

**Department of Housing and Urban Development (HUD)
Salaries and Expenses**

Overview

HUD's request for salaries and expenses (S&E) demonstrates a commitment to responsible stewardship of scarce resources in a tight fiscal climate. As part of President Obama's commitment to work towards a balanced budget, HUD has undertaken a massive streamlining effort as part of the Transformation Initiative to reprioritize resources to focus on our core mission and spend less on overhead and administrative support. As a result, HUD will strive to meet its strategic and performance goals with fewer FTE in certain areas while increasing staffing in others.

HUD's S&E request of \$1.379 billion, an increase of \$33 million over fiscal year 2010, which includes funding to jumpstart planning efforts for the modernization of HUD's headquarters building, as well as a slight increase in the agency's overall personnel compensation budget. The Department plans to leverage anticipated savings and efficiencies, which will enable HUD to increase its programmatic responsibilities even with minimal staffing increases.

The critical role HUD plays in addressing the national economic, social, and energy challenges drove leadership to re-examine the way the Department provides services across many programs. As a result, HUD proposes to increase staff in the Offices of Housing, Community Planning and Development, and Policy Development and Research in order to address the national housing crisis, provide much needed technical assistance to our state and local partners, and create innovative approaches across the spectrum of housing issues.

In a difficult budgetary climate, HUD understands that sacrifices, while difficult to manage, must be made throughout the Department. HUD has begun to and will continue to institute the types of reform that will generate cost savings. A commitment to working smarter will enable the Department to deliver more with slightly fewer employees in certain areas.

The 2010 Budget took the first steps to streamline and simplify the agency's activities by consolidating or eliminating some programs and activities. In particular, a human capital transformation continues to be a top priority. The Department is in the process of transforming the Office of Administration into the Office of Chief Human Capital Officer (OCHCO). The core of this Office will focus on human capital management throughout the Department. In partnership with HUD's program offices, OCHCO will work to improve HUD's ability to attract, develop, and retain people and knowledge to accomplish the Department's mission. Human capital functions will be streamlined and will become more customer-service oriented. HUD will continue to place an emphasis on tying organizational performance to ratings and ensuring that performance awards and salary decisions reflect accomplishments of both organizational and individual goals and objectives.

Other support needs are also being addressed through streamlining, increased automation, and process improvements. In conjunction with the Secretary's "Transformation Initiatives," HUD will seek ways to better utilize its workforce to achieve a more efficient and effective program delivery and enhanced program results.

The goal of the transformation, plain and simple, is to rebuild HUD as a powerful agent for advancing not only national housing objectives but, through housing, broader economic, social and energy goals. Undertaking a massive streamlining effort to dedicate more resources to the highest priority activities, HUD anticipates it will also be able to hold down overall costs.

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Request Amount

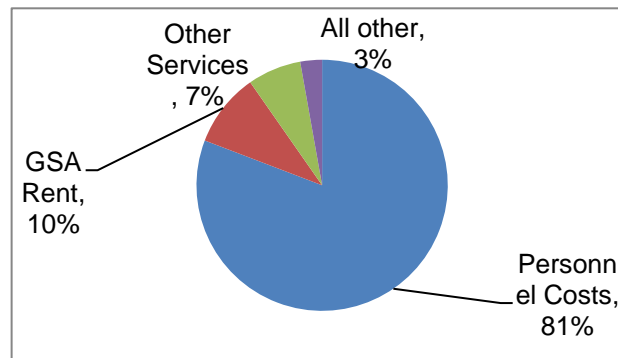
The Department requests \$1,379 million for salaries and expenses for fiscal year 2011. This level of funding reflects an increase of \$33 million and a reduction of 20.9 FTE versus the fiscal year 2010 funding level. Both the fiscal year 2010 and 2011 requests comprise similar percentages by budget object class (BOC), as the following chart demonstrates:

**Crosswalk: Fiscal year 2010 versus Fiscal year 2011 S&E Allocation (Non-Personal Services)
(Dollars in Millions)**

Budget Object Class	FY 2010	FY 2011	Change
1100 Personnel Costs	81.4%	80.8%	-0.6%
2100 Travel	1.5%	1.5%	0.0%
2200 Transportation of Things	0.0%	0.0%	0.0%
2300 GSA Rent	9.5%	9.5%	0.0%
2400 Printing	0.3%	0.3%	0.0%
2500 Other Services	6.3%	6.9%	0.6%
2600 Supplies	0.3%	0.3%	0.0%
3100 Furniture and Equipment	0.5%	0.4%	-0.1%
4200 Claims and Indemnities	0.1%	0.2%	0.0%
Total	100.0%	100.0%	...

Amounts may not add due to rounding.

As the following chart illustrates, the vast majority—over 97 percent—of HUD’s proposed salaries and expenses funds continue to be expended for Personnel Services (81 percent), GSA rent (10 percent), and Other Services (7 percent). Travel and the remaining object classes represent just 3 percent of HUD’s obligations.



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**Increases/Decreases
(Dollars in Millions)**

Item	FY 2010	2011 Request	Increase/Decrease
1100 Personnel Costs*	1,096.1	1,114.5	18.4
2100 Travel	20.1	21.0	0.9
2200 Transportation of Things	0.3	0.3	-
2300 GSA Rent**	128.3	131.4	3.1
2400 Printing	4.0	4.0	-
2500 Other Services	84.5	95.5	11.0
2600 Supplies	4.1	4.0	(0.1)
2700 Furniture and Equipment	7.0	6.2	(0.8)
3100 Claims and Indemnities	1.6	2.1	0.5
Totals	1,346.0	1,379.0	33.0

* Includes mandatory pay raise of 2.0 percent in 2010 and 1.4 percent in 2011, as well as \$2.1 million in fiscal year 2011 for a Governmentwide initiative to improve acquisition services.

