

INFORMATION TECHNOLOGY FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)

INFORMATION TECHNOLOGY FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$250,000	\$103,856 ^a	...	\$353,856	\$207,554	\$246,441
2015 Appropriation	250,000	149,011 ^b	...	399,011	337,000	298,000
2016 Request	<u>334,000</u>	<u>66,011^c</u>	<u>...</u>	<u>400,011</u>	<u>344,000</u>	<u>286,000</u>
Program Improvements/Offsets	+84,000	-83,000	...	+1,000	+7,000	-12,000

- a/ This includes \$9 million in recaptures of prior year obligations, and a \$5 million transfer from S&E in 2014. It includes \$21.3 million DME carryover and \$68.5 million O&M carryover.
- b/ This figure includes \$4 million in anticipated O&M recaptures. It includes \$40.7 million DME carryover and \$104.3 million O&M carryover. The carryover into fiscal year 2015 includes \$49.4 million of funding for the HUD Information Technology Service ("HITS") contract. These funds would ordinarily have been obligated in August 2014, but were delayed due to ongoing contract negotiations that resulted in a savings of \$7 million. All O&M carryover of fiscal year 2014 funds (\$71.8 million), including this funding for HITS, was obligated in the first quarter of fiscal year 2015.
- c/ This figure includes \$4 million in anticipated O&M recaptures. It includes \$20 million DME carryover and \$42 million O&M carryover.

1. What is this request?

In fiscal year 2016, HUD requests \$334 million for the Information Technology (IT) Fund, an increase of \$84 million over the fiscal year 2015 appropriation. This request includes a one-time requirement of \$60 million to fund the transition of HUD's IT infrastructure to new service providers, which will require HUD to operate both the old and new IT infrastructure environments simultaneously for up to twelve months.

The request supports both Operations and Maintenance (O&M), and Development, Modernization, and Enhancement (DME). It includes \$286 million of two-year funding and \$48 million of three-year funding.

The IT Fund provides funding for HUD's IT infrastructure and systems, which support the entire Department, including all of HUD's mortgage insurance liabilities, rental subsidies, and formula and competitive grants. In addition to supporting HUD's existing systems and other Departmental priorities, the requested IT Fund investment will generate the following outcomes:

- Modernization of HUD's financial management systems to bring the Department into compliance with Federal standards and support transparent, efficient execution of its over \$45 billion annual budget;

Information Technology Fund

- Transition of HUD’s IT infrastructure to a new environment through the HUD Enterprise and Architecture Transformation (HEAT) project;
- Conversion of HUD’s IT infrastructure from vendor owned and operated to Government owned and operated;
- Development and deployment of the electronic consolidated planning tool to manage plans required for the community development grants;
- Enhanced Departmental cybersecurity posture through compliance with the Federal Information Security Modernization Act of 2014;
- Compliance with the Federal Datacenter Consolidation Act;
- Compliance with the Federal Shared Services Initiative;
- Re-platforming (modernization) of FHA legacy (mainframe) mortgage systems;
- An IT portfolio management tool to provide project management, Enterprise Architecture, technology/release management, and vendor management capabilities; and
- Other priority investments as needed.

Fiscal Year 2016 Request in Detail (\$ in Millions)

IT Fund	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Request
Operations & Maintenance	\$205	\$250	\$250
HEAT One-Time Transition Costs ¹	60
Development, Modernization, and Enhancement	45	...	24
Total	\$250	\$250	\$334

¹ This request, to fund the transition costs from the HUD Information Technology Services (HITS) contract to HEAT, is technically O&M, but because it is a one-time cost and not a recurring O&M liability, it is listed separately in this table.

Information Technology Fund

Moving to a True Working Capital Fund

HUD is currently developing a Working Capital Fund implementation plan, the goal of which is to develop a roadmap that will allow the Department to stand up a robust Working Capital Fund to improve the stability, accountability, transparency, and efficiency of enterprise investments and services. The Department is evaluating various governance structures and funding mechanisms and expects to finalize an implementation strategy in the coming months.

