

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
(Dollars in Thousands)**

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Financial Management, Procurement, Travel and Relocation	...	\$27,206	\$28,151
Human Resources	...	16,477	18,801
Federal Register Printing	906
Grand Total	...	43,683	47,858

Program Area Overview:

The Working Capital Fund (WCF) will serve as a mechanism for the Department of Housing and Urban Development (HUD) to finance enterprise goods and services. The WCF will assist HUD program offices achieve their missions by providing cost-effective, customer-focused enterprise support services on a fully cost recoverable, fee-for-service basis, proposed to start in fiscal year 2017. During 2016, the Department is standing up a strong governance structure with a customer service focus and business processes for timely, accurate cost-accounting data for WCF goods and services. When fully implemented, the WCF will enable the Department to achieve the following outcomes:

- Aligned incentives for efficient operations by charging costs to users;
- Transparent and timely cost estimates for goods and services, and the overall costs to administer programs; and
- Efficient and effective delivery of enterprise goods and services.

In fiscal year 2016, the Department will transfer funding from Administrative Support Offices (ASO) to the WCF for shared services. The Office of the Chief Financial Officer (OCFO) will oversee the financial operations of the WCF, while management and oversight responsibilities for providing the core WCF goods and services will remain with the appropriate business function leads.

The Federal shared services financed through the WCF will include shared services agreements with the Department of the Treasury for HUD financial management, procurement, and travel in which the OCFO will be the business function lead. These shared services include a full range of accounting and procurement services such as budget and financial transaction processing, purchase and fleet card services, and financial reporting. Travel and relocation services provided to HUD include E-Gov Travel Service (Concur), travel help desk, travel card administration, travel payments, and relocation processing and payments. The Department also receives human resources services from Treasury, under the leadership of the Office of the Chief Human Capital Officer

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(OCHCO). OCHCO-managed shared services include: job classification, staff acquisition, payroll (including WebTA), processing and personnel records, employee benefits, workers' compensation, personnel background checks, back-office HR functions through HR Connect, talent acquisition through CareerConnector, and performance management through InCompass.

Starting in fiscal year 2017, the Department will seek to include *Federal Register* printing for regulations and other notices managed by the Office of General Counsel.

The Department proposes creating a new office within OCFO that will oversee the financial management and governance of the fund over the next year, as the WCF and its governing committees are established. The WCF office's primary responsibility will be to ensure the solvency of the fund. While each service financed through the WCF will remain operationally accountable to the appropriate ASO office, the WCF office will manage the fund's day-to-day financial operations, including the establishment of transparent and reliable unit cost accounting for all services and customers that use the fund.

Requested Level and Justification

The 2017 request provides for each office to pay for its use of WCF goods and services, through transfers to the WCF for its estimated share. HUD estimates \$47,858,000 in total WCF costs for 2017, which is an increase of \$4,175,000 over the estimated costs for fiscal year 2016. The requested level is expected to support:

- The human resources transactional services provided by the Bureau of Fiscal Services (BFS) at a cost of \$15,028,000.
- The human resources platforms provided by the Department of the Treasury's Shared Services Programs at a cost of \$3,773,000.
- The financial management and procurement services provided by BFS at a cost of \$24,889,000.
- The travel and relocation services provided by BFS at a cost of \$3,262,000.
- *Federal Register* printing at \$906,000.

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Key Operational Initiatives

A strong governance and performance management regime: As HUD implements a true WCF fee-for-service model for shared services, core criteria for success are HUD's ability to measure performance and track outcomes.

Smart expansion of the WCF: At the discretion of the Secretary, HUD anticipates expanding the WCF to incorporate other common administrative goods and services, including additional investments that are consistent with the goals of the WCF. For any proposed investment, HUD will evaluate the benefits and efficiencies of financing through the WCF, and whether there is an accurate, practical, and transparent method for assessing costs for the good or service to the program offices. Investments will only be added to the extent that they are reasonably anticipated to result in improved efficiencies.

Taking a business-like buyer and seller approach to centralized services will align incentives and bring transparency to both the program offices and HUD at the enterprise level. As program offices begin to bear the cost of transactions, offices will be better equipped to manage business operations to maximize limited resources by continually evaluating and refining core business processes, resulting in cost-conscious incentives for the customer. Additionally, adopting this financing mechanism expands the base of stakeholders who will be invested in the continuous improvement of the delivery of these goods or services. Customers will push for effective and efficient service delivery, and support offices will have the data to negotiate for better services and lower costs.

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WORKING CAPITAL FUND Appropriations Language

The fiscal year 2017 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.

WORKING CAPITAL FUND (INCLUDING TRANSFER OF FUNDS)

[There is hereby established in the United States Treasury, pursuant to section 7(f) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(f)), a] *For the* working capital fund for the Department of Housing and Urban Development (referred to in this paragraph as the "Fund")[: Provided, That], *pursuant, in part, to section 7(f) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(f))*, amounts transferred to the Fund under this heading shall be available for Federal shared services used by offices and agencies of the Department, and for such portion of any office or agency's printing, records management, space renovation, furniture, or supply services as the Secretary determines shall be derived from centralized sources made available by the Department to all offices and agencies and funded through the Fund: Provided[further], That of the amounts made available in this title for salaries and expenses under the headings "Executive Offices", "Administrative Support Offices", "Program Office Salaries and Expenses", and "Government National Mortgage Association", the Secretary shall transfer to the Fund such amounts, to remain available until expended, as are necessary to fund services, specified in the first proviso, for which the appropriation would otherwise have been available, and may transfer not to exceed an additional \$10,000,000, in aggregate, from all such appropriations, to be merged with the Fund and to remain available until expended for use for any office or agency: Provided further, That amounts in the Fund shall be the only amounts available to each office or agency of the Department for the services, or portion of services, specified in the first proviso: Provided further, That with respect to the Fund, the authorities and conditions under this heading shall [supplant] *supplement* the authorities and conditions provided under *such* section 7(f) [of the Department of Housing and Urban Development Act]. (Department of Housing and Urban Development Appropriations Act, 2016.)