** Request level incorporates inflationary increase in base rental costs.

Enhancements

With respect to the current efforts by the Administration to make more efficient use of resources, the Department is requesting minimal increases for fiscal year 2011. Of the \$33 million increase requested over the fiscal year 2010 enacted level, approximately \$16 million – nearly half of the requested increase – is necessary to fund the 2010 and 2011 pay raise, as well as the Congressionally mandated increase in transit subsidy benefits.

Beyond these increases in HUD’s base operating costs, \$2 million is provided through a general provision to enhance HUD’s contracting capabilities. Further, \$11 million is requested in BOC 2500 to fund costs related to the much needed renovation and “greening” of HUD’s headquarters building. These initiatives are discussed at length on the following page.

HUD requests an increase of 59.2 FTE in fiscal year 2011. While the Department requests a minimal increase in BOC 1100 to provide for additional staff, the vast majority of the proposed FTE increase will be realized through savings and reductions in average FTE costs. HUD will counteract further enhancements to high priority programs areas through reductions in lower-priority support services. The proposed redistribution of HUD’s staffing resources is displayed on the following page.

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**Personnel Compensation Resources by Program Office
Fiscal year 2010 vs Fiscal year 2011
(Dollars in Thousands)**

	FY 2010 Enacted		FY 2011 Request		FY 2011 v 2010	
	Amount	FTE	Amount**	FTE	Amount	FTE
Departmental Management*	\$26,855	156.1	\$30,265	186.1	\$3,410	30.0
Office of the Chief Human Capital Officer	\$76,958	615.4	\$65,049	488.7	(\$11,909)	(126.7)
Office of Departmental Operations and Coordination	\$9,623	88.7	\$9,122	69.0	(\$501)	(19.7)
Office of Field Policy and Management	\$51,275	383.0	\$49,090	363.9	(\$2,185)	(19.1)
Office of the Chief Procurement Officer	\$14,649	116.8	\$15,931	109.3	(\$788)	(7.5)
Office of the Chief Financial Officer	\$35,197	209.0	\$33,831	195.6	(\$1,366)	(13.4)
Office of General Counsel	\$89,062	655.5	\$86,482	632.8	(\$2,580)	(22.7)
Office of Departmental Equal Employment Opportunity	\$3,296	25.7	\$3,115	23.8	(\$181)	(1.9)
Office of Faith-based and Community Initiatives	\$1,393	9.1	\$1,316	10.0	(\$77)	0.9
Office of Sustainable Housing and Communities	\$2,400	20.0	\$2,887	23.0	\$487	3.0
Office of Strategic Planning and Management	\$3,288	21.0	\$4,445	36.0	\$1,157	15.0
Office of Disaster and Emergency Management	-	-	\$4,875	40.0	\$4,875	40.0
Public and Indian Housing	\$197,074	1,540.7	\$197,282	1,556.5	\$208	15.8
Community Planning and Development	\$98,989	801.9	\$105,768	868.4	\$6,779	66.5
Office of Housing	\$374,887	3,203.7	\$395,917	3,323.6	\$21,030	119.9
Government National Mortgage Association	\$11,095	78.2	\$10,902	74.9	(\$193)	(3.3)
Policy Development and Research	\$21,138	151.0	\$23,588	170.0	\$2,450	19.0
Fair Housing and Equal Opportunity	\$71,800	601.8	\$67,964	566.5	(\$3,836)	(35.3)
Office of Healthy Homes and Lead Hazard Control	\$7,151	55.9	\$6,762	54.6	(\$389)	(1.3)
Total	\$1,096,130	8733.5	\$1,112,521	8,792.7	\$16,391*	59.2

* Amounts reflect both personnel and non-personnel expenses of the Executive Direction account.

** The table above does not include the \$2 million provided in a general provision for enhancements to HUD's contracting capabilities.

Major Initiatives

1. Addressing the Housing Crisis

HUD is at the center of the Federal response to the national mortgage meltdown and foreclosure emergency. In the midst of a credit crunch, the Federal Housing Administration (FHA) is playing a critical countercyclical role as a stabilizing force during this time of economic crisis.

HUD is actively involved in foreclosure mitigation, homeownership counseling, and a myriad of efforts to curb mortgage abuse and lending discrimination. The Department is also part of efforts to rethink the regulatory structure governing the housing sector, to prevent a repeat of the reckless and speculative lending that precipitated the current housing crisis.

Today, FHA is insuring 30 percent of purchase mortgages and 20 percent of refinances in the housing market. FHA's Mutual Mortgage Insurance fund now insures over \$700 billion worth of mortgages. As FHA's portfolio continues to grow, so does the risk in managing this burgeoning portfolio. For the first time in more than 10 years, FHA's capital ratio has fallen below the statutorily mandated 2 percent.

FHA has developed initiatives to help mitigate risk going forward but will need additional staff to implement and oversee these policy changes. In addressing risk, FHA will look at activities within its functional areas, including underwriting, standardization of business processes, quality assurance, mortgage fraud, real estate owned inventory, and loss mitigation. New policies will require resources to manage and oversee these changes, as well as to handle the huge increases in volume.

