

**HUD TRANSFORMATION INITIATIVE FUND
2013 Summary Statement and Initiatives
(Dollars in Thousands)**

| TRANSFORMATION INITIATIVE FUND | Enacted/ Request | Carryover | Supplemental/ Rescission | Total Resources | Obligations | Outlays |
|---------------------------------------|-----------------------------|-------------------------|-------------------------------------|----------------------------|--------------------|----------------|
| 2011 Appropriation..... | \$170,142 ^{a/} | \$225,597 ^{b/} | -\$142 | \$395,597 | \$117,896 | \$44,431 |
| 2012 Appropriation/Request..... | 50,000 | 277,701 | ... | 327,701 | 232,000 | 81,000 |
| 2013 Request..... | <u>120,000^{c/}</u> | <u>95,701</u> | ... | <u>215,701</u> | <u>114,000</u> | <u>101,000</u> |
| Program Improvements/Offsets..... | +70,000 | -182,000 | ... | -112,000 | -118,000 | +20,000 |

a/ Fiscal year 2011 includes a direct appropriation of \$71 million for information technology modernization and transfers of \$99.142 million from program accounts in accordance with the fiscal year 2011 TI Operating Plan.

b/ Fiscal year 2011 carryover includes \$408,732 of recaptures.

c/ In fiscal year 2013, an estimated \$120 million is requested to be transferred to the Transformation Initiative Fund.

1. What is this request?

This request is different than most of HUD’s budget – it is not an additional set of funds, but the authority to use some of the Department’s program funds to make all of its programs work better. The Budget request provides the Secretary with the authority to transfer up to 0.5 percent of most of HUD’s program dollars to the Transformation Initiative (TI) Fund, with maximum transfers totaling \$214.8 million. However, given our current estimate of program requirements and the reality of budgetary constraints, especially for Project-Based Rental Assistance(PBRA) and Tenant-Based Rental Assistance (TBRA), the Department would likely limit transfers from all specified accounts to \$120,000,000, as shown in the table below. HUD will use funds transferred to the Transformation Initiative Fund from program accounts for four complementary purposes in fiscal year 2013: (1) research and evaluation; (2) program demonstrations; (3) technical assistance (TA); and (4) information technology (IT). This account includes the information technology category as requested in fiscal years 2010 and 2011.

Given the continued constraints in the current fiscal climate, HUD recognizes that transferring a full 1 percent of program funds in fiscal year 2013—as requested in fiscal years 2010 and 2011—may place too heavy a burden on already strained program budgets, and proposes to cap transfers at no more than 0.5 percent from each account in fiscal year 2013. While the need to transform the Department remains, HUD must carefully assess each transfer against program requirements and proceed in a responsible manner that ensures HUD’s constituent services are not compromised. Section 3 of this justification lists the Department’s priorities for the TI fund, from which HUD will select projects for fiscal year 2013. Since needs and information will evolve over the remainder of fiscal year 2012, HUD requests the authority to use its discretion to shift up to 5 percent of TI funds, or \$6 million, from initially

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planned projects to be used for emerging priorities not identified in this document. The Department will include specific TI allocations by category in the fiscal year 2013 Operating Plan, and will also describe new initiatives, if any.

The following table represents maximum and estimated program transfers into the TI account for fiscal year 2013.

| Transformation Initiative Fund, Program Transfers | FY 2013 Maximum Transfers | FY 2013 Estimated Transfers | | |
|--|----------------------------------|------------------------------------|--|--|
| Choice Neighborhoods..... | \$750,000 | \$750,000 | | |
| Community Development Fund..... | 15,715,000 | 15,715,000 | | |
| Fair Housing Activities..... | 340,000 | 340,000 | | |
| Family Self-Sufficiency..... | 300,000 | 300,000 | | |
| HOME Investment Partnerships Program..... | 5,000,000 | 5,000,000 | | |
| Homeless Assistance Grants..... | 11,155,000 | 11,155,000 | | |
| Housing Counseling Assistance..... | 275,000 | 275,000 | | |
| Housing for Persons with Disabilities (Section 811)..... | 750,000 | 750,000 | | |
| Housing for the Elderly (Section 202)..... | 2,375,000 | 2,375,000 | | |
| Housing Opportunities for Persons with AIDS..... | 1,650,000 | 1,650,000 | | |
| Lead Hazard Reduction..... | 600,000 | 600,000 | | |
| Payment to the Manufactured Housing Fees Trust Fund ... | 20,000 | 20,000 | | |
| Mortgage Mutual Insurance Program Account | 717,500 | 717,500 | | |
| Native American Housing Block Grants..... | 3,250,000 | 3,250,000 | | |
| Native Hawaiian Housing Block Grants..... | 65,000 | 65,000 | | |
| Project-Based Rental Assistance..... | 43,502,000 | 19,067,500 | | |
| Public Housing Capital Fund..... | 10,350,000 | 10,350,000 | | |
| Public Housing Operating Fund..... | 22,620,000 | 22,620,000 | | |
| Tenant-Based Rental Assistance..... | 95,371,675 | 25,000,000 | | |
| Total..... | \$214,806,175 | \$120,000,000 | | |

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HUD needs to continue its efforts to innovate with the capacity to move beyond legacy programs, shaping new markets and methods in the production and preservation of affordable housing, greening the nation's housing stock and promoting sustainable growth in metropolitan America. This transformation should be based on sound evidence provided by rigorous research, program evaluations, and demonstrations of whether programmatic innovations actually work.

Because of its integrated and cross-cutting approach, TI draws from existing staff resources to execute projects, primarily from the Office of Strategic Planning and Management (OSPM), Office of Policy Development and Research (PD&R), and Office of the Chief Information Officer (OCIO), as well as program offices. PD&R is the technical lead on Technical Assistance, Research and Evaluation, and Demonstration initiatives, while OCIO is the technical lead for IT projects – these offices assist in assembling, revising, and approving their respective portfolios of projects. PD&R staff principally serve as Contracting Officers' Technical Representatives (COTRs) for Demonstration and Research and Evaluation projects. Program staff from the various offices serves as COTRs for Technical Assistance projects, and OCIO staff serves as COTRs for IT projects. TI also leverages HUD's research, data, and information management infrastructure funded through the Research and Technology account and the Working Capital Fund, where staff play similar roles.

2. What is this program?

The Transformation Initiative (TI) Fund sets aside a small portion of major program accounts to support ongoing improvements of program effectiveness and efficiency and to help the Department respond and adapt more effectively to its rapidly changing operating environment. Recent crises with natural disasters, the housing market, and deep fiscal distress among state and local partners have highlighted the need for HUD to be more nimble, creative and collaborative. Reliance on legacy programs and rigidly conventional approaches will not be adequate for emerging issues and needs, nor for fleeting opportunities. Setting aside a portion of HUD's program accounts through TI to better understand and enhance program results reflects recognition that *planning for continuous improvement and innovation, investing in tools and capacity, and assessing results* are equally integral for the operation of programs with accountability to the public interest.

HUD is in the midst of a multi-year effort to fundamentally transform the agency by changing the way HUD does business and increasing the efficiency and effectiveness of the Department's programs. The Transformation Initiative Fund remains *the* primary source of funding for this transformation. The Department is breaking down silos and streamlining programs and operations; investing in research and evaluation to build knowledge and technological evaluation; and increasing the agency's ability to respond to cross-cutting and urgent challenges.

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The Transformation portfolio is not a set of discrete projects, but rather an array of interconnected initiatives that will steadily transform and improve HUD's operations. The Transformation Initiative's four elements are complementary strategies for generating and deploying information throughout the national housing and urban development enterprise:

1. Build a foundation of current data on program effectiveness (Research and Evaluation);
2. Test new program approaches in a carefully structured and rigorously evaluated manner (Demonstrations);
3. Diffuse innovation and support state and local partners to improve their capacity to use public resources effectively (TA); and
4. Upgrade technology and link data to protect against waste, improve HUD's capacity and efficiency, enable better monitoring by program managers, and facilitate innovation and diffusion of best practices across the Department (IT).

Research and Evaluation: *Program Effectiveness*

Research and Evaluation projects look at current HUD programs to determine their effectiveness and to provide critical information needed to improve them. The Transformation Initiative provides a predictable stream of funding for high quality research and evaluation of HUD's programs on an on-going, rotating basis to inform sound policymaking, as required by the GPRM Modernization Act. Also within this TI category are research projects that seek to better understand the current state of policy problems that HUD programs address, ensuring that programs are able to target and adapt as the nation's housing and community development needs change. Allocating a small proportion of program funds to this account will enable HUD to build a catalog of timely, rigorous evaluations that are critical for program effectiveness, continuous improvement, performance management, and public accountability.