Operations & Maintenance (O&M)

These funds provide for the operations and maintenance of the current IT systems and applications, supporting the business and administrative functions in HUD and the IT Infrastructure (servers, communication equipment and support, desktops, mobile devices, enterprise licenses/intellectual property and all of the ancillary engineering, management and security) to make HUD IT services efficient and compliant. These funds are allocated to the following IT Segments or functional areas, consistent with the Federal Enterprise Architecture:

Information Technology Fund

O&M Funding by Segment
(\$ in Thousands)

Segment	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Acquisition Management	\$2,796	\$1,618	...
Administrative Management	1,277	1,130	\$1,131
Business Analytical Services	4,619	5,000	4,937
Controls & Oversight	5,481	5,160	6,580
Customer Relationship Management	2,723	2,801	2,779
Data Management Services	1,446	1,274	1,454
Digital Asset Services	2,580	4,095	2,646
Financial Management	17,995	8,342	13,504
Grants Management	7,860	6,446	6,182
Human Resource Management	901	1,030	1,058
Information Technology	154,690	161,331	219,147
Mortgage Insurance	39,317	33,207	31,633
Planning and Budgeting	2,381	1,189	1,319
Public Affairs	3,819	3,441	3,406
Regulatory, Legislative, and Enforcement	6,094	5,811	5,816
Subsidies Management	8,357	7,246	7,654
eGov Initiatives	1,650	879	693
TOTAL	\$263,986	\$250,000	\$309,939

The increase in the Information Technology Segment is to fund HUD's transition to a new IT infrastructure environment through the HUD Enterprise and Architecture Transformation (HEAT) project.

Unlike many agencies, HUD's IT Infrastructure is completely outsourced (including hardware, telecommunications, data centers, technical support, etc.) to outside vendors through the HITS contracts. These contracts, which are primarily supported by two vendors, are not structured to provide HUD with details on costs or execution. The HEAT project, which began preliminarily in 2014, will continue in earnest through 2016 and will separate out IT functions supported by these vendors (e.g., help desk, cloud

Information Technology Fund

computing, system integration, data center), allowing for the potential of more diversity in service providers and providing the Department with greater insight into the cost drivers of its IT infrastructure. The HITS to HEAT transition also aims to improve HUD's security, internal monitoring and management capabilities, and to reduce the per-FTE cost of its core IT infrastructure.

This will include:

- moving the current HUD data center (where all of HUD's applications and systems are stored and managed) to a shared-service federal data center, or to cloud providers where feasible;
- establishing a new IT help desk;
- acquiring the services of a systems integrator;
- purchasing of vendor owned IT infrastructure equipment;
- enhancing the cyber security posture of the Department;
- modernizing HUD legacy computing platforms (mainframes);
- procuring wireless technology services; and
- re-competing the support for desktops, laptops and devices.

HUD was the first Federal Department to completely outsource its infrastructure. Outsourcing shifts the burden of managing IT infrastructure to the vendor and allows HUD to take advantage of emerging technologies in infrastructure and computing capabilities, such as cloud services. However, when the Department is transitioning between vendors, the outsourced model requires a transition period when both outsourced IT infrastructure environments are running simultaneously. In other words, the outsourced model requires a "bump" in funding to support two environments and to pay both sets of vendors during the transition.

To the greatest extent possible, HUD intends to buy the IT equipment provided by our current vendors and to "lift and shift" that equipment to the new data center. This will significantly reduce the risk of having applications fail as a result of migrating them to the new data center. HUD has many legacy applications and platforms that are no longer supported by the original developers.

HUD will be procuring a systems integrator team as part of our transition to a new data center. Many of HUD's systems rely on information from other HUD systems to properly function. The systems integrator will plan the optimal strategy for systems and platforms to move into the data center. While our "lift and shift" process will not reduce the total number of applications and systems on its own, the systems integration plan will be vital in developing a roadmap for how to eliminate, consolidate, and upgrade systems without breaking integration points or taking critical functions offline.