FHA's leadership recognized the need for additional resources to help FHA manage this growth and risk during the current turbulent economic times. The Office of the Chief Financial Officer (OCFO) conducted a Resource Estimation Allocation Process (REAP) study during the last quarter of fiscal year 2009 to help quantify the need for additional resources. The study helped fortify that there was a need in the areas mentioned above. FHA will address these needs in the Homeownership Centers and the National Servicing Center.

2. Transforming Rental Assistance (TRA)

HUD has proposed TRA as a way to improve the outcomes of HUD's rental assistance programs for the people it serves and the places in which they live. TRA will lay the foundation for the transformation of HUD's multiple rental assistance programs into a single, far more efficient and flexible program. TRA consists of two major components. The first component of this transformation plan will incentivize the voluntary regionalization of the Housing Choice Voucher program in up to 80 metropolitan and rural areas. The second initiative will convert approximately 300,000 of approximately 2.4 million units of public housing and privately owned assisted housing to a project based voucher model. This will enable properties to leverage debt to meet the substantial backlog of capital needs and preserve these aging resources for the long-term at substantially less than the replacement cost.

In addition to the programmatic efficiencies generated through the proposed TRA initiative, HUD will also identify workforce efficiencies throughout the Office of Public and Indian Housing that will enable the Department to direct staff attention to. These initiatives will enhance HUD's ability to perform its core oversight functions, to ensure Federal funding is properly and effectively spent. By streamlining programs and substantially reducing the

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number of entities with which HUD contracts directly, HUD will be able to assess and improve program performance at a lower cost. In addition, policy implementation will be greatly simplified. For example, changes in rent rules would not need to go through three separate HUD silos, each with separate regulations and guidance. In 2012 and beyond, HUD will be able to greatly reduce the number of staff and contractors needed to oversee the large number of different programs operating through separate HUD silos.

3. Increasing Capacity Building and Technical Assistance for State and Local Partners

Deep budget cuts in state and municipal governments are compounding historic disinvestment in the capacity of Community Planning and Development (CPD) grantees. Layoffs and furloughs of local staff inflict great stress on the often troubled systems, compromising the ability of local governments to deliver quality programs. At the same time the grantees are losing capacity, they must address foreclosure problems, neighborhoods struggling with property value declines and blight, and significant increases in family homelessness. The situation on the ground requires that CPD do more than just provide the funds. HUD and CPD must now refocus Federal program dollars on our goals to help build the capacity of grantees to deliver quality programs and services.

For many years, CPD has focused on the work of grant administration, getting the funds awarded, and ensuring basic compliance to program rules. Technical assistance was principally seen as an issue of compliance. As stewards of Federal dollars, CPD must ensure program funds are spent wisely and grantees are held accountable for results.

Additional FTE are needed to help ensure that Block Grant Assistance, Economic Development, Neighborhood Stabilization, Affordable Housing and Special Needs programs actually achieve results. Adequate staffing with the appropriate skill sets and performance measurements are needed to think more broadly, to integrate crosscutting programs, to gather and analyze place-based data, to identify and prioritize communities for technical assistance; and to find and promote best practices.

In order to meet the challenges, the CPD workforce must be enhanced through a targeted redeployment of existing staff, training (including program certifications), hiring to bring in new skills, and the strategic use of contractors to provide subject matter expertise and administrative support functions.

Additional positions are required to implement an overhaul of HUD's various homeless programs; implement new programs such as the Catalytic Investment Competition Grants, Sustainable Communities Initiative, and the anticipated National Housing Trust Fund; ensure better targeting and reporting of CDBG expenditures, and environmental/clearances and support for all HUD programs; and provide for an increased monitoring of grantees by field office staff.

4. Human Capital Transformation

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The 2008 Federal Human Capital Survey ranked HUD 24th out of 30 large agencies in the “Best Places to Work in the Federal Government” report. This needs to change. HUD must be able to hire the talent needed through a streamlined process, and develop employees so that they can contribute to a workplace that advances the Department’s mission.

Human capital transformation is a top priority, developing a comprehensive human resources strategy with focused investments in technology, hiring, and training, a customer service-oriented human resources organization, and increased transparency and accountability.

The Office of Administration is being reorganized to create the new Office of the Chief Human Capital Officer (OCHCO). Non-human capital functions will be realigned with other HUD offices, allowing OCHCO to focus more strategically on human capital – specifically HUD’s hiring, employee development, and retention practices. HUD will now have a Chief Human Capital Officer, who will work collaboratively with the Chief Financial Officer, Chief Information Officer, and Chief Procurement Officer, and will report to the Chief Operating Officer.

The Department is reforming its hiring and training practices so that when new staff are needed, we bring the best talent aboard as quickly as possible. The Department has initiated a business modernization process to evaluate and map its hiring processes and analyze the roles and responsibilities of staff across the organization related to hiring. Just as information technology has revolutionized our economy, it must also bring the management of HUD’s human resources into the 21st century – capturing the full end-to-end personnel cycle. Working closely with OPM, the Chief Human Capital Officer is streamlining our hiring processes to ensure that all hiring actions initiated after February 1, 2010 will be completed within 80 days.

5. Performance Reform

The Department is committed to reforming performance and realigning incentives by implementing a results-oriented, performance driven culture at HUD. Secretary Donovan came to HUD with new philosophies and ideas to strengthen and improve the Department’s performance management and award program. As part of this effort, the Secretary has appointed a new Chief Human Capital Officer to work with the Director, Office of Strategic Planning and Management, to form the foundation of HUD’s overall transformation initiative which aligns HUD’s strategic goals, function, products and services to the Department’s overall mission. These changes signaled not only a transformation in HUD’s strategic planning process, but also in its performance management strategy.

