

## Transforming the Way HUD Does Business

In light of recent natural disasters and the housing and economic crises, last year HUD acknowledged a pressing need for adaptability and change. To become an innovative agency with the capacity to move beyond legacy programs, shape new markets and methods in the production and preservation of affordable housing, green the nation's housing stock, and promote sustainable development in communities across America, the Department had to remake itself.

To accelerate the Department's transformation, the fiscal year 2011 Budget:

### *Develops a basic data infrastructure and delivers on Presidential research and evaluation priorities*

HUD requests \$87 million for the Office of Policy Development and Research, an increase of \$39 million from FY 2010, to continue the transformation of PD&R into the nation's leading housing research organization. These funds would be used for three critical activities:

*Basic Data Infrastructure.* Continue the investment made in fiscal year 2010 to support the collection and dissemination of the core data needed to support effective decision making about housing. HUD's request for this purpose is \$55 million, which is \$7 million more than the fiscal year 2010 appropriated level of \$48 million. This will be used to conduct housing surveys, including full funding for the American Housing Survey, the Survey of New Home Sales and Completions, the Survey of Market Absorption of Multifamily Units, and the Survey of New Manufactured Housing Placements. This also supports enhanced research dissemination and clearinghouse activities and a Young Scholars research program.

*Presidential Research and Development Initiative.* As part of the Administration's Research and Development initiative that is tied to the President's national goals of energy, health and sustainability is \$25 million for research on the linkages between the built environment and health, hazard risk reduction and resilience, and the development of innovative building technologies and building processes.

*Presidential Evaluation Initiative.* Also for fiscal year 2011, the President is proposing to fund extremely rigorous evaluations of critical programs to inform future policy discussions. The \$7 million proposed will supplement funding from the Transformation Initiative set-aside to support rigorous evaluations of the Family Self-Sufficiency Program, potential Rent Reform strategies, and the Choice Neighborhoods program.

***Maintains the Department's existing technology infrastructure***

*Working Capital Fund:* HUD requests \$315 million for the Working Capital Fund, to cover the steady state operations, corrective maintenance of HUD's existing technology systems, and the re-competition of HUD's infrastructure support contract. As with FY 2010, this does not include the "next generation technology" development that would be funded through the Transformation Initiative, as described below. The bulk of the fiscal year 2011 request (\$243.5 million) would be in the form of a direct appropriation. In addition, HUD seeks a \$71.5 million transfer from FHA to pay for its share of infrastructure costs and system maintenance.

***Provides flexibility and resources needed to fuel agency transformation***

*The Transformation Initiative:* As in fiscal year 2010, the Department seeks the continued authority to set-aside up to 1 percent of HUD's total budget for an agency wide *Transformation Initiative*. This set-aside is necessary to build a transparent and accountable agency that uses metrics to gauge performance, research to evaluate programs, demonstrations to illustrate the broader impact of federal interventions, technical assistance to identify and diffuse innovation and technology to track spending, inform decisions and curb fraud, waste and abuse. Additionally, HUD seeks \$20 million for the Combating Abusive and Fraudulent Mortgage Practices Initiative through this account.

The Transformation Initiative has four related components.

First, the Initiative enables HUD to have a predictable stream of funding for high quality *research and evaluation*. This would enable HUD to subject programs continuously to rigorous evaluation to highlight what works and to modify programs and policies that are not showing results. Several kinds of research would be consistently supported through this investment:

*basic research*, such as a Native American needs assessment and developing models to better predict rental assistance costs into the future;

*trends analysis*, such as measuring housing discrimination in America's housing markets and tracking the improvement of high poverty neighborhoods;

*metric development* to enable the measurement of HUD's progress toward meeting the goals outlined in the new strategic plan; and

*program evaluation*, to assess progress across all of its program areas, including supplementing the funds from the Presidential Evaluation Initiative being funded from the R&T account.

HUD strongly believes that this range of research would generate savings over time and improve program effectiveness. The National Academy of Sciences recently called for enhanced in house research capacity, mostly on the belief that a strong PD&R would generate programmatic savings as well as prevent waste and abuse.

Second, the Transformation Initiative would enable HUD to design and execute a series of major *research demonstrations* to test new ideas for improving its programs and helping state and local governments develop more effective housing and community and economic development strategies. The collection and dissemination of information on best-practices, while valuable, can only

take one so far. At some point, rigorous evidence is needed to help communities make better decisions and to help HUD strengthen its programs, and this requires both vision and resources. The findings generated by demonstrations conducted in the past, like Moving to Opportunity and Jobs Plus, have proven invaluable to practitioners and policymakers and dramatically advanced learning in the field.

Third, the Transformation Initiative would enable HUD to deliver a new level of *technical assistance and capacity building*. The housing and community development field is evolving to envision a more comprehensive sustainable approach to neighborhoods and cities. It includes a focus on economic and housing revitalization, but also other features that improve the lives of residents such as jobs, transportation, retail opportunities, education, and health. HUD has embraced this change with its new initiatives for Sustainable Communities, Choice Neighborhoods, Catalytic Competition, and Neighborhood Stabilization. In order to implement this expanded vision, the nation needs local practitioners, both local government and nonprofit partners who understand a more comprehensive approach, who can use current technology to assess needs and to measure success, and who have modern skills to advance the field and enhance the lives of residents. The Transformation Initiative will enable HUD to continue the delivery of a new level of technical assistance and capacity building to Federal funding recipients. The initiative recognizes that human capital, technical competence and institutional support are critical for the success of HUD's partner organizations, whether state or local, public or private.

As with the fiscal year 2010 request, HUD's fiscal year 2011 Budget would roll all existing technical assistance accounts into one broad program technical assistance account. The Secretary would be given the discretion to target funding for technical assistance to those programs that need the funding most, given the capacity of current grantees, new conditions in the program or broader economic and social imperatives (e.g., a spike in homelessness). In addition, the Secretary would have the latitude to provide technical assistance across programs, given the common challenges (e.g., energy efficiency) that face HUD's disparate programs.

Fourth, the Transformation Initiative would enable HUD to *develop next generation information technology systems*. In recent years, HUD's funding for Information Technology has not been sufficient to make major investments in developing, modernizing and enhancing our information systems. Instead, the Department has had to maintain and operate outdated technology, in some cases, in existence for twenty years or more. Reliance on these legacy systems has prevented the Department from taking full advantage of modern tools to capture, store, share and disseminate information.

*Salaries and Expenses Central Fund:* Building on the principle of the Transformation Initiative, the Budget requests the creation of a Salaries and Expenses Central Fund, funded through a one percent transfer from each of HUD's salaries and expenses accounts. The Fund will provide targeted, temporary infusions of resources to any of HUD's program offices in order to increase our responsiveness to unanticipated crises and new challenges through the hiring of staff with appropriate expertise.

<b>Transforming HUD</b>				
(\$ in millions)				
	<b>2010</b>		<b>2011</b>	
	<b>Enacted</b>		<b>Request</b>	<b>Difference</b>
				<b>2011 vs 2010</b>
PD&R	\$48.0		\$87.0	\$39.0
Working Capital Fund				
Direct Appropriation	\$200.0		\$243.5	\$43.5
Program Transfers to WCF	\$70.8		\$71.5	\$0.7
<i>Total WCF</i>	<i>\$270.8</i>		<i>\$315.0</i>	<i>\$44.2</i>
Transformation Initiative	\$258.8		\$475.6	\$216.8