HUD will take advantage of cloud technology as a part of our transition to a new IT infrastructure environment. During the transition, we will be moving several applications to the cloud, such as email, Customer Relationship Management, components of FHA Transformation, the Next Generation Management System (NGMS), and other new systems we have developed in recent years.

Information Technology Fund

Unfortunately, many of HUD's legacy systems are not cloud ready because the technology is too old to be supported by most cloud vendors.

Additionally, HUD will use this transition to take advantage of existing federal wireless contracts to provide wireless services. HUD will award multiple contracts with multiple vendors to ensure employees have the best coverage for their local areas.

Other O&M Changes

The increase in Financial Management Segment O&M is to sustain the system interfaces with the Department of Treasury as part of the New Core project. These interfaces are necessary to ensure the continued inter-communication between HUD's program and information systems with Treasury's accounting processes. The elimination of the Acquisition segment is also due to the New Core project, as HUD's procurement systems will migrate to the Department of Treasury.

The decrease in Digital Asset Services O&M represents the completion of support to transition HUD paper records to digital assets. This one-time cost in fiscal year 2015 will support the services needed to convert paper documents to digital documents.

Other O&M increases across the segments reflect the constrained resource environment in fiscal year 2015. The increases in fiscal year 2016 will allow HUD to avoid further reductions in services (and potentially more downtime), reduce risks (systems will be maintained instead of waiting to fix them if they break), and address changes for new legislative or regulatory requirements.

Development, Modernization, and Enhancement (DME)

DME Funding by Project
(\$ in Thousands)

Project Name	Segment Name	FY 2016 Request
New Core	Financial Management	\$21,151
Grants Management eCon Planning Suite	Grants Management	2,000
HUDPLUS	Information Technology	910
TOTAL		\$24,061

New Core

In fiscal year 2016, HUD will implement Release 4 of New Core, the final stage of the first phase of the migration of our core financial management and administrative systems and transaction processing to a shared services environment operated by the U.S. Department of the Treasury's Bureau of the Fiscal Service, Administrative Resource Center (ARC). This final stage will focus on the migration of financial management and grants and loans processing to ARC.² Once this effort is complete, HUD will have an integrated core financial system that will increase accuracy, speed, transparency, and accountability in financial management and budgeting. This will enable HUD to quickly accommodate legislative changes in its financial system, and to make high-quality data available to support managerial decision-making. Completion of New Core Phase One, in conjunction with NGMS, will enable HUD to decommission HUDCAPS.

The completion of the first phase of the New Core project and the eventual decommissioning of HUDCAPS will produce several tangible benefits for the Department. This funding will enable the Department to decommission up to 11 legacy systems between fiscal years 2015 and 2017, in addition to HUDCAPS. Based on initial estimates, HUD's current O&M costs can be reduced by as much as \$100-120 million over ten years by decommissioning these legacy systems. By operating within ARC's shared services framework, HUD will be positioned to address JFMIP, FFMIA, OIG, and GAO compliance issues, audit findings, and material weaknesses. New Core will also strengthen the Department's system of internal controls and funds management. This will allow HUD to address multiple OIG compliance issues and GAO findings that impact HUD's audit opinion.

Schedule for Completion: Development projected through fiscal year 2020

Grants Management eCon Planning Suite

The requested DME invested for the eCon Planning Suite is for an expansion of the suite to support other Federal Agencies' planning processes, such as, such as Department of Commerce (Economic Development Agency Comprehensive Economic Development Strategy) or Health and Human Services (Community and Social Services Block Grants).

The eCon Planning Suite provides an online tool designed to support state and local grantees and the public to assess affordable housing and community development needs and market conditions. It empowers it's users to make data-driven, place-based decisions for HUD Program funds that are invested in local communities through their Consolidated Plans. By providing access to better data and tools, and by creating an integrated planning and grants management platform, the eCon Planning Suite improves needs assessment, strategic investment decision-making, and program outcome reporting.