In fiscal year 2010, the Deputy Secretary kicked off our “Creating a results-oriented culture through performance-based leadership” initiative. The strategy involves leveraging senior management commitment to reform our performance management practices, ensuring we have the appropriate congruence between performance and awards. HUD’s performance strategy will focus on goal alignment, accountability, trust and values, and total rewards. Strategies are being developed in each of these four areas.

The Department met with officials from the Office of Personnel Management to obtain insights on setting meaningful objectives at the SES level, which would cascade through the agency for all employees. In 2009, HUD was granted full certification from OPM, with concurrence by OMB, for its Senior Executive Service (SES) performance appraisal system and is committed to maintaining that certification throughout this process.

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HUD will continue to place an emphasis on tying organizational performance to ratings and ensuring that awards and pay decisions reflect accomplishments of both organizational and individual goals and objectives. Central to these reforms is HUD's new strategic plan, which will link to clear measurement expectations for all employees.

In addition, HUD is establishing a Performance Management SWAT Team that will be led by the Chief of Staff and staffed by the CHCO, the Strategic Planning and Management Director and the Chief Operating Officer. This task force will focus on strengthening the linkages between performance management and HUD's mission, strategic business goals and outcomes, and on ensuring optimum congruence between employee performance awards and recognition process. The outcomes of this process will dovetail with the work going on as part of the strategic planning process and will allow HUD to move forward with new and improved performance management practices. We plan to work closely with OPM and OMB throughout this process to identify best practices throughout the government to ensure that HUD will achieve the most effective performance management system possible.

HUD is also working with the National Academy of Public Administration (NAPA) on transforming the way HUD does business and will seek their support in convening a panel of subject-matter experts in both the public and private sectors with the ability to provide "best practice" insight, which will be incorporated into our action plan.

6. Disaster and Emergency Management

For the past two decades, the U.S. Department of Housing and Urban Development (HUD) has played a critical role in the Federal Government's response to and recovery from national disasters. With its experience and expertise in promoting affordable housing and sustainable community development, HUD has provided valuable guidance and essential funding to state and local governments on long-term disaster recovery. Although existing HUD personnel assigned to disaster and emergency operations have performed admirably in fulfilling their assigned duties, the absence of an integrated, single office for HUD wide disaster and emergency planning and management has put HUD at a disadvantage in fulfilling its internal needs for disaster and emergency preparedness and response.

The Office of Disaster and Emergency Management (ODEM), currently operating as part of the Office of Chief Human Capital Officer, is proposed as a new office in the Administration, Operations and Management account. As an independent office, ODEM provides immediate benefits, including a single point of contact, planning, communication, and coordination for HUDwide disaster and emergency response and recovery activities and programs.

For fiscal year 2011 ODEM is requesting 40 FTE. Existing staff positions funded by the Offices of Community Planning and Development, Field Policy and Management, and Chief Human Capital Officer will be reassigned to ODEM. The net impact of standing up the Office of Disaster and Emergency Management is minor, equating to a net increase of 4 FTE after the elimination of a service contract.

ODEM will provide increased capabilities to develop standard policy, tools, and templates to improve the effectiveness and efficiency of HUD disaster and emergency operations. The office will provide more capacity for research of best practices, internal training and testing, and external outreach

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and coordination. The Office of Community Planning and Development will be able to redirect its current disaster policy and management staff to focus on managing disaster-related Community Development Block Grants.

The Office will advise the Secretary, Deputy Secretary, and Departmental leadership on all aspects of disaster preparedness, response, recovery, and emergency management, and implements programs to mitigate threats to employees, public resources, and critical infrastructure. ODEM will work with key stakeholders, including the Department of Homeland Security and the White House National Security Staff, to establish policy and ensure compliance with directives for the safety and welfare of HUD equities and external partners. Through Regional Disaster Coordinators, the Office will ensure preparedness and recovery in HUD-focused activities and programs across the nation.

7. Acquisition Services

With such a heavy reliance on contracted services across all of HUD's program areas, the agency requires an efficient and transparent procurement process. As part of our commitment to changing the way that HUD does business, ensuring that the end-to-end procurement process is managed with transparency, accountability and integrity is a top priority. HUD has embarked on a top to bottom review of its procurement processes with the National Academy of Public Administration (NAPA). This comprehensive evaluation and assessment of procurement functions is specifically focused on removing impediments and improving efficiencies.

Furthermore, the Administration is requesting the additional resources for all civilian agencies in the President's fiscal year 2011 Budget for training, IT, hiring, and recruitment. Submitted as a general provision, this funding will help to alleviate governmentwide concerns about the contracting process.

HUD requests \$2,070,635 for the Administration, Operations and Management account. This requested increase is to mitigate the risks associated with gaps in either capacity or capability of the acquisition workforce and to improve the effectiveness of the workforce in order to maximize value in Federal contracting. The resources requested will be used to:

- Increase the capacity of the acquisition workforce through efforts of strategic acquisition workforce planning, recruitment and retention;
- Increase the capability of the acquisition workforce by investing in training to close identified gaps in such areas as project management, negotiations, requirements development, contract management, and other key topics; and
- Increase the effectiveness of the acquisition workforce by investing in improvements to systems that support the contracting function.