The Department expects that TI research and evaluation will continue to strengthen HUD's capabilities for evaluating and improving program effectiveness and efficiency. The Research and Evaluation initiative works hand-in-hand with the TI Demonstration initiative, with research funded through the Research and Technology (R&T) account, and with PD&R in-house analytic efforts, such as consultation with outside experts, on-going applied research such as metric development, and crosscutting, in-house research and data-based program support activities, including geospatially enhanced analytics, all of which are funded by Salaries and Expenses resources. The R&T account establishes the nation's basic infrastructure of housing data, through regular surveys and data compilation as well as basic research and dissemination in the areas of housing and community development. Not only do TI projects and other program analyses within and beyond HUD rely on the data supported by the R&T account, but HUD relies on the dissemination funded through R&T to share the results of the studies funded through TI with Congress and the public. This balanced approach to creating and marshaling policy-relevant information is consistent with the recommendations of the National

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Research Council, in “Rebuilding the Research Capacity at HUD”¹ and the American Evaluation Association’s recommendation that for evaluation to fulfill its role as a “staple of good government,” it should be funded separately from large cross-cutting surveys and performance monitoring data.²

Program Demonstrations: *Evidence-Based Policy Improvements*

Program Demonstrations test new options for HUD programs that can make them more efficient and effective and establish sound evidence of whether and how these options could better achieve HUD’s mission. Carefully documented trials of new program ideas provide a controlled mechanism to improve programs and help state and local governments develop more effective strategies for housing and community and economic development. In contrast, while the evaluations of current programs funded under Research and Evaluations provide real policy guidance and public accountability, they are not well suited for predicting and testing the effects of policy changes in a variety of real world settings. Demonstrations not only test the effects of program changes, but through random assignment can also enable researchers to account fully for external factors and the complex and unpredictable responses of participants that can make or break a program.

TI-funded demonstrations will also be used to inform the re-engineering and streamlining of business processes and procedures in HUD’s programs. Demonstrations generally require funding over several years and often allow waiver of program rules when conducted to pilot ideas for existing program changes. The funding may cover design resources, additional program costs, such as incentives for participating households, and evaluation of the impacts over several years. Since the 1990s, HUD has done relatively few research demonstrations, largely due to budget constraints. Those few demonstrations, however, have been HUD’s most important and informative research on real program impacts.

Technical Assistance: *Effective and Efficient Delivery of HUD Programs*

Technical assistance can be seen as a “force multiplier” – making program dollars go further and helping communities do more with limited Federal and local resources. Like program oversight or accounting, TA is part of responsible program delivery and is a way of getting more for less.³ Technical assistance funding helps HUD ensure that maximum impact is realized through the various types of program funds HUD provides to local grantees – particularly given that each funding stream has its own set of governing statutes and regulations. TA also encourages communities to learn from each other, providing local governments and other organizations

¹ The report was requested by Congress. National Research Council. “Rebuilding the Research Capacity at HUD.” 2008.

http://www.nap.edu/catalog.php?record_id=12468

² American Evaluation Association. “Evaluation Roadmap for More Effective Government.” 2009. <http://www.eval.org/EPTF/aea10.roadmap.101910.pdf>

³ Marcano, Luis and Inder Ruprah. “Does Technical Assistance Matter? An Impact Evaluation Approach to Estimate its Value Added.” Inter-American Development Bank Office of Evaluation and Oversight Working Paper: OVE/WP-01/09, January, 2009.

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with new tools and approaches to help programs succeed. HUD's current TA generally aims to achieve one of four strategic objectives to ensure program success: building the field of high-capacity grantees through proactive efforts; engaging in intensive capacity building for a smaller pool of grantees with specific needs; developing tools helpful to all grantees implementing a particular program; and monitoring and assistance in complying with program rules or statutes.

TA under the Transformation Initiative (TI-TA) allows HUD to combine assistance for different programs as appropriate, and provide customized help on the issues any particular grantee confronts.

Information Technology: *Real-time Information to Monitor, Protect, and Innovate*

HUD proposes to again use TI funds for Information Technology in fiscal year 2013. The Department began a series of initiatives to transform how HUD develops IT solutions to support its strategic goals and its use of technology to meet today's mission challenges using TI funds that were provided in fiscal years 2010 and 2011. The funding provided in those 2 years was sufficient to help HUD responsibly plan and begin implementing modern capabilities to transform core and back office business capabilities well into fiscal year 2013. Additional funding was not requested in fiscal year 2012 for this reason. For fiscal year 2013, HUD continues to focus on delivering the significant TI funded investments from fiscal years 2010 and 2011, but has also identified potential IT funding that may be required in 2013.

HUD's information technology environment is comprised of systems created decades ago. This has led to increased operating costs to maintain antiquated technology and created challenges in keeping pace with programmatic changes in our mission areas and that come from the housing markets that we serve. The housing and economic crisis demonstrated weaknesses in the information available to combat it, such as lack of access to national default and foreclosure data, or data for managing risk in the FHA portfolio. These weaknesses hampered our nation's ability to deal with changes in how our housing markets operate and how we address the needs of our most vulnerable citizens.

IT transformation efforts to date have helped HUD evolve its understanding of opportunities to leverage the foundational toolsets being implemented under the FHA Transformation, the Next Generation Management project or NGMS (formerly known as NGVMS in the fiscal year 2012 Congressional Justification), and related infrastructure modernization projects. These opportunities include ways to further reduce the government's risk in the marketplace, improve services to meet the needs of our citizens and employees and reduce annual operations costs. For example, recent efforts to define opportunities to reduce cost by consolidating back office business and administrative services are expected to lead to the need for capital investment to transition more of HUD's services from legacy platforms to shared enterprise services. HUD plans to use TI transfer authority in fiscal year 2013 to make capital investments in IT to drive these service delivery improvements and further cost reduction efforts.

3. Why is this program necessary and what will we get for the funds?

Progress has been made during the first 3 years of the Transformation Initiative, but HUD recognizes the continuing need to press toward further adaptability and change, involving both reformation and transformation. The Department's operations continue to face serious challenges arising from resource and structural constraints, while the scope of housing and urban development problems facing the nation has never been greater. Traditional programs like public housing, rental vouchers, and FHA mortgage insurance need to adapt to continually changing market conditions.

HUD cannot transform into a fully efficient and effective agency without a versatile Transformation Initiative Fund. The TI Fund protects and enhances the value of the entire \$40 plus billion budget request. Conventional approaches will not allow HUD to attain the highest levels of performance and accountability. A coordinated approach is needed, one that enables the Department to improve effectiveness by better deploying information, through an iterative process that continually builds on prior accomplishments and lessons learned. The TI's four elements work in conjunction: research and rigorous evaluations provide solid evidence of program impacts relative to resource inputs, programmatic approaches and outputs; field demonstrations allow the development and careful testing of new program approaches; coordinated technical assistance helps partners achieve the greatest potential with existing programs; and innovative information technology enables collection and analysis of reliable data about program performance and market contexts, and provides business intelligence to managers and policymakers. In this way, full-scale programs increasingly will be built on foundations of real evidence, properly deployed. TI takes advantage of the complementary aspects of data, information systems, in-house and contracted research, and program demonstrations, especially as this information is communicated to the community partners HUD relies on.

Identifying and Selecting TI Projects

From the beginning of the Transformation Initiative, a key concept has been to provide greater ability for HUD to adapt and respond to changing conditions and emerging opportunities. *Given the time between the formation of HUD's budget and its passage, new information needs will be identified as current projects progress and policy issues develop with input from across the Department, Congress, and outside experts and stakeholders.* For example, successful technical assistance requires adapting to the needs of grantees, and as OneCPD collects feedback and lessons from its first years of operation, additional issues may arise that OneCPD and the National Resource Network are not currently targeting. Likewise, the process of transforming IT is one of envisioning and building increasingly robust capabilities. Further needs and opportunities for FHA Modernization and the Next Generation Management System (NGMS) may be identified from the vantage point of higher plateaus. Research and Demonstration projects evolve as studies are designed, new research is released, and events change the priority of answering different questions. Ongoing dialogue between HUD, Congress, other agencies, stakeholders, and the public may lead research design in different directions and

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does not always come to a resolution on a regular budget cycle. Projects are continuously being shaped and refined, and the flexibility originally envisioned for TI allows HUD to respond more efficiently and effectively.

