated as "troubled" agencies;
- Improving physical conditions in the 15 percent of public housing units that are still substandard;
- Reducing energy costs in public and assisted housing;
- Reducing improper rental assistance payments; and
- Assuring program administrative fees are reasonable and earned.

Government National Mortgage Association (Ginnie Mae)

Ginnie Mae requests \$11.1 million for personnel compensation and benefits in fiscal year 2010. The requested funding level, which is \$1.1 million above the fiscal year 2009 enacted level, implements the fiscal year 2010 pay raise, and provides additional staff to handle an increased workload associated with mortgage-backed securities. Given current market conditions, GNMA is expecting a substantial increase in volume in fiscal year 2010. The Budget proposes a limitation on new commitment authority for single-class mortgage-backed securities (MBS) of \$400 billion, up from \$300 billion in fiscal year 2009 and \$200 billion in fiscal year 2008. In the Multiclass Securities Program, it is estimated that \$100 billion will be guaranteed, and \$3 billion will provide additional funding in the Home Equity Conversion Mortgage (HECM) program. America's aging population makes HECM an increasingly attractive product for lenders, and Ginnie Mae securities support this expanding market. Currently, FHA insures 95 percent of all reverse mortgages, allowing Ginnie Mae-qualified lenders to help underserved and elderly borrowers tap into a safe, secure, and guaranteed capital markets solution.

Office of Community Planning and Development (CPD)

CPD requests \$99.0 million for personnel compensation and benefits in fiscal year 2010, an increase of \$4.8 million over the enacted fiscal year 2009 funding level. These funds are needed to address additional workload related to managing and monitoring disaster-related funding and the Housing and Economic Recovery Act (HERA) of 2008. The increase will be distributed to:

- the DAS for Grant Programs, Community Development Block Grant Division in Headquarters to directly manage disaster-related funding and HERA activities; and

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- CPD field offices to manage the projected 300 to 325 increase in Neighborhood Stabilization Program (NSP) grants. (Additional field staff is required as the funds would have characteristics different from regular CDBG funding and require a higher level of attention to limit waste, fraud and abuse at the grantee level.)

These additional staff will support CPD's increased workload resulting from the \$31.4 billion in funding that CPD has recently received above its normal annual appropriations to support the Gulf Coast Region, Midwest Floods, 2008 Hurricanes, and HERA. CPD grant workload has increased substantially from 14,000 grants in fiscal year 2007 to an estimated 16,000 grants in fiscal year 2010—an increase of nearly 15 percent. This increased grant load will require additional management, monitoring, and technical assistance efforts.

Office of Policy Development and Research

The Office of Policy Development and Research (PD&R) supports the Department's efforts to help create cohesive, economically healthy communities by maintaining current information on housing needs, market conditions, and existing programs, as well as conducting research on priority housing and community development issues. PD&R's research, surveys and policy analyses inform all aspects of HUD programs providing a comprehensive and historical understanding of past program performance as well as objective data for policymakers and stakeholders to make informed decisions.

PD&R requests \$21.1 million for personnel compensation and benefits in fiscal year 2010. The request funds the fiscal year 2010 pay raise, and includes an additional \$2.7 million over the enacted fiscal year 2009 enacted level. Moving forward, PD&R will take on an enhanced role in the Department. Additional staff is needed to allow PD&R to effectively support HUD transformation initiatives, as well as provide disaster assistance and evaluate American Recovery and Reinvestment Act (ARRA) activities.

Office of Fair Housing and Equal Opportunity

The Office of Fair Housing and Equal Opportunity (FHEO) requests \$71.8 million for personnel compensation and benefits in fiscal year 2010. This funding level provides an increase of \$2.8 million over the fiscal year 2009 enacted level. The fiscal year 2010 budget request will allow FHEO to:

- Create a unit within the Lending Division that will be dedicated to monitoring the fair lending compliance of Fannie Mae and Freddie Mac.
- Address increased workload associated with housing discrimination complaints, as well as provide support and technical assistance to Fair Housing Initiative Program and Fair Housing Assistance Program agencies.