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Request by Account

	<u>FY 2009</u> <u>Enacted</u>	<u>FY 2010</u> <u>Enacted</u>	<u>FY 2011</u> <u>Budget</u> <u>Request</u>
		(Dollars in Millions)	
Executive Direction	\$23,799	\$26,855	\$30,265
Administration, Operations, and Management	527,434	537,011	540,622*
Personnel Compensation and Benefits			
Office of Housing	363,198	374,887	395,917
Office of Community Planning and Development	94,234	98,989	105,768
Office of Public and Indian Housing	190,390	197,074	197,282
Office of the Government National Mortgage Association	10,000	11,095	10,902
Policy Development and Research	18,071	21,138	23,588
Fair Housing and Equal Opportunity	69,021	71,800	67,964
Office of Healthy Homes and Lead Hazard Control	6,728	7,151	6,762
Total, Salaries and Expenses	\$1,302,875	\$1,346,000	\$1,379,070

**Total includes \$2 million to increase the capacity and capability of the acquisition workforce, and \$11 million for the modernization of the current HUD headquarters building*

Executive Direction

Through the development of the fiscal year 2011 Budget and the Strategic Plan, HUD has made a number of ambitious proposals to transform its core programs and the way it does business. This transformation is a multiyear effort that can only be achieved through the sustained commitment of flexible budget resources, the relentless focus of agency leadership, and full transparency and accountability to external stakeholders for the delivery of real results. Strong, consistent leadership and management of this transformation will be the key contributor to a successful transformation of HUD. At the same time, we want to be transparent to our stakeholders about who the leadership is for this transformation and the resources that we dedicate to them.

- **Departmental Management: \$30.3 million, 186.1 FTE.** Given both the need for strong leadership and our commitment to transparency, in our fiscal year 2011 Budget we are proposing expanding the Office of the Secretary and Deputy Secretary. HUD requests an increase of 30.0 FTE from fiscal year 2010 for Departmental Management.

This expansion will allow the Secretary and Deputy Secretary's office to maintain a team of strong senior advisors who are experts in disaster recovery, the mortgage markets, rental housing policy, and homeless policy. These advisors have been and will continue to help HUD maintain focus

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on its strategic goals. In addition to the senior advisors themselves, the Department hopes to hire several staff members to support their work on HUD's signature initiative in fiscal year 2011, Transforming Rental Assistance. This project will touch almost every office within HUD and will require strong leadership, oversight, and guidance from the Secretary's office to ensure that implementation happens in a coordinated manner.

Having this team of senior advisors and their staff located in the Secretary's office will not only allow HUD to stay focused on its priorities, but it also signals our commitment to transparency and accountability. An alternative model would have the Department detail staff to the Secretary's office from program offices. Not only does that have an impact on program areas' budgets, but it also makes it difficult for stakeholders to understand the "true" size of the Secretary's office. Further, because of the way the performance management system is set up at HUD, staff detailed to the Secretary's office would be evaluated by their originating office, not by their supervisor in the Secretary's office. Improving the performance management system at HUD is a top priority, and it starts with the Secretary's office. Having the senior advisors in OSEC will allow the Department to evaluate their performance with the same rigor that we plan to evaluate all HUD employees.

While the senior advisors will be focusing on the transformation of our core programs, we also are looking to expand the leadership at the agency focused on transforming the way we do business. While the senior advisors will be focusing on the transformation of our core programs, the Department is also looking to expand the leadership at the agency focused on transforming the way we do business. To this end, the Office of the Chief Operating Officer (COO), a newly created 3 FTE office, will manage several critical support operations of the agency, with a particular focus on the transformation of HUD's human capital, procurement, and information technology functions. As the budget for that office currently falls with the budget of the Secretary and Deputy Secretary, we are requesting additional S&E funding for the Secretary's office for COO staff.

Placing the senior advisors and their staff in the Secretary's office budget is one way we will make the staffing levels in the Secretary's office more transparent. The budget request also proposes a logical consolidation of functions under the Office of the Secretary and Deputy Secretary. To increase transparency, the Scheduling and Advance Team, which currently resides in the Office of Administration's budget, should be moved to the Secretary's budget. This internal shift, which does not represent net FTE increase for the Department, accounts for 9 of the additional FTE requested for this account.

The Office of Public Affairs advises the Secretary and Departmental staff on public and media relations, and coordinates the Department's efforts to keep the public informed of its actions. OPA's basic mission is to publicize HUD policies and programs and to respond to inquiries from the press. For fiscal year 2011, the Department is transferring 6 FTE from the Office of the Chief Human Capital officer for the purpose of adding broadcasting functions to OPA to further ensure a consistent message through the use of the electronic broadcasting and webcasting functions of the Department.

