

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Chief Financial Officer

Working Capital Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Spending Authority/ President's Budget	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2019 Spending Authority	38,540	3,232	-	41,772	39,616	37,677
2020 Spending Authority	41,912	2,656 ^a	-	44,568	41,912	41,912
2021 President's Budget	98,999	2,656	-	101,655	98,999	98,999
Change from 2020	57,087	-	-	57,087	57,087	57,087

a/ Carryover includes anticipated recoveries.

PROGRAM PURPOSE

The Department of Housing and Urban Development's Working Capital Fund (WCF) was established by H.R.2029 - Consolidated Appropriations Act, 2016 (Public Law No: 114-113), as authorized by the Department of Housing and Urban Development Act, 1965 [Public Law No: 89-174, 42 USC §3535(f)]. The purpose of the WCF is to promote economy, efficiency, and accountability. The WCF serves as a mechanism for the Department of Housing and Urban Development (HUD) to finance enterprise goods and services.

BUDGET OVERVIEW

The 2021 President's Budget anticipates a total operations level of \$99 million, \$57 million more than the 2020 Spending Authority from Offsetting Collections. The 2021 Budget provides for each HUD office to pay for its use of WCF goods and services, through payments to the WCF for its estimated usage share. The Budget requests funding for these WCF payments within HUD's S&E accounts. The requested level will support WCF services in **TABLE 1** below.

TABLE 1

(Dollars in Thousands)

Working Capital Fund Services	2019 Actuals	2020 Actuals	2021 President's Budget
Financial Management, Procurement, & Travel Services	21,297	24,831	25,231
Human Resources Processing	10,801	11,165	11,500
Human Resources Systems	3,076	2,671	2,700
Payroll Processing	1,252	1,187	1,222
Records Management	-	-	5,215
Customer Devices	-	-	50,925
Working Capital Fund Operations	2,114	2,058	2,206
Total Operating Budget	\$38,540	\$41,912	\$98,999

Current Activities:

- Financial management, procurement, and travel services provided by the Department of the Treasury's Administrative Resource Center (ARC)
- Human resources processing services provided by ARC
- Human resources platforms provided by the Department of the Treasury's Shared Services Programs (TSSP)
- National Finance Center (NFC) payroll processing

- WCF Operations to fully recover the operational costs of the WCF

New Activities proposed in 2021:

- Records Management
- Information Technology (IT) Customer Devices

JUSTIFICATION

The Working Capital Fund Division (WCFD) formulates and executes the financial operations of the WCF. Business line owners, such as the Office of the Chief Financial Officer and the Office of the Chief Human Capital Officer, are responsible for the management and delivery of WCF goods and services. The Consolidated Appropriations Act of 2016 established the WCF as a mechanism for the Department to provide enterprise level services to HUD offices in an efficient, effective, and transparent manner.

Throughout 2016 and 2017, HUD established WCF governance and financial management protocols, per best government practices outlined by the Office of Management and Budget and the Government Accountability Office. HUD established WCF governance committees, transparent WCF budgeting practices, customer billing practices, and service usage reporting during this period. In 2017 the WCF began collecting reimbursement for shared services from all HUD customer organizations. In 2018, the WCFD refined and streamlined WCF operations and business processes including building capacity to move to a full cost recovery model, while increasing institutional capacity for onboarding future business lines into the WCF. This included developing requirements for a cost and profitability management system. Additionally, as a result of improved usage data with HUD's external federal shared service providers, HUD successfully negotiated a total reduction of \$1.4 million with the WCF federal shared service providers and distributed the savings proportionally to all customers. In 2018, the WCF used two years of usage data to more accurately allocate costs to customers in 2019, including more granular data that allowed for improved cost allocation across Administrative Support Offices.

In 2019, the WCF moved to a full cost recovery model, in line with OMB and GAO key operating principles for WCFs, whereby the operation and administration costs of the Fund are fully reimbursed through payments from customers. Quarterly, the WCFD serves its customers through improved usage reporting and usage analysis. The WCFD partially automated usage report generation, which resulted in reduced time and level of effort to produce usage reports and increased data accuracy. Additionally, the WCFD updated reports to reflect historical usage, providing insight on the seasonality of usage consumption. Finally, the WCFD created dynamic visualizations of customer and HUD-wide usage to make reports more user-friendly. The WCFD is working through 2020 to more fully automate the reporting process and increase the cadence of reporting. Additionally, in 2019, the WCFD began to track internal performance management metrics, and participated in a GAO study on the HUD WCF's alignment with the key operating principles for intragovernmental revolving funds. This year's budget request begins to expand service offerings with the inclusion of Records Management and IT Customer Devices.