² Previous releases in Phase One include the migration of HUD's budgeting, accounting, financial management, Federal reporting, procurement, travel and relocation, and time and attendance processing to ARC.

Information Technology Fund

With the proposed funds, HUD will perform a feasibility study to identify potential partners in other Federal agencies. Once partners are identified, HUD will refine business and information technology requirements, and develop system enhancements to the eCon Planning Suite to help other Agencies' grantees better understand how disparate federal funds can be used together.

Schedule for Completion: HUD expects the feasibility and requirements analysis to be complete by the first quarter of fiscal year 2017, and planning and implementation to be complete by the first quarter of fiscal year 2018.

HUDPLUS

The HUDPLUS tool currently supports IT portfolio management and decision making. The tool has become the repository for the IT Fund budget formulation submission, allowing HUD to objectively evaluate and rank IT projects and systems. HUDPLUS gives HUD decision makers the insight they need to optimize the funds that are being spent on IT. These funds will add the project management module to the portfolio module. With this module, HUD will be able to leverage a multitude of project data (schedules/milestones, funding, acquisitions, risks) which will allow HUD to have a way to quickly, consistently, and seamlessly track the progress of the HUD project. This tool will bring together multiple pieces of data to allow HUD Investment managers and decision-makers to evaluate the status and health of the IT projects.

Schedule for Completion: The Project Management Module will be completed in September 2017.

Appendix: Description of IT Portfolio Segments

The Acquisition Management segment: Enables HUD to effectively manage the lifecycle (e.g., purchasing, tracking, maintenance, and replacement/retirement) of the physical goods and contracted services it acquires in support of delivering its services and executing its programs. The Acquisition Management segment includes goods acquisition, inventory control, logistics management, and services acquisition.

The Administrative Management segment: Enables the IT that performs administrative and logistical services supporting the entire HUD workforce/enterprise. The IT in this segment includes facilities, fleet and equipment management systems and tools, help desk services, security management, travel and workplace policy development and management systems and tools.

The Business Analytical Services segment: Includes the tools and capabilities supporting the extraction, aggregation, and presentation of information to facilitate decision analysis and business evaluation. The Business Analytical Services segment includes analysis and statistics, visualization (geospatial), knowledge discovery, business intelligence and reporting.

The Controls & Oversight segment: Provides the tools that provide and promote the effective use of accurate, timely and reliable information assessing the condition of the Department's housing portfolio—serving both the Office of Public and Indian

Information Technology Fund

Housing (PIH) and the Office of Multifamily Housing (MFH). The systems provide information to inform decisions for efficient and effective use of HUD's program dollars to ensure safe, decent and sanitary conditions in affordable housing and assists

The Customer Relationship Management Services segment: Includes the tools and systems involved in planning, scheduling, and controlling the activities between the customer and the enterprise, both before and after a product or service is offered. The Customer Relationship Management Services segment would include tools that support call center management, customer analytics, sales and marketing, product management, brand management, customer/account management, contact and profile management, partner relationship management, customer feedback and surveys.

The Data Management Services segment: Includes capabilities that provide for the usage, processing and general administration of information. The Data Management Services segment includes data exchange, data mart, data warehouse, meta data management, data cleansing, extraction and transformation, loading and archiving, data recovery and data classification.

The Digital Asset Services segment: Defines the set of capabilities to support the generation, management, and distribution of intellectual capital and electronic media across the business and extended enterprise. The Digital Asset Services segment includes content management, document management, knowledge management, and records management.

The Financial Management segment: Includes the systems and tools that support the management of HUD's financial resources control and the flow of financial information across information systems. The Financial Management segment includes accounting, funds control, payments, collections and receivables, asset and liability management, reporting and information, and cost accounting/performance measurement.