The National Research Council suggested in its 2008 report that PD&R seek further outside consultation during its research agenda-setting process. As a result, HUD implemented a new process in 2010 to gather research suggestions from the public, researchers, other agencies, and outside organizations through a simple submission to the PD&R website⁴. This forum received more than 600 submissions in the first year and led PD&R to repeat the forum in 2011. In November 2011, HUD also convened professional evaluators, research experts, and stakeholders for a dialogue on emerging research needs that will inform the development of the Department's long-term research agenda during 2012. HUD has also engaged with the outside research community through the What Works Collaborative, a collection of research institutions and foundations who pursue related research topics. The Collaborative has undertaken over two dozen independent research projects to help inform HUD's strategic plan goals and is assembling the state of current research on directions HUD might pursue.

Below are initiatives HUD has prioritized for the Transformation Initiative in 2013 and the estimated resources to be allocated. The total of these project proposals exceeds HUD's estimated \$120,000,000 limit on transfers to TI from program accounts. This list of proposed TI uses is intended to provide Congress with more specific information on the costs and benefits of these priority projects. HUD plans to choose from this list and determine the allocations of TI funds between categories when it prepares the 2013 Operating Plan and requests the ability to use of up to 5 percent of TI funds, or \$6 million, for emerging priorities not identified in this document. The Department will describe these new initiatives, if any, in the Operating Plan.

Research and Evaluation: *Program Effectiveness: 10-20 percent of total TI Transfers*

HUD has identified the following order of priorities by topic for research and evaluation projects through TI in fiscal year 2013. Combined resource needs identified exceed the resources HUD anticipates will be available, which it expects to limit to 20 percent of the total TI fund. HUD does not expect it will be able to fund all of these projects in 2013, but will determine appropriate and responsible transfers and allocations within the TI appropriation. Note that funding estimates for each project are approximate to demonstrate the order of magnitude of an anticipated effort.

1. Jobs-Plus Implementation Process Evaluation - \$5-10 million

HUD is proposing to implement the successful evidence-based policies established by the Jobs Plus Demonstration at a larger scale as part of its fiscal year 2013 Budget. The Jobs Plus model was tested through a random assignment evaluation showing the program increased the earnings and employment of public housing residents, and its employment-related

⁴ <http://www.huduser.org/portal/>

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services, rent-based work incentives, and peer support find renewed relevance in the current employment conditions and web-based job markets. Now, a process evaluation would seek to understand how this larger scale implementation affects the outcomes and how different sites implement and tailor the program both for the needs of their residents and the labor demand of their local economies. This evaluation would also investigate how the alignment between PHAs and local workforce investment boards works in practice, particularly given the new strategies for training, skills development, and employment services promoted in other agencies.

2. Energy Efficiency and Utility Costs - \$1-5 million

HUD estimates that energy costs represent \$6 billion of the Department's budget. PD&R has identified several factors that need to be analyzed when investments in energy efficiency and cost reduction are considered by HUD programs, the housing industry, and the general public. These factors include behavioral responses that result in a rebound effect after energy efficiency improvements result in savings. Because of these rebound effects owners, PHAs, and residents need to have a better understanding of the impacts of energy efficient retrofits on post-retrofit levels of energy use and cost. Investigating how PHAs have realized cost savings through energy efficiency improvements and identifying the most appropriate stock to target for future improvements would provide valuable information to complement the Physical Needs Assessment TA project. To further assist PHAs in managing utility costs, PD&R could also extend modeling it has commissioned to provide reliable estimates of the costs of utilities in various areas of the country.

3. Research-Ready Data Integration - \$500,000 – \$1 million

HUD is currently transforming its data infrastructure, improving data quality at collection and addressing the current mix of operating systems, hardware, operating system software, numerous platforms and database types, versions, service packs, and business application systems. This work in TI-IT and the Working Capital Fund standardizes and modernizes the systems HUD uses, but beyond system structure, PD&R has identified several improvements that will assist researchers at HUD and elsewhere integrate data more effectively. One integration improvement would involve establishing unique identifiers for Federally assisted properties and tenants that could standardize research efforts. Another builds on the database of Low-Income Housing Tax Credit (LIHTC) projects to assist LIHTC-allocating agencies with protocols, design, and implementation of their local data systems to increase the quality of data for HUD and other outside researchers. Additionally, aggregating local records to create a national-level parcel dataset would address fundamental information shortages at the national level, as identified by the recent Federal Reserve Board white paper presented to Congress. Based on initial investigations, PD&R believes such an integration would be possible for most counties across the country, as has been done for the LIHTC properties. A national parcel-level dataset would allow PD&R to more quickly and efficiently evaluate the impact of HUD programs on communities in terms of construction and property values, and respond to emergencies.

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4. Biennial research NOFAs - \$1-5 million

(Continued from previous years.) As in previous years, PD&R proposes to issue notices of funding availability for areas of research that have especially transformative potential. For fiscal year 2013, this will be the Sustainable Communities Research Grants. PD&R is establishing a rotating schedule for biennial research NOFAs, with Small Grants and Natural Experiments in even fiscal years and Sustainable Communities in odd. External researchers submitted many qualified applications in 2010, and PD&R believes substantial contributions to the field could be made with this repeated effort.

Biennial Research NOFAs received \$2.5 million in fiscal year 2010 funds and HUD proposed funding of \$1.8 million in fiscal year 2012.

5. Disaster Resilience - \$1-5 million

This project would inform local governments in preparing and planning for disasters. Geospatial information can be used to identify locations that are most vulnerable to weather-related disasters. Research will help localities and planners identify vulnerable areas and develop more resilient residential design and construction techniques and residential planning strategies, and thereby reduce exposure to those risks.

6. Multidisciplinary Research Team - \$500,000 – \$1 million

(Continued from previous years.) Preliminary feedback from PD&R's Research Agenda Conference heavily stressed a need for connecting HUD and housing data to data from other disciplines, along with PD&R's unique ability to create these connections. This contract, to be established in fiscal year 2012, will provide a vehicle for piloting integration of multidisciplinary data and engaging outside expertise for analysis of preliminary research questions. These smaller, short-term efforts can more quickly inform the feasibility of ongoing data agreements and connections, for which PD&R anticipates a growing demand. The Multidisciplinary Research Team also serves as a primary external support for development of improved program metrics for the Department, many of which require matching HUD data to that of other disciplines.

HUD proposed allocating \$750,000 of fiscal year 2012 funds to the Multidisciplinary Research Team.

7. Building Technology - \$500,000 – \$1 million

PD&R plans to shift Building Technology research from the R&T account to the TI fund in fiscal year 2013 because the nature of these activities aligns more closely with TI. Potential components include assembling new research on building methods and research to inform a transformed manufactured housing market. The HUD Residential Structural Design Guide remains one of the most popular documents in HUD USER, but was last reviewed and updated in 2000. Design, construction and

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renovation techniques have been transformed during that period as housing construction peaked, the use of innovative materials and technologies increased, the U.S. experienced an increased use of disaster-response housing, and builders and renovators increased their use of factory-built structural elements. The role of manufactured home and how it is installed has been transformed by its newly required performance in the Federal manufactured home program, by the increased role of factory-built housing in response to weather-related events, and by a forthcoming proposed rule from the Department of Energy for energy efficiency standards. Research findings will provide information necessary to optimize installation of disaster response housing units, support HUD's efforts as it begins to regulate the installation of manufactured housing, and reduce the risk to the FHA mortgage insurance fund in its financing of manufactured home loans.

8. HOME Affordability Study - \$1-5 million

The most recent evaluation of the longer-term affordability of properties assisted through the HOME program was in 1995, shortly after the program began. A follow up study is long overdue, has been a priority for the Office of Community Planning and Development, and fits with the goal of the Transformation Initiative to provide on-going evaluations of HUD programs on a rotating basis. The study would focus on subsidies for both rental and owner-occupied homes to assess the affordability over time based on differing levels of subsidy, including layering from other sources such as the Low-Income Housing Tax Credit, and how local jurisdictions are best able to maintain affordability for owner-occupied units across different owners and over time. This information would be valuable both to HUD in policy design and in providing information for local grantees through the OneCPD TA program.

9. Emerging Research Issues - \$1-5 million

Several issues emerged at a recent conference PD&R held with the larger research and stakeholder community to inform its research agenda. PD&R is developing these issues into clearer research projects during 2012, but anticipates several will require exploratory resources in 2013. The need for more information about tenant and landlord behavior and decision-making was one need, including decisions on property upkeep, tenant selection, and effects of mobility and pre-purchase counseling on tenant choices. In PD&R's past experiences, successfully reaching landlords to collect this information has been difficult. To inform a larger effort, this pilot would select a few locations, survey landlords, and establish the success of a data collection effort. Other possibilities included: providing small grants to local organizations to improve data collection efforts, providing templates for linking local housing finance, housing stock, and community data, and aggregating and providing real-time information on community indicators, conditions near HUD properties, and demographic trends.