Administration, Operations, and Management (AOM)

HUD is able to increase staffing in high priority program and support areas, by making modest cuts in staffing in the majority of its support services operations. The following three offices within the AOM account are proposed to receive modest strategic increases in accordance with their support of HUD's priority activities:

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- **Office of Strategic Planning and Management (OSPM) -- \$4.4 million, 36.0 FTE.** HUD requests an increase of 15.0 FTE from fiscal year 2010 for OSPM. Of this, 5 FTE will be absorbed from the Office of the Chief Human Capital Officer, as the grants management function transitions to OSPM. OSPM's 2011 fiscal year request of 36 FTE will support the HUD strategic planning process as well as additional American Recovery and Reinvestment Act (Recovery Act) reporting and grants management responsibilities. OSPM was created in fiscal year 2010 under the auspices to drive organizational, programmatic, and operational change across the Department to maximize efficiency and performance.
- **Office of Sustainable Housing and Communities (OSHC) -- \$2.9 million, 23.0 FTE.** HUD requests an increase of 3.0 FTE from fiscal year 2010 for OSHC. The 2011 fiscal year request of 23.0 FTE will support The Livable Communities Act by creating competitive planning grants that towns and regions can use to create comprehensive long-term plans that integrate transportation, housing, land use, and economic development. Established in fiscal year 2010, OSHC provides technical and policy support for energy, green building, and transportation programs at HUD and throughout country.
- **Office of Disaster and Emergency Management (ODEM) -- \$4.9 million, 40.0 FTE.** The newly proposed Office of Disaster and Emergency Management will be responsible for risk assessment, readiness, training, monitoring, and execution of applicable emergency, response, and recovery programs. Existing staff positions funded by the Offices of Community Planning and Development, Field Policy and Management, and Chief Human Capital Officer will be reassigned to ODEM. The net impact of standing up the Office of Disaster and Emergency Management is minor, equating to a net increase of 4 FTE after the elimination of a service contract.

HUD is able to realize these increases through a number of initiatives that have served to streamline operations in areas funded by the AOM account. HUD proposes decreasing the following offices due to major reorganizations resulting in employee transfers (OCHCO) or modest reductions achieved through streamlined operations:

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**Summary of Resource Reductions in HUD Support Offices
(Dollars in Millions)**

Office	FY 2011 Request		Change from FY 2010 Base FTE
	Amount	FTE	
Office of the Chief Human Capital Officer (OCHCO)*	\$65.0	488.7	(126.7)
Office of the Chief Financial Officer (OCFO)	33.8	195.6	(13.4)
Office of the Chief Procurement Officer (OCPO)	15.9	109.3	(7.5)
Office of Departmental Equal Employment Opportunity (ODEEO)	3.1	23.8	(1.9)
Office of Departmental Operations and Coordination (ODOC)	9.1	69.0	(19.7)
Office of General Counsel (OGC)	86.5	632.8	(22.7)
Center for Faith-Based and Community Initiatives (CFBI)	1.3	10.0	0.9
Office of Field Policy and Management (OFPM)**	49.1	363.9	(19.1)

**OCHCO FTE reduction incorporates downward adjustment of 76.2 FTE to account for transition of final class of the centrally funded HUD Intern Program, as well as employee moves resulting from office reorganization, including:*

- *14 FTE from Office of Security and Emergency Planning to the Office of Disaster and Emergency Management*
- *5 FTE from Office of Grants Management to the Office of Strategic Planning and Management*
- *9 FTE from Office of Executive Scheduling and Operations to the Office of the Secretary*
- *5 FTE from Broadcasting Operations to the Office of Public Affairs*

***10 FTE from OFPM shift to ODEM*

Non-Personnel Expenses

For fiscal year 2011, HUD requests a total of \$264.5 million for non-personnel expenses under the AOM account, an increase of \$14.7 million. This increase includes \$11 million in other services, which represents the first investment to “green” the headquarters building by making it more energy efficient. Absent this expense, the remaining \$3.7 million increase in non-personnel services represents an increase of just 1.5 percent over fiscal year 2010, demonstrating the Department’s continued commitment to fiscal responsibility by minimizing inflationary growth of administrative costs. The distribution of this slight increase for non-personnel items is shown in the following chart, and described in more detail.

**Summary of Non-Personnel Expenses
(Dollars in Millions)**

Non-Personnel Services	2010 Enacted	2011 Request	Increase/Decrease
Travel	\$20.0	\$21.0	\$1.0
Transportation of Things	0.3	0.3	-
GSA Rent	128.3	131.4	3.1
Printing	4.0	4.0	-
Other Services	84.5	95.5	11.0
Supplies	4.1	4.0	(0.1)
Furniture and Equipment	7.0	6.2	(0.8)
Claims and Indemnities	1.6	2.1	0.5
Totals	249.8	264.5	14.7

- **Travel and Transportation of Persons (2100), \$21 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 \$21 million reflects a \$1 million increase over the 2010 level, allowing for funding of expenses associated with inflation and new requirements associated with the Recovery Act, sustainable housing initiatives, and disaster and emergency management.

Any reduction to this account would be felt across the country as the Department would not be able to meet its Federal mandates. These funds are critical to HUD's ability to monitor the 3,100 Public Housing Agencies (PHA's) that receive an estimated \$7 billion per year from HUD to operate and maintain a \$120 billion Federal investment in the public housing stock. These funds are also critical in HUD's continued implementation of asset-based management. As PHAs complete the transition to asset management (anticipated in fiscal year 2011), the Department's travel needs will increase significantly. Travel requirements for field offices will increase as oversight and monitoring responsibilities shift from approximately 3,100 PHAs to 8,000 property groupings. These funds allow HUD's field staff to conduct management reviews, asset management reviews, risk assessment and compliance reviews, physical inspections, and training. GAO required reviews account for 67 percent of Public Housing's Field travel needs. These funds for travel to housing authorities and other grantees, both urban and rural, will help to address the OIG's criticism of inadequate monitoring of PHAs and of HUD's grant programs.