In addition to sustaining current efforts, the requested funding level would allow the FHEO to add staff to its Lending Division in support of efforts to combat mortgage fraud and discrimination. The Department plans to hire additional investigators to conduct fair lending investigations, economists to analyze loans and foreclosure data related to these investigations, and a testing coordinator to oversee, contract for, and analyze paired tests for lending discrimination. Testing is the key to rooting out lending discrimination because it is almost impossible for borrowers to know when they were charged a different rate than others because of their race, color, national origin, sex, or disability.

Over 78 percent of FHEO's FTE are allocated to HUD's field offices. In fiscal year 2008, FHEO closed over 2,100 housing discrimination complaints and provided support and technical assistance to Fair Housing Initiative Program and Fair Housing Assistance Program agencies, which processed more than 8,300 cases. FHEO staff continues its efforts to effectively and efficiently resolve fair housing complaints in addition to successfully completing other important work, such as compliance and civil rights reviews of public housing authorities and other HUD-funded entities.

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Office of Healthy Homes and Lead Hazard Control

The Department requests \$7.2 million in personnel compensation and benefits for the Office of Healthy Homes and Lead Hazard Control (OHHLHC) for fiscal year 2010. The requested budget represents an increase of \$423 thousand over the fiscal year 2009 enacted level. Additional staff is needed to sustain the increased workload associated with three new program areas that reflect the maturing of the Healthy Homes program: the Coordinated Housing Hazard Intervention Plan Grant Program; the Healthy Homes Capacity and Sustainability Grant Program; and the Healthy Housing Implementation Grant Program.

- **Coordinated Housing Hazard Intervention Plan Grant Program.** OHHLHC staff will work with state and local programs to expand their lead-based paint activities and to adopt comprehensive healthy housing approaches. Along with lead hazard control, the program implements integrated pest management programs, improves indoor air quality, mitigates fire hazards, and prevents carbon monoxide poisoning. It will fund corrective and preventive measures for housing-related health and safety hazards, including structural defects, water intrusion, excessive moisture, injury hazards, and malfunctioning or improperly used combustion appliances.
- **Healthy Homes Capacity and Sustainability Grant Program:** OHHLHC staff will help build capacity to address housing-related health hazards through a variety of activities, such as:
 - o Developing standardized methods for assessing and controlling these housing-related health hazards;
 - o Promoting the incorporation of healthy housing principles into ongoing practices and programs;
 - o Promoting the incorporation of healthy housing principles into green construction and rehabilitation;
 - o Evaluating the long-term cost effectiveness of the healthy housing approach;
 - o Developing healthy homes "best practices" guidance;
 - o Undertaking national outreach efforts; and
 - o Developing model training programs to build healthy homes capacity among partners, practitioners, and the public.
- **Healthy Housing Implementation Grant Program:** This production-oriented grant program, building from the Office's previous Healthy Homes Demonstration Grant Program, will fund preventive and corrective measures by state and local governments, non-profit organizations, and others, to control housing-related health and safety hazards in low-income housing.

Lead poisoning remains the number one environmental disease impacting children. The lead hazard control and lead hazard control demonstration grant programs meet a critical need; control of hazards in low-value, privately owned units that house millions of low-income Americans. The number of lead poisoned children has been reduced from approximately 890,000 in 1992 to fewer than 220,000 in 2008. HUD, along with other Federal partners, will eliminate lead poisoning in children nationwide as a major public health problem by 2010 (based on confirmatory data to be provided by CDC by 2013). The Healthy Homes program develops and promotes integrated approaches to identify and address multiple residential health and safety hazards in a comprehensive, evidence-based, and cost effective manner. The grant programs are supported by targeted contracting activities, especially for research, training, focused outreach, and evaluation.