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Program Demonstrations: Evidence-Based Policy Improvements: 10-20 percent of total TI Transfers

TI-funded demonstrations provide greater value for taxpayers by testing the efficacy of program innovations in the field with real clients, along with strategies to document implementation and measure impacts. HUD has identified the following order of priorities by topic for demonstrations through TI in fiscal year 2013. Combined resource needs identified exceed the resources HUD anticipates will be available, which it expects to limit to 20 percent of the total TI fund. HUD does not intend to fund all projects in 2013, but will determine appropriate and responsible transfers and allocations within the TI appropriation. Note that funding estimates for each project are approximate to demonstrate the order of magnitude of an anticipated effort.

1. Choice Neighborhoods Evaluation - \$1-5 million

(Continued from previous years.) Choice Neighborhoods is intended to build on the successes and lessons learned from HOPE VI to transform neighborhoods with a high concentration of poverty and of public and assisted housing into neighborhoods of opportunity. These final funds, noted in previous HUD requests and cost estimates, would allow a longer term follow up of the longitudinal sample. As the true outcomes of comprehensive neighborhood development may not be readily apparent for several years, this follow up maximizes the research and policy value of the current investment.

The Choice Neighborhoods demonstration project was funded at \$5 million in fiscal year 2010, which includes \$2.5 million of reprogrammed fiscal year 2010 funds.

2. Rental Assistance Demonstration Evaluation - \$5-10 million

The Rental Assistance Demonstration approved in fiscal year 2012 allows conversion of a limited number of properties assisted under public housing and certain other multifamily housing programs to long-term project-based Section 8 contracts. This demonstration pilots a significant potential policy shift, which must be properly evaluated. An evaluation is required in the fiscal year 2012 appropriations conference report, but not funded. PD&R is evaluating options to begin the groundwork for an evaluation in fiscal year 2012, but will likely seek the bulk of funding in fiscal year 2013.

3. Homelessness Demonstrations - \$5-10 million

This project would make a timely investment to extend the knowledge gained from HUD's recent investments in homelessness research and local innovation. The Homeless Families Study funded through TI in fiscal year 2010 tracks families through 18 months after they are randomly assigned. Many families may still be living in transitional housing or participating in a rapid re-housing program at this point and additional funds would allow a follow up at 30 or 36 months to more accurately track post-program outcomes. Homelessness Prevention and Rapid Re-housing (HPRP) provided initial start-

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up funding for many local homelessness prevention programs, and recent research has provided some evidence-base for successful prevention models. PD&R is exploring with CPD a demonstration of prevention programs, which can be funded under the new Emergency Solutions Grant program, to test some of the most promising models in other parts of the country.

The Impact of Housing and Service Intervention for Homeless Families study was funded at \$6 million in fiscal year 2010.

4. Moving to Work Evaluation - \$1-5 million

The original implementation of the Moving-to-Work (MTW) demonstration did not allow an evaluation that could result in conclusive lessons. Part of this limitation was data availability, but the more difficult evaluation problem was the range of policy changes, which were not clearly defined nor implemented in a way that allowed a connection between cause and effect. The expansion to four new housing authorities authorized in fiscal years 2010-2011 presents a new opportunity for research. HUD is requiring each of the four new MTW agencies to agree to evaluations of key policy priorities, including either a Housing Choice Mobility Demonstration or a detailed MTW Block Grant Evaluation. The MTW Block Grant Evaluation would measure cost savings, families served, and other quantifiable outputs that support the MTW statutory objectives.

5. Seniors and Services Demonstration - \$1-5 million

(Continued from previous years.) Continuing the demonstration funded with re-programmed fiscal year 2010 TI funds, this evaluation would look at costs and outcomes for various models of aging in place. Aging in place avoids costly and disruptive moves to assisted care facilities or nursing homes by providing services to elderly households in their homes.^[1] The nation is facing a large and rapidly growing elderly population that is seriously challenged in finding affordable and safe housing—and housing that can also accommodate their changing needs as they grow older. It is imperative that HUD identify and demonstrate successful ways to deliver housing and services cost-effectively. This project will demonstrate and evaluate the effects of combining affordable housing with services for low income elderly households. The current phase of the study is designing the larger demonstration: identifying successful models that jointly provide housing and services to low-income households who require both, determining whether individuals in publicly subsidized housing are more likely to have chronic health conditions and functional limitations that result in greater health care use than others in the community, and whether sufficient concentrations exist to implement care coordination or other evidence-based interventions in a cost effective manner. It is also developing alternative intervention strategies and refining research questions the demonstration would

^[1] Research has found that although Sections 202 and 811 have a higher per-unit cost in comparison with other HUD-assisted housing (because of special accommodations and services provided), the cost of Section 202 is lower than the nursing home alternative. On average, a 340-day stay in a nursing home costs \$49,000, whereas housing plus basic services (food, transportation, and housekeeping) in Section 202 costs \$13,000. More intensive services for frail elderly would generate a cost of approximately \$25,000, still generating nearly a 50 percent decrease in costs (HUD 2008).

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seek to answer. Since housing and supportive services combines programs from both agencies, the demonstration will be jointly funded and executed by HUD and the Department of Health and Human Services (HHS). The full scope and cost of the demonstration will not be known until design is completed by the end of 2012.

The Seniors and Services project was funded at \$550,000 in fiscal year 2010, which includes \$50,000 from Strategic Planning Metrics in fiscal year 2010 and \$500,000 added through fiscal year 2010 reprogrammed funds.

6. Section 811 Project Rental Assistance Demonstration Evaluation - \$1-5 million

This evaluation would study outcomes from a demonstration of the authority granted under the Melville Act and funded in 2012. The evaluation would assess the impact of and strategies used to provide supportive housing to people with disabilities in integrated multifamily settings with connections to appropriate community-based supports and services, as compared with placing them in group homes or independent living facilities traditionally funded by the Section 811 program.

Technical Assistance: *Effective and Efficient Delivery of HUD Programs: 30-50 percent of total TI Transfers*

A 2002 GAO report noted that HUD operated 20 different technical assistance programs. Through TI-TA, HUD is able to reach across programs and identify areas where better communication and coordination throughout the Department will improve delivery and effectiveness of TA. For example, TA provided to help a grantee improve its financial management systems improves the delivery of all of its HUD programs, not just one. Funding TA through the TI account encourages and incentivizes cross-program synergies, which are difficult to achieve in a siloed approach. The flexibility of TI also allows HUD to prioritize TA to the most critical problems, deploying resources where they are most needed and where they will have measurable impact on HUD's programs.

In fiscal year 2013, HUD is moving to simplify and streamline TA through an approach that builds on the successful OneCPD model. To achieve this, HUD analyzed technical assistance needs for all its programs and calculated the TI resources needed to address these needs based on the scope and method of technical assistance required. To ensure cross-program collaboration and to gain efficiencies in delivering TA, HUD categorized TA needs by the type of technical assistance provided to stakeholders – such as intensive one-on-one engagements or core skills training – rather than by listing the TA needs and activities of each individual program area. The categories of assistance are based on the TA approaches that have showed past success in addressing grantee and client needs and include some of the technical assistance activities funded through TI in past years. This new structure does not signal a major shift in priorities, but rather a realization of the common elements in HUD's technical assistance and the need for a dialogue with Congress based on TA needs, not programs.

Furthermore, to ensure that the technical assistance HUD provides is effective in improving the performance of HUD's programs, in fiscal year 2013 the Department will track the outputs and outcomes of its technical assistance activities. For intensive, place-based

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interventions, performance measures will be customized for each engagement so that the outputs and outcomes tracked align with the problems identified through the risk assessment. The result will be an assessment that shows “pre- and post-” changes in performance. The Department will measure the effectiveness of capacity building around new programs and policies and its Collaborative Core Skills program by assessing the knowledge of its grantees and clients before and after the TA was provided, as well as overall improvements in the organizational capacity of these agencies to effectively execute the programs and reach intended recipients. HUD intends to measure not only the outputs of TA and capacity building, but also its impact on outcomes via changes in the community being served through the program.

In fiscal year 2010, TI funded \$48.2 million in TA and Capacity Building activities and another \$40.2 million in fiscal year 2011. The Department anticipates allocating \$38.2 million in TI funds to TA in fiscal year 2012. For fiscal year 2013, HUD has identified needs for technical assistance totaling higher than the resources it anticipates will be available, which would be limited to 50 percent of the TI Fund, at a maximum. While the Department recognizes the limited resources available through the TI fund, it intends to allocate the funds that are available for TA based on the three key TA priorities listed below.