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- **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. The request of \$300,000 is the same as the fiscal year 2010 level, and reflects a continuation of HUD's policy to limit the expenses associated with employee moves.
- **Rent, Communications, and Utilities (2300), \$131.4 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 (GSA) establishes rental rates and provides cost estimates for the space requirements identified by the Department. The request of \$131.4 million reflects a \$3.1 million increase in base rental costs from the fiscal year 2010 level.
- **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 of \$4.0 million reflects a \$100 thousand decrease from the fiscal year 2010 level, and is required to maintain the Department's critical printing requirements.
- **Other Services (2500), \$95.5 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 2011 represents HUD's continuing efforts to identify efficiencies in the Department's contracting activities. The President has challenged all government agencies to identify acquisition savings to achieve a 3.5 percent reduction in base contract costs in fiscal year 2011. HUD is striving to meet this target. Accordingly, the Department is not requesting a base increase in this object class. The request level of \$95.5 million is constant from the fiscal year 2010 level, with the exception of \$11 million for the renovation and greening of HUD's headquarters facility. Additional details on this project are located under the heading "Headquarters Renovation" at the end of this section.

More than 40 percent of contract services funding is used to fund mandatory obligations for building security, maintenance and costs associated with implementing Homeland Security Personnel Directive 12 (HSPD-12). Additionally, increased funding is needed to continue to meet the requirements of the Improper Payments Information Act of 2002; for 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; to implement Business Process Reengineering; and to provide training to staff on new concepts and procedures related to asset-based management.

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 IAA with HHS to cover computer matching costs to verify tenant income. Other anticipated initiatives are business process re-engineering 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.

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Funding in this object class will also support succession planning studies and increased employee training and development, which will be critical as the Department begins to address the impending increase in employee retirements. Increased funding will also support PIH in monitoring and oversight of important program areas. An increase in contract funding for the New Hires Database will allow PHAs and Field Office staff to monitor, which public housing tenants have recently changed their employment status. This database is a component of the Enterprise Income Verification System (EIV) and a key factor in HUD's avoidance from the GAO High Risk List. Finally increased resources will also provide contractor support for managing housing authorities in receivership, conducting site reviews and gathering data to determine the status of PHAs.

- **Supplies and Materials (2600), \$4.0 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 one 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 \$4.0 million, a decrease of \$0.1 million from the fiscal year 2010 level.
- **Equipment (3100), \$6.2 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 \$6.2 million, which reflects a \$0.8 million decrease from the fiscal year 2010 level.
- **Insurance Claims and Indemnities (4200), \$2.1 million.** This object class provides for the Federal Government's self-insurance costs including court ordered payments. The Department requests an increase of \$500 thousand in this object class for anticipated legal settlement costs.

Personnel Compensation and Benefits (PCB)

As detailed in the major initiatives section, HUD is proposing to maintain roughly the same number of FTE as a Department in fiscal year 2011 with a targeted increase for its highest priority programs. As a result, the funded staffing levels for fiscal year 2011 represent increases in priority areas and corresponding decreases in other areas.

Increases in PCB

- **Office of Housing: \$395.9 million, 3,323.6 FTE.** HUD requests an increase of 119.9 FTE from fiscal year 2010 for Housing. Increased staffing, in combination with enhanced investments in technology and training, will ensure the safety and soundness of the FHA, enabling it to cope with the rising volume of mortgage business, detect fraud, and monitor the practices of lenders and appraisers. Increased FHA staff will also enhance the Department's ability to curb mortgage abuse and lending discrimination and provide pre- and post-purchase counseling to vulnerable homeowners. 115.9 FTE will be added to Single Family Housing; 4 FTE are planned for the Office of Multifamily Housing to implement the Transforming Rental Assistance initiative.
- **Office of Community Planning & Development (CPD): \$105.8 million, 868.4 FTE.** HUD requests an increase of 66.5 FTE from fiscal year 2010 for CPD. This increase will ensure that Block Grant Assistance, Economic Development, Neighborhood Stabilization Program, Affordable Housing,

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and Special Needs programs achieve real results. This will be accomplished through a targeted redeployment of existing staff, training (including program certifications), hiring to bring on board new skills, and the strategic use of contractors to provide subject matter expertise and administrative support functions. The staffing level also includes a transfer of 6 FTE to the Office of Disaster and Emergency Management for regional disaster coordination.

- **Office of Policy Development & Research (PD&R): \$23.6 million, 170.0 FTE.** HUD requests an increase of 19.0 FTE from fiscal year 2010 for PD&R. Of the additional FTE requested in fiscal year 2011, 11 FTE are for the headquarters research staff and 8 FTE are for the field economist function. The on-going implementation of Transforming Rental Assistance will require two levels of support from PD&R: data analysis and modeling and program monitoring. Additional analysts will be added to: the Economic Market Analysis Division to support efforts to design and implement new rent policies, and assess the impact of these rent policies on program expenditures; the Program Evaluation Division will carry out efforts to evaluate and monitor program implementation, including but not limited to full scale evaluations and demonstrations related to transforming rental assistance programs; and the Office of Economic Affairs and the Office of Research, Evaluation and Monitoring for the increased workload related to the research and demonstration projects in and enhanced housing survey work as proposed in the core Research and Technology account.

The 8 additional FTE for the field economists in fiscal year 2011 will increase the total staffing level for field economists to 50 FTE. This proposed staffing level consists of cadres averaging 5 FTE in the ten Regional Offices. This FTE level for the field economists would permit the provision of the full range of services related to monitoring and analyzing local market housing conditions and coverage to all HUD field offices. The field economists review new construction and sub-rehabilitation applications submitted to FHA MF mortgage insurance. This is a critical and complex function given the disarray of rental markets in the country. In addition the field economists are required to complete Comprehensive Market Analyses (Comps) that enable them to stay on top of their market areas. The field economists also conduct data analysis for disaster areas and participate in evaluations of FMRs (Fair Market Rents) due to the declining effectiveness of random digit dialing surveys.