The Grants Management segment: Includes the IT systems and tools that support the notification, submission, award, review and completion of HUD's grant programs, including the large grant programs that support community development, the construction and rehabilitation of homes, community structures and infrastructure, and other community revitalization and job creation efforts to preserve community assets. This segment also supports HUD's programs that help communities prevent/end homelessness, provide education and awareness programs on lead safety, counseling new home buyers and support fair and equitable housing programs.

The Human Resource Management segment: Includes the systems and tools that manage human resources strategy, staff acquisition, organization and position management, compensation management, benefits management, employee performance management, employee relations, labor relations, separation management, and human resources development.

The Information Technology segment: Includes the hardware, software, infrastructure and services (communications networks, systems engineering, security services) to effectively provide IT capabilities that run the business and administrative applications as well as the enterprise-wide capabilities (email, enterprise licenses, etc.) necessary to execute our mission. The Information

Information Technology Fund

Technology segment includes system development, lifecycle/change management, system maintenance, IT infrastructure maintenance, information security, record retention, information management, information sharing, and system and network monitoring.

The Mortgage Insurance segment: Provides automated operation of FHA mortgage insurance and housing financing functions, including underwriting, participant performance, risk management, and financial and asset management. The systems in this segment execute the operations of FHA and Housing programs that sustain homeownership and affordable housing.

The Planning & Budgeting segment: Includes the tools and systems that support budget formulation, capital planning, enterprise architecture, strategic planning, budget execution, workforce planning, management improvement, budget and performance integration, and tax and fiscal policy.

The Public Affairs segment: Includes the systems and tools that support the exchange of information and communication between the federal government, citizens and stakeholders in direct support of citizen services, public policy, and/or national interest. The Public Affairs segment includes customer services, official information dissemination, product outreach, and rule publication.

The Regulatory, Legislative & Enforcement segment: Includes the tools and systems that monitor and oversee HUD sponsored programs; developing regulations, policies, and guidance to implement laws; and developing and tracking, and amendment of public laws.

The Subsidies Management segment: Includes the tools and systems that support the development and management of programs that provide housing assistance to citizens including the rental of single-family and multifamily properties, and the management and operation of federally supported housing properties.

Information Technology Fund

INFORMATION TECHNOLOGY FUND
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Operations and Maintenance	\$205,000	\$82,532	\$287,532	\$182,484	\$250,000	\$108,333	\$358,333	\$310,000
Development, Modernization, and Enhancement	<u>45,000</u>	<u>21,324</u>	<u>66,324</u>	<u>25,070</u>	<u>...</u>	<u>40,678</u>	<u>40,678</u>	<u>24,000</u>
Total	250,000	103,856	353,856	207,554	250,000	149,011	399,011	334,000

NOTES

1. Operations and Maintenance Carryover into 2014 includes \$9.0 million in recaptures. Development, Modernization, and Enhancement Carryover into 2014 includes \$70 thousand in recaptures. All funds that are available for either O&M or DME are included as O&M carryover.
2. Operations and Maintenance Carryover into 2015 includes \$4 million in anticipated recaptures. All funds that are available for either O&M or DME are included as O&M carryover.

Information Technology Fund

INFORMATION TECHNOLOGY FUND
Appropriations Language

The fiscal year 2016 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 the development of, modifications to, and infrastructure for Department-wide and program-specific information technology systems, for the continuing operation and maintenance of both Department-wide and program-specific information systems, and for program-related maintenance activities, [\$250,000,000] *\$334,000,000*, of which *\$286,000,000* shall remain available until September 30, [2016] *2017*, and of which *\$48,000,000 shall remain available until September 30, 2018*: *Provided*, That any amounts transferred to this Fund under this Act shall remain available until expended: *Provided further*, That any amounts transferred to this Fund from amounts appropriated by previously enacted appropriations Acts may be used for the purposes specified under this Fund, in addition to any other information technology purposes for which such amounts were appropriated. (*Department of Housing and Urban Development Appropriations Act, 2015.*)