1. Intensive Interventions and Place-based Capacity Building – \$20-50 million

HUD prioritizes providing technical assistance and capacity building to high-need, high-risk grantees or clients who require resource-intensive, long-term support to improve their management of HUD programs. Through intensive, place-based interventions, HUD targets TA resources to the highest-risk grantees and clients – such as PHAs or local governments – with deeply rooted financial, management, or capacity problems that undercut their ability to implement HUD’s programs effectively. HUD uses risk assessments to identify the grantees and clients with the most urgent needs for intensive TA support. These risk assessments also determine the nature and scope of the intervention required. Additionally, to advance program effectiveness and efficiency, a small portion of these TA resources will be directed to high-capacity grantees and clients to incubate innovative practices that will ultimately be shared and implemented across HUD’s stakeholders.

For example, through OneCPD, HUD provides direct support to cities to state and local grantees, especially those with limited capacity, to improve their ability to adapt to conditions in local housing and commercial real estate markets and markets; design, implement, and leverage housing and community and economic development programs; assure timely and effective performance, project tracking, and monitoring; and foster innovation in housing and community development program design and finance. OneCPD is a collaborative effort among HUD, state and local grantees, including Continuums of Care (CoC), and technical assistance providers focused on building grantee management systems and the functional capacity necessary to successfully carry out comprehensive and sustainable “place-based” development and revitalization strategies.

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HUD also provides one-on-one support and targeted resource deployment to PHAs and owners experiencing an urgent need or crisis situation which is placing residents and/or Federal funds at risk. In fiscal year 2013, recognizing the common challenges and capacity needs faced by public housing agencies and tribal grantees, the Office of Public and Indian Housing is proposing an integrated approach to capacity building. PIH will coordinate the provision of assistance through the identification and prioritization of needs across programs and stakeholders, and in close coordination with the Office of Multifamily Housing's intensive outreach to owners of HUD-assisted housing.

The National Resource Network (NRN) is another example of HUD's intensive engagements with stakeholders. The NRN provides intensive, one-on-one technical support to economically-distressed city, town, and county governments, with assistance targeted to improving underlying, long-term problems like deficits, lack of staff capacity, and poor bond ratings. The NRN provides a single point of contact through which local governments can access a wide-ranging group of experts and existing resources across HUD and at multiple Federal agencies. Part of the interagency Strong Cities, Strong Communities Initiative (SC2), the Administration has prioritized up to \$15 million in HUD's TI funds, which will be pooled with resources provided by other Federal agencies.

2. Building Capacity around New Programs and Policies – \$5-20 million

HUD's stakeholders, especially those that implement HUD programs, require support as they learn and adapt to new HUD policies, programs, and management approaches, as well as shifts in client needs, available resources, and market conditions. Providing proactive technical assistance to help grantees and clients adapt to these changes prevents larger scale problems from occurring in the future – problems which require intensive TA resources to resolve. This type of technical assistance may include: training or conference calls with a specific stakeholder group, webinars, direct assistance to a specific grantee or client, building the capacity of the field and its leading actors, and disseminating consistent, timely information and clear guidance about the policy or programmatic change and its likely impact. Additionally, technical assistance may assist HUD's stakeholders with using new tools, management systems, or planning techniques in support of new policies, programs, or management and planning approaches and that allow for improved planning and use of resources.

For example, to address significant shifts over the past few years in the housing market, HUD's new Office of Housing Counseling will work closely with the national network of HUD-approved housing counseling agencies and counselors. Technical assistance will closely examine the current state of the housing counseling industry, identify demand and needs for counseling services and determine how best to strengthen the organizational capacity of these agencies to strengthen their ability to provide objective and reliable information to clients. Housing counseling agencies are facing a wide variety of challenges including the need to: rebrand what housing counseling is and raise awareness among the public about the availability of these services; develop a sustainable business model to fund counseling services; accessing new training and curriculum to certify counselors; address demand for

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services in underserved communities; develop better performance and outcome tracking systems as well as other tools for data analysis, monitoring and reporting; and improve financial management capabilities.

HUD's new programmatic initiatives will also require capacity building support to ensure effective implementation. Under a coordinated TA approach, HUD's Offices of Public and Indian Housing and Multifamily Housing will work collaboratively to provide implementation support for innovative strategies to preserve and sustainably finance affordable housing, such as the Rental Assistance Demonstration (RAD). HUD will need to provide technical support and clear guidance about RAD, a complex, market-driven financial model, allowing public housing agencies and owners to navigate conversion and utilize debt financing to meet capital needs.

Other new policies programs that may require this type of technical assistance include: the proposed rule for Affirmatively Furthering Fair Housing (AFFH), Choice Neighborhoods, Jobs-Plus, Consolidated Opportunities for Resident Enrichment (CORE), and new approaches to economic development and regional or community planning.

3. Standardized Skills Training – \$500,000-\$15 million

Developing standard skills on topics necessary across grantees of multiple programs and critical competencies required to effectively delivery HUD's programs is the third major goal of the Department's TA efforts. In fiscal year 2013, HUD proposes to further capitalize on the ability of TI to allow joint collaboration across program offices in developing and delivering training on core skills and topics relevant to multiple HUD programs. This goes beyond the small Joint Core Skills Curricula project, a collaborative effort among HUD's Offices of Community Planning and Development, Multifamily Housing, and Public and Indian Housing funded through TI in previous years. Recognizing that issues relevant to other programs such as Fair Housing and Equal Opportunity, Sustainable Housing and Communities, and Healthy Homes and Lead Hazard Control apply to multiple types of grantees, standard trainings and certifications developed in several programs fall into this category.

Examples of the type of skills and knowledge HUD expects stakeholders to acquire through training include, but are not limited to: development finance and mixed-finance; asset management and repositioning distressed assets; strategies for preservation of affordable housing; accountability and performance tracking; effective financial management; using data collection tools, indices, asset and management tools (such as Physical/Capital Needs Assessments), and performance management systems; conducting needs and risk assessments; scenario planning; supportive housing for vulnerable populations; program compliance; energy efficiency and weatherization; healthy housing; construction and rehabilitation management; and regional equity and sustainability. The web-based tools, products and group learning modules available to all grantees will use adult learner techniques to increase knowledge and facilitate skill development. In addition to courses, workshops, and other types of training, HUD will develop toolkits and desk guides to assist grantees with applying core skills to program management and implementation.

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Information Technology: *Real-time Information to Monitor, Protect, and Innovate: 30-50 percent of total TI Transfers*

The addition of IT projects will greatly increase the resources required for TI. HUD intends the funding for Data Management Services and IT Modernization to support the 7 priority projects, but will also utilize these funds to address specific infrastructure, applications, and data inefficiencies and obsolescence. The description of the IT modernization work is still at a high level. Leveraging the fiscal year 2010 IT Assessment Report, work sessions between all HUD programs and OCIO will be conducted late January through March to identify the specific projects that will modernize the technical environment, and define a more efficient and cost effective construct for our data and applications. These efforts will also lead to identifying cost savings and cost avoidance in the WCF, and establish a HUD 5 year IT Plan for the entire portfolio. HUD has incorporated all of the IT Transformation Initiatives into one HUD IT investment portfolio which is planned and managed through the Federal budget process and captured as Major Investments in HUD's Exhibit 300As (budget justification) and Exhibit 300Bs (Federal IT dashboard). The implementation of 5-year IT planning will enable HUD to be prepared to take advantage of TI and any other funding sources with the same level of information required through a single budget formulation and execution process.

Overall, HUD could fund up to \$98.0M in TI funding for Information Technology in fiscal year 2013, but does not anticipate this level of funding will be available and would likely limit total IT expenditures to 50 percent of the TI fund, with the remaining balance being captured in the fiscal year 2014 budget. The funds will be used to continue work in three of the seven priority initiatives, and advance the execution of enterprise services in IT modernization and data services to improve overall performance, cost, and risk in the use of IT to enable business value. In the following table, TI-IT projects not funded with fiscal year 2013 dollars are removed from the presentation.