- **Office of Public and Indian Housing (PIH): \$197.3 million, 1,556.5 FTE.** HUD requests 1,556.5 FTE for PIH in fiscal year 2011, an increase of 15.8 FTE from fiscal year 2010. The Department will target additional PIH staff resources to the Transforming Rental Assistance initiative. The program portfolio administered and overseen by PIH staff represents over half of HUD's discretionary budget – nearly \$30 billion – including the Housing Choice Voucher program and the Public Housing Operating Fund. Public Housing Field Offices have realized a drastic increase in workload resulting from the demands of asset management. Public Housing Authorities (PHAs) will complete the conversion to asset management in 2011, which will require oversight of over 8,000 property groups as opposed to 3,100 PHAs.

Decreases in PCB

In order to target scarce resources to the areas described above, the Office of Healthy Homes and Lead Hazard Control, Ginnie Mae, and the Office of Fair Housing and Equal Opportunity will be required to operate at slightly reduced staffing levels.

- **Office of Healthy Homes and Lead Hazard Control (OHHLHC): \$6.8 million, 54.6 FTE.** HUD requests a slight decrease of 1.3 FTE from fiscal year 2010 for OHHLHC. OHHLHC will continue deliver healthy homes programs including the Green and Healthy Housing Initiative, Recovery Through Retrofit, and “Linking Housing, Health and Human Services Leadership and Work Group.”

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- **Government National Mortgage Association (Ginnie Mae): \$10.9 million, 74.9 FTE.** HUD's request represents a slight decrease of 3.3 FTE from fiscal year 2010's enhanced FTE level for Ginnie Mae. However, the requested 74.9 FTE will allow Ginnie Mae to continue to maintain a significantly higher staffing level than in recent years. Ginnie Mae helps to expand the supply of affordable housing in the United States by linking the capital markets to the nation's housing markets. Ginnie Mae accomplishes this by facilitating the financing of residential mortgage loans.
- **Office of Fair Housing and Equal Opportunity (FHEO): \$67.9 million, 566.5 FTE.** HUD requests a decrease of 35.3 FTE from fiscal year 2010 for Fair Housing and Equal Opportunity (FHEO). The Office of Fair Housing and Equal Opportunity (FHEO) requests \$67.9 million for personnel compensation and benefits in fiscal year 2011. This funding level represents a reduction in positions that will require greater use of technology, technical assistance, and prioritization in order not to compromise the extent or effectiveness of crucial fair housing and fair lending law enforcement. FHEO will develop strategies to ensure that public entities and private housing providers and lenders fulfill their legal requirements to provide housing and loans on a fair and equitable basis to people with disabilities, families with children, and all people without regard to race, color, national origin, religion, or gender.

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Headquarters Renovation: Energy Savings Performance Contract

In fiscal year 2008, HUD initiated pursuit of an energy savings performance contract (ESPC) project for the Robert C. Weaver Building, HUD Headquarters. The building as it exists is not energy efficient and presents indoor air quality problems due to outdated and failing building equipment and systems. The ESPC will provide dramatic energy improvements while simultaneously addressing the air quality issues. The project will allow HUD to meet energy reduction goals of Executive Order 13423, significantly reduce greenhouse gas emissions, and achieve LEED certification for the building. The estimated duration for ESPC execution is approximately 2 years. The task order for the project was awarded to Honeywell on December 31, 2009. Through the ESPC, Honeywell provides all up-front capital and recoups its investment through the energy savings.

In addition to the critical needs for energy and air quality improvements, the 41-year-old building requires major rehabilitation to address outdated and inadequate infrastructure, such as plumbing and electrical systems, telecommunications systems, elevators, and restroom facilities. The modernization will address the existing inefficient interior floor plan and will provide a much more open environment, maximizing the use of natural light and engendering improved collaboration and communication throughout the building. Additionally, the modernization will allow for consolidation of HQ employees, potentially eliminating the need for four nearby satellite offices, translating into approximately \$11 million in annual rent savings upon project completion. Together with the ESPC, HUD headquarters can establish itself as a model for sustainability.

Recognizing the myriad needs for HUD's headquarters facility, the Department met with GSA in December 2009 to discuss moving forward with both the ESPC and a full building modernization. The ESPC will provide much-needed shorter term improvements. The modernization will address the physical needs of the facility as well as the needs of the modern workforce. The finished product will be a highly sustainable facility which effectively serves the mission needs of the Department.

The feasibility study, conducted by GSA, has begun. The duration for the study is expected to be four to six months. The current ESPC project design is based upon existing building conditions. Although the ESPC project has been awarded, it is most prudent that the feasibility study be utilized to determine what the design of the modernized building will look like. This will ensure that the ESPC project achieves the best possible results, implemented to reflect the "new" building. To this end, Honeywell has agreed to delay the actual start of the project and to work closely with GSA and HUD to ensure that optimum results are achieved through the synergy created by leveraging both the ESPC and modernization.

An \$11 million set-aside has been created within the AOM account in fiscal year 2011, which is being dedicated to building improvements. Both the ESPC and modernization initiatives serve the basic needs of the building and its occupants, and are necessary to achieve a healthy, sustainable workplace.