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TI/IT Project Funding Overview (Dollars in Million)

| TI/IT Project Funding Overview | FY 2010 | FY 2011 | FY 2013 | Total |
|---|--------------|--------------|--------------|---------------|
| 7 High Priority Transformation Initiative Projects | | | | |
| Federal Housing Administration (FHA) Transformation | \$20.50 | \$38.00 | 20.50 | \$79.00 |
| Next Generation Voucher Management System (NGVMS) | 29.00 | 12.10 | 20.50 | 61.60 |
| HEARTH Act Implementation/eGrants | 10.10 | 15.50 | 6.00 | 31.60 |
| Subtotal of 7 Transformation Initiative Projects | 59.60 | 65.60 | 47.00 | 172.20 |
| Enterprise Services - IT Modernization | | | | |
| Enterprise Services: IT Modernization / Platform Standardization | 7.50 | 2.00 | 4.00 | 13.50 |
| Enterprise Services: IT Modernization / Application Management Services | 6.00 | | 5.00 | 11.00 |
| Enterprise Services – Data Services | | | | |
| Enterprise Services: Data Services / Data Management (Data Policy, Standards, Guidelines & Governance) ** | 1.00 | 3.00 | 2.00 | 6.00 |
| Enterprise Services: Data Services / Geocoding Validation/GIS Mapping | 1.00 | 2.00 | 2.00 | 5.00 |
| Subtotal of Enterprise Services | 15.50 | 7.00 | 13.00 | 35.50 |
| TI/IT Funding Total | 75.10 | 72.60 | 60.00 | 207.70 |

The specific IT Transformation Initiatives HUD proposes to expand work include: FHA Transformation, Next Generation Management, eGrants which includes HEARTH Act implementation, and funding for Data Management, Geospatial, and IT Modernization. The following provides a brief overview of the proposed projects and mission benefits.

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1. FHA Transformation - \$20.5 million

FHA Transformation requests TI funding to continue the execution of projects that deliver benefits within FHA’s Multifamily Housing and Healthcare insurance programs. Within Counterparty Management, the monitoring and enforcement projects will allow the Office of Lender Activities to automate many manual functions, and reach the next level of more intelligent, rules-based activities such as automated risk analysis and lender targeting according to a risk scoring framework. The Federal Financial Services Platform will be leveraged across other lines of business within Housing, specifically Multifamily Housing and Healthcare. This coincides with the continuous migration of the 30 year old Computerized Home Underwriting Management System (CHUMS) application, thus decreasing the system’s footprint. Through the FHA Transformation program, FHA will be equipped to recognize risk and fraud trends in borrower attributes, collateral attributes, and appraisal valuation accuracy during the transaction process, thus getting ahead on identification of cases that may be detrimental to FHA’s MMI fund.

Breakdown of Projects within the FHA Transformation Initiative

| | |
|--|--------------|
| Project #1: Federal Financial Services Platform (FFSP) – Deployment of the FFSP (Federal Financial Services Platform) – Wave 2 | \$5.25 |
| Project #2: FHA Analytics Environment – Master Data Management - Initial MDM Capability with Lender and Appraiser Master Data | 1.00 |
| Project #3: FHA Analytics Environment – Master Data Management – Enable Risk & Fraud and Portfolio Evaluation Tool (PET) Analytics | 1.00 |
| Project #4: FHA Analytics Environment – Master Data Management – Enhance Office of Evaluation (OE) Analytics | 1.25 |
| Project #5: Legacy Application Migration #2 (to Federal Financial Services Platform – FFSP) | 2.00 |
| Project #6: Multifamily Housing Automated Underwriting Solution (AUS) & Development Application Process (DAP) System Sunset | 2.00 |
| Project #7: Counterparty Management – Lender Electronic Assessment Portal (LEAP) – Monitoring and Enforcement – GEN2 | 1.00 |
| Project #8: Counterparty Management – Lender Electronic Assessment Portal (LEAP) – Monitoring and Enforcement – GEN1 | 1.00 |
| Project #9: Counterparty Management – Lender Electronic Assessment Portal (LEAP) – Approval, Recertification, Monitoring and Enforcement – GEN3 | 1.00 |
| Project #10: FHA- Emerging Trends Analysis – Risk and Fraud Tool- GEN1-FULL DEPLOYMENT | 2.00 |
| Project #11: FHA- Portfolio Analysis: Portfolio Risk Reporting & Analytics (Portfolio Evaluation Tool/PET) GEN1-FULL DEPLOYMENT | 2.00 |
| Project #12: FHA- Risk and Fraud: Transactional Controls GEN1 | 1.00 |
| Total: | 20.50 |

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2. Next Generation Management System- \$20.5 million

NGMS requests TI funding to continue the execution of the re-engineered processes that will enable more accurate budget forecasting and formulation by automating short-term and long-term budget forecasts and providing multi-factor, scenario driven forecasts; Minimize HUD’s financial risk by capturing, aggregating, and comparing multiple financial/programmatic data points to provide multi-level analytical views (e.g. unit, property, owner, PHAs, Field Office) of TBRA and Public Housing program performance; improve the quality of available rental housing through improved program assessments and physical inspections of assisted units; enhance financial accountability and reduce improper payments by providing integrated financial/programmatic datasets and analytical capabilities that allow for better insight (e.g. benchmarking) into program operating costs, reserves, and subsidy payments; and reduce the time to perform TBRA and Public Housing business functions by automating manual processes (e.g. On-line Re-certification) through IT. Please note that HUD has reduced allocations to this TI-IT project given the reality of fiscal and timing restraints. However, to limit risk to project outcomes, full required needs will be captured in the 2014 budget request.

Projects within the NGMS Transformation Initiative

| | |
|---|----------------|
| Project #1: NGMS Portfolio Management | \$6.30 |
| Project #2: NGMS Public Housing Authority Operating System (PHAOS) | 1.70 |
| Project #3: NGMS Inventory Management | 8.60 |
| Project #4: NGMS Help Center | 2.30 |
| Project #5: NGMS Business Support | 1.60 |
| Total: | \$20.50 |

3. Grants Management - \$6.0 million

While fiscal years 2010 and 2011 Transformation Initiative (TI) funding implemented the HEARTH Act of 2009 programs, HUD will invest \$6.0 million fiscal year 2013 in TI funding into the Grants Management segment of the enterprise to continue support for HEARTH programs by developing additional efficiencies and cost-savings. This investment will add and extend capabilities to better serve grantees and HUD staff, and ultimately improve program outcomes for the communities, families, and individuals that HUD serves. These projects will further reduce HUD and the public’s administrative burden in grants

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management while reducing paperwork; better satisfy requirements in cost-saving enterprise architecture and program regulations; and coalesce multiple information systems into a single 'portal' to simplify user accessibility, improve data management and storage, and lower infrastructure costs.

Breakdown of Projects within the eGrants & HEARTH

| | |
|---|-------------|
| Project #1: Improved data quality and reduce data entry burden for grantees in combined IDIS/DRGR system | \$2.00 |
| Project #2: Integration of e-snaps business processes for reduced data entry burden and improved data quality | 1.30 |
| Project #3: Enable continuous risk analysis and monitoring with real-time financial and grantee performance data to reduce risk of waste, fraud, and abuse | 1.00 |
| Project #4: Integrate GMP with IDIS/DRGR creating a centralized grantee database with shared services and reduced data footprint | 1.00 |
| Project #5: Incorporate additional grant programs (post-award) into IDIS/DRGR | 0.70 |
| Total: | 6.00 |

4. Data Management - \$4.0 million

HUD proposes enterprise projects in the areas of Data Management and IT Modernization. Data Management proposes \$4.0M in fiscal year 2013 TI funding projects based on a thorough departmental "As Is" assessment. Three to five high-priority development efforts will be based on criticality to HUD's mission and potential for re-use of functionality in future development. Deliverables under this project include the implementation of three to five high-priority data quality improvement applications and three to five priority GIS applications.

5. IT Modernization - \$9.0 million

Through analysis and work sessions to identify the specific projects that will modernize the technical environment, and define a more efficient and cost effective construct for our data and applications HUD proposes \$9.0 million in fiscal year 2013 TI funding for two project areas for IT Modernization. HUD's data center environment reveals an infrastructure marked by a mix of operating systems, hardware, operating system software, numerous platforms and database types, versions, service packs, and business application systems. This has resulted in a complex environment that is costly to maintain and difficult to support. In addition, the lack of standardization can result in a loss of agility, making it difficult to respond to the rapidly changing business needs. To reduce the cost and complexity of HUD's data center computing environment, the Platform

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Standardization Project will consolidate the number of different hardware, software, licensing structures, and tools in place at HUD. This project supports the cost effective execution and individual objectives of the seven TI/IT projects through the standardization of HUD's IT environment. The Applications Management project will leverage industry standardization implementation methodologies to transition HUD's current legacy applications to a cost effective and agile applications portfolio in alignment with HUD's Enterprise Architecture (EA) and Standards. This project also supports the 7 Transformation Initiative TI/IT projects in attaining their cost effectiveness and technology objectives. In conjunction with the Platform Standardization project, the Application Management project will result in an approved set of systems that operate on standard HUD platforms, are consistent with HUD EA standards, and conform to the vision of the Office of the Chief Information Officer (OCIO) for the IT environment. This project will also ensure that the target systems are sufficiently analyzed, user communities are engaged in requirements gathering and documentation activities, necessary planning documents are developed, and all systems identified for transitioning are transformed into more effective and efficient systems that offer richer functionality to the end user community and generate more value for HUD and HUD stakeholders.

Implications of Funding Below This Request

HUD is in the midst of a multiyear effort to fundamentally transform the agency, and the Transformation Initiative Fund remains *the* primary source of funding for changing the way HUD does business, while at the same time increasing the efficiency and effectiveness of our programs. To date, HUD has invested significant time and energy to get TI right, to make it comprehensive and well-integrated, and to fundamentally shift the Department's approach to business by aligning it with HUD's strategic plan. Systemic changes at this scale take time, and entrenched challenges have impeded the agency's ability to obligate funds as quickly as preferred. HUD has had to rebuild staff capacity in the areas of IT, Research, and Demonstration because of the history of inadequate funding for these purposes, as documented by the National Research Council.⁵ In the area of TA, funding within program accounts and for specific purposes had established silos and prevented the efficiencies and cross-fertilization available through more coordinated approaches. HUD's mechanisms for getting funds out to constituents had broken down, so that inefficiencies in procurement and NOFA processes made it difficult to obligate funds and deliver results quickly. Initial set-asides for the Transformation Initiative have changed HUD's opportunities, approaches and ideas. Continued Congressional support for TI will be critical for building transformative momentum and institutionalizing a rational and performance-based culture. A lapse of support for TI would be a squandering of both the investment and the moment of opportunity.

⁵ National Research Council. "Rebuilding the Research Capacity at HUD," 2008. Committee to Evaluate the Research Plan of the Department of Housing and Urban Development. Washington, DC: National Academies Press. http://www.nap.edu/catalog.php?record_id=12468

4. How do we know this program works?

Research and Evaluation: *Program Effectiveness*

The non-partisan Coalition for Evidence-Based Policy notes that “in most areas of social policy – such as education, poverty reduction, and crime prevention – government programs often are implemented with little regard to evidence, costing billions of dollars yet failing to address critical social problems. However, rigorous studies have identified a few highly-effective program models and strategies.”⁶ It is HUD’s duty to pursue the most effective strategies to meet the goals of its statutory authority with appropriated funds, and it can only do this with better evidence on which strategies work and which do not. For this reason, the National Research Council (NRC) recently recommended, foremost, that HUD’s independent research office, the Office of Policy Development and Research (PD&R), should “regularly conduct rigorous evaluations of all of HUD’s major programs.” NRC also recommended that program set asides such as those requested through the TI Fund would be the best approach for funding this evaluation program. The NRC report, which reviewed HUD’s research process and history, was conducted at Congress’s request.

The NRC determined that PD&R research frequently reveals opportunities for savings to taxpayers, highlighting two such studies for the size of their impact. The largest savings came from a Quality Control study undertaken in the early 1990s to investigate substantial inaccuracies in setting rents for tenants in HUD’s assisted housing programs. The process implemented based on this research saves an estimated \$1.4 billion each year, or almost 3 percent of HUD’s budget. The NRC also highlighted other PD&R research that provided timely warning of a costly weakness in an FHA program.⁷

TI provided \$36.55 million in research and evaluation resources for fiscal year 2010 and \$9.75 million for fiscal year 2011. Due to the large reprogramming of 2010 funds into Research and Evaluations, the Department anticipates allocating approximately \$4.55 million to research projects in fiscal year 2012. HUD is working steadily on projects such as the following to deliver the critical policy information they will provide as quickly as possible. Research contractors are on board and research tasks are well underway.

- The Housing Choice Voucher Administrative Fee Study reached agreements to participate with 59 out of the 60 selected high-performing housing agencies, reconnaissance site visits were completed in July, 2011, and pre-tests are expected to be underway in the second quarter of fiscal year 2012.
- The Housing Discrimination Study contract was awarded in September 2010. The first task order is well underway for a rigorous, national study to estimate discrimination in rental and sales housing markets in communities across the U.S.

⁶ Coalition for Evidence-Based Policy. 2011. <http://coalition4evidence.org/wordpress/>

⁷ National Research Council. “Rebuilding the Research Capacity at HUD,” 2008. Committee to Evaluate the Research Plan of the Department of Housing and Urban Development. Washington, DC: National Academies Press. http://www.nap.edu/catalog.php?record_id=12468

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- The Pre-Purchase Homeownership Counseling Demonstration and Impact Evaluation was awarded in September 2011. The objective is to implement a rigorous pre-purchase housing counseling experiment to test the impact of different types of pre-purchase housing (online education plus telephone counseling and in-person group workshop plus individual, in-person counseling) on homebuyer outcomes for a large, nationally representative sample of first-time homebuyers. HUD and the study team are now working with participating lenders and counseling intermediaries to finalize the study design.
- The Native American and Hawaiian Housing Needs Assessment contract was awarded in December, 2010. Staff and an expert panel reviewed draft survey instruments and interview guides, and expanded efforts to inform the Native American community about the study through formal Consultations are planned for the second and third quarters of fiscal year 2012.
- Small Grants through biennial research NOFAs to solicit outside projects supporting HUD demonstrations were split in fiscal year 2010 between a homelessness study, which have been awarded, and a study of sustainable building practices in Indian country, which will be awarded in the second quarter of fiscal year 2012. With fiscal year 2012 funds, HUD plans to award small grants to researchers to supplement the contract research for the Family Self-Sufficiency Demonstration and the Choice Neighborhoods Demonstration.

Program Demonstrations: Evidence-Based Policy Improvements

Program demonstrations are the only real tool to test whether program innovations or modifications benefit the public in the way Congress intended while controlling for external factors or participant selection bias. Further, demonstrations provide this evidence without the cost and risk of full-scale implementation. Due to the trouble with budgeting for individual studies, HUD has done relatively few research demonstrations since the 1990s. Yet demonstrations have provided HUD's most important and informative evidence about real program impacts.

- The Experimental Housing Allowance Program in the 1970s provided evidence that led to HUD's largest current program, the Housing Choice Vouchers program. Separate phases of the experiment enabled testing the effect of housing allowances on housing demand, on housing supply, and on administrative agencies. The demonstration enabled Congress to determine the cost-effectiveness of directly assisting tenants rather than subsidizing developments, and thus led to a historic transformation away from project-based assistance in national housing policy that continues today.⁸
- Moving To Opportunity. The demonstration showed that families moving from high poverty public housing to low poverty neighborhoods with a voucher experienced an increase in neighborhood quality, better housing, a greater feeling of safety, and better health outcomes, such as reduced rates of diabetes, obesity, and mental health problems. The total cost of

⁸ See also U.S. Department of Housing and Urban Development, "Final Comprehensive Report of the Freestanding Housing Voucher Demonstration," Vols. I-II, 1990.

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\$95 million included funding from HUD, National Institutes of Health, National Science Foundation, Centers for Disease Control and Prevention, other Federal agencies, and numerous foundations. The demonstration covered five sites, 4,608 families, and 10,000 individuals. Implementation of the new voucher authority and counseling cost \$70 million, and the research cost for set-up, tracking, and interim and final evaluation was \$25 million. As important is what HUD learned about what the voucher pilot, as deployed, could not do. In the short term, moves to low-poverty neighborhoods do not improve employment or education outcomes. Without this knowledge, HUD might spend years expecting results rather than attacking the problem another way.⁹

- Jobs Plus. This demonstration in six sites showed that carefully designed rent incentives, totaling \$4.7 million, and job supports in distressed public housing developments improve incomes in both the short- and long-term. The total cost of \$30 million included funding from HUD, the Departments of Labor and Health and Human Services, and several foundations. The cost of the research and technical assistance portion was \$25.3 million. HUD is currently applying lessons from this initiative in the Choice Neighborhoods program and an expansion of Jobs Plus in fiscal year 2013.¹⁰
- Effects of Housing Vouchers on Families. The effort showed that relative to not having housing assistance, receipt of a voucher dramatically reduces homelessness, but leads to lower wages and employment in the short run and has no impact on wages and employment in the mid-term. The total cost of \$53.2 million included \$50 million for implementing new voucher authority, and \$3.2 million for research (set-up; tracking; interim and final evaluation).¹¹

In fiscal year 2010, TI funded \$30.95 million for demonstrations and another \$6 million in fiscal year 2011. For fiscal year 2012, the Department anticipates allocating approximately \$7.25 million to demonstration projects. Demonstrations are underway in several important policy areas, with most projects approaching award of the research contract after careful planning to ensure useful results.

- The Impact of Housing and Service Intervention for Homeless Families study has participant enrollment underway and will complete it at all twelve sites in the second quarter of fiscal year 2012. This four-part demonstration will compare the impacts of usual care, rapid re-housing, voucher-only, and transitional housing on homeless families.

⁹ U.S. Department of Housing and Urban Development Office of Policy Development & Research; Sanbonmatsu, Lisa, Jens Ludwig, Lawrence F. Katz, Lisa A. Gennetian, Greg J. Duncan, Ronald C. Kessler, Emma Adam, Thomas W. McDade, Stacy Tessler Lindau, 2011. "Moving to Opportunity for Fair Housing Demonstration Program - Final Impacts Evaluation." <http://www.huduser.org/portal/publications/pubasst/MTOFHD.html>

¹⁰ Howard S. Bloom, James A. Riccio, Nandita Verma, and Johanna Walter, "Promoting Work in Public Housing: The Effectiveness of Jobs-Plus, Final Report." 2005. Washington, DC: MDRC.

¹¹ U.S. Department of Housing and Urban Development. "Effects of Housing Vouchers on Welfare Families." 2006.

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- The Choice Neighborhoods Evaluation was awarded in September 2011, with the draft Research Design and Data Collection plan due in the second quarter of fiscal year 2012. The evaluation will document early program outcomes and gather baseline data for a subsequent, in-depth evaluation of program outcomes in the neighborhoods and their surroundings.
- The Family Self-sufficiency demonstration is expected to begin very shortly pending award of the research contract, which is expected in the second quarter of fiscal year 2012.
- The Seniors and Services Demonstration continues an initial HUD/HHS data-sharing agreement by designing a demonstration for low income households “aging in place” to inform HUD’s Section 202 and 811 programs. Data sharing agreements between HUD and HHS are in place – HUD has provided housing data to HHS and expects to see preliminary results in the third quarter of fiscal year 2012.

Technical Assistance: *Effective and Efficient Delivery of HUD Programs*

Transformation Initiative funding makes it possible to streamline and align technical assistance across the Department and with other agency partners that work in local communities. Fiscal years 2010 and 2011 TI –TA projects demonstrate that greater coordination of TA across programs is both feasible and effective.

For example, through a TI-TA project, CPD, PIH, and MFH have collaborated to develop and provide green and energy efficiency training and certifications to their grantees, rather than each division conducting its own (potentially misaligned) trainings in this area. The green and energy efficiency training TA is part of a larger effort to coordinated TA and training across these three divisions of HUD. The Joint Core Curricula for Skills Based Training is a TI-TA initiative to develop and provide training courses and seminars that improve grantee skills in the areas of development finance, energy efficiency and green building, environmental review and compliance, asset management and preservation, and construction and rehabilitation management, all of which will benefit grantees of PIH, MFH, and CPD programs.

Additionally, through OneCPD, TA for the HOME, CDBG, and HOPWA programs is provided to a grantee at the same time, improving performance and reducing costs for HUD and its grantees. This system is designed to provide a market-tailored, place-based approach to TA that emphasizes holistic improvements in grantees’ capacity, and engagement with the specific challenges the grantee faces, rather than handling individual problems as they arise for each program.

A 2002 GAO report on HUD TA¹² recommended that HUD introduce performance measurement into its technical assistance contracts to ensure that they are effective. In response, HUD is stressing performance measurement throughout the TI-TA. For example, if a

¹² Government Accountability Office. “HUD Management: Impact Measurement Needed for Technical Assistance.” 2002. (GAO-03-12)

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OneCPD TA engagement includes the restructuring of the grantee delivery system for its housing construction program, an increase in the annual unit production numbers by that grantee would indicate achievement of a priority outcome, regardless of the funding source (e.g., HOME, CDBG, Low Income Housing Tax Credits). HUD is exploring other methods of performance benchmarking, as well – grantees receiving assistance through the Preservation of Affordable Multifamily Housing project will conduct a pre- and post-assessments that demonstrate whether and how their knowledge has increased. HUD is currently assessing and implementing options for performance measurement across the entirety of its technical assistance efforts under the Transformation Initiative.

Information Technology: *Real-time Information to Monitor, Protect, and Innovate*

Both GAO and Congress have recognized our strategic approach to innovating the Department's IT investments for the future. With the assistance of GAO, HUD developed and implemented a new IT Management Framework and governance structure in response to

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the requirement in the fiscal year 2010 Appropriations Act to implement contemporary IT management controls. The governance component of the framework is designed to ensure that all HUD IT investments:

- Support the Department's mission;
- Close performance gaps or produce other measureable benefits for HUD customers;
- Contribute to HUD's enterprise wide IT infrastructure;
- Provide line of sight visibility for IT projects from conceptual development through implementation and eventual retirement; and
- Apply best-of-practice processes, techniques, and methods to the IT management challenges we face to produce the highest possible return for HUD customers from HUD's IT investments

In the new IT governance structure, there are two sub-committees that report to the Chief Information Officer, one looks at IT investments and performance from the overall investment and budget perspective, another sub-committee looks at each project, systems, and service; and reviews the work as it is completed in each of the seven phases of the projects life cycle. Funding is incrementally applied to a project if it successfully completes the designated control review before being approved to move to the next phase of the project.

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**HUD TRANSFORMATION INITIATIVE FUND
Summary of Resources by Program
(Dollars in Thousands)**

| <u>Budget Activity</u> | <u>2011 Budget Authority</u> | <u>2010 Carryover Into 2011</u> | <u>2011 Total Resources</u> | <u>2011 Obligations</u> | <u>2012 Budget Authority/ Request</u> | <u>2011 Carryover Into 2012</u> | <u>2012 Total Resources</u> | <u>2013 Request</u> |
|-------------------------|------------------------------|---------------------------------|-----------------------------|-------------------------|---------------------------------------|---------------------------------|-----------------------------|---------------------|
| Combating Mortgage | | | | | | | | |
| Fraud | ... | \$20,000 | \$20,000 | \$16,360 | ... | \$3,640 | \$3,640 | ... |
| Direct Appropriation .. | \$70,858 | ... | 70,858 | ... | \$50,000 | 70,858 | 120,858 | ... |
| Program Transfers a/ .. | <u>[99,142]</u> | <u>[205,597]</u> | <u>[304,739]</u> | <u>[101,536]</u> | ... | <u>[203,203]</u> | <u>[203,203]</u> | <u>[\$120,000]</u> |
| Total | 70,858 | 20,000 | 90,858 | 16,360 | 50,000 | 74,498 | 124,498 | [120,000] |

**HUD TRANSFORMATION INITIATIVE FUND
Appropriations Language**

The fiscal year 2013 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

[For necessary expenses of research, evaluation, and program metrics activities; program demonstrations; and technical assistance and capacity building, \$50,000,000 to remain] *Of the amounts made available in this Act under each of the following headings under this title, the Secretary may transfer to, and merge with, this account up to 0.5 percent from each such account, and such transferred amounts shall be available until September 30, [2014] 2015, for (1) research, evaluation, and program metrics; (2) program demonstrations; (3) technical assistance and capacity building; and (4) information technology: "Choice Neighborhoods Initiative", "Community Development Fund", "Fair Housing Activities", "Family Self-Sufficiency", "HOME Investment Partnerships Program", "Homeless Assistance Grants", "Housing Counseling Assistance", "Housing for Persons with Disabilities", "Housing for the Elderly", "Housing Opportunities for Persons with AIDS", "Lead Hazard Reduction", "Mutual Mortgage Insurance Program Account", "Native American Housing Block Grants", "Native Hawaiian Housing Block Grant", "Payment to the Manufactured Housing Fees Trust Fund", "Project-Based Rental Assistance", "Public Housing Capital Fund", "Public Housing Operating Fund", and "Tenant-Based Rental Assistance":* Provided, That with respect to amounts made available under this heading for research, evaluation and program metrics or program demonstrations, [the Secretary may make grants or enter into cooperative agreements if such grants or agreements include a substantial match contribution,] notwithstanding section 204 of this title, *the Secretary may enter into cooperative agreements funded with philanthropic entities, other Federal agencies, or State or local governments and their agencies for research projects: Provided further, That with respect to the previous proviso, such partners to the cooperative agreements must contribute at least a 50 percent match toward the cost of the project.* (Department of Housing and Urban Development Appropriations Act, 2012.)

Changes from 2012 Appropriations

The proposed language includes Information Technology as an authorized purpose again, similar to fiscal years 2010 and 2011 appropriations. It is funded from transfers (0.5 percent) versus a direct appropriation from each of the programs mentioned above. The language also removes "Indian Housing Loan Guarantee Program" to be consistent that loan guarantee programs are not affected; and adds the "Family Self-Sufficiency" program to the list of transfer accounts. Finally, it aligns the Research & Technology and TI appropriation language in their continued request for a limited exemption from Section 204 of the General Provisions.