Key Assumptions

- No substantial changes in costs are expected for current shared services with ARC, Treasury and NFC.
- Working Capital Fund Operations costs include an additional 3 FTEs to accommodate growth in the fund, including cash management and execution analysis. This increase in personnel will be offset by a decrease in contractor support as federal employees onboard.
- Records Management unit costs include 6 FTEs dedicated to the Records Management business line.

Working Capital Fund Outcomes

- Provide efficient and effective delivery of enterprise goods and services
- Incorporate incentives for program offices to utilize WCF services efficiently by aligning costs to usage
- Reduce overlap and duplication of efforts by providing a joint platform for common administrative needs across offices
- Demonstrate transparency into the operation and management of common HUD services, and into the overall costs to administer programs

Current Shared Services

The Department of the Treasury provides shared services for HUD financial management, procurement, and travel, for which the OCFO is 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, financial reporting, and travel and relocation services. The Department of the Treasury and the National Finance Center (NFC), with the Office of the Chief Human Capital Officer (OCHCO) acting as the servicing business lead, provide human capital platforms and services to HUD. These services include human resources transaction processing, human resources systems, and payroll processing.

New Service Lines in 2021

Records Management services are comprised of services provided through the National Archives and Records Administration (NARA) and services provided by the HUD Office of Records and Information Management. Services include records transportation to NARA facilities, retention and storage of records, transfers and recall, refile, and records disposal. Moving Records Management into the WCF model aligns with HUD's WCF existing authorization and appropriations language, encourages greater compliance with retention and disposal policies, and promotes potential long-term savings.

IT Customer Devices are comprised of end-user IT equipment, including computers and laptops, mobile phones, peripherals, required network and support infrastructure, and Microsoft Office 365 licenses. Moving customer devices to a WCF model encourages HUD Program Offices to better manage customer device usage that may result in cost savings.

There are several benefits to adding Records Management and IT Customer Devices to the WCF. First, by moving these service lines into the WCF, the service lines will be more efficient and effective in the delivery of these services. Second, delivery of these services in a WCF model incentivizes program offices to utilize WCF services efficiently because costs will align to usage. Third, HUD will reduce overlap and duplication of efforts by providing a centralized funding source for Records Management and IT Customer Device needs across HUD. Finally, delivery of these services under the WCF model will drive transparency into the operation and management of the Records Management and IT Customer Devices service lines, and into the overall costs to administer these services.

Increase in Direct Transfer Authority

The 2020 WCF appropriations language provides that the Secretary may transfer not to exceed an additional \$5 million in aggregate, from all such appropriations, to be merged with the Fund and to remain available until expended for any purpose. An increase to \$10 million in this authority is required to support an adequate reserve balance. Adequate reserves are a critical component of any WCF, and it is critical when dealing with funding uncertainty. To manage funding uncertainty, the WCF must ensure an adequate level of reserves are available for expenditure. In order to ensure

there is an adequate level of reserves with the addition of new business lines, the WCF requires an increase in reserves to account for the increase in revolving fund activity.

Planned Operational Improvements

Beginning in 2021, the WCF will establish a Capital Investment Plan (CIP) within the Fund that builds the capability for reinvestment in the infrastructure of WCF business lines to improve product and service quality and timeliness, reduce costs, and foster state-of-the-art business operations. The CIP will provide the framework for planning, coordinating, and utilizing WCF resources and expenditures to obtain capital assets. Included in the CIP are equipment and software, whether internally or externally developed. CIP estimates for 2021 will be finalized in 2020.

In 2020, HUD will hire a cost accountant for the WCF. Additionally, HUD will procure and implement a cost and profitability management (CPM) solution to improve management of cost allocation, ordering, billing, and usage reporting for HUD customers. The required functionality will include a customized data model and reporting solution specific to HUD's requirements. The CPM solution will increase the transparency and accuracy of WCF services pricing, support full cost recovery, reduce the likelihood of manual errors in data processing, create the capability to conduct 'what if' analysis, and significantly reduce the level of effort required for cost modeling and maintenance.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language

For 2021, the budget proposes changes to the appropriations language that provide the authority for the WCF to fund IT Customer Devices and increase additional transfer authority from \$5 million to \$10 million. The budget proposes a budget neutral realignment of budget authority for Records Management and IT Customer Devices.

Records Management

While the current appropriations language provides the authority to fund Records Management through the WCF, the budget proposes a budget neutral realignment of budget authority. For a detailed shift in the budget neutral realignment of budget authority, please see **TABLE 2** below.

TABLE 2

Component	2021 Records Management - Base	2021 Allocation - Records Management	Realignment
ADMIN	5,215,095	80,651	(5,134,444)
CPD	-	68,967	68,967
EO	-	8,922	8,922
FHEO	-	73,478	73,478
GNMA	-	14,783	14,783
LHCHH	-	4,446	4,446
HSNG	-	4,627,637	4,627,637
OCFO	-	20,743	20,743
OCHCO	-	14,473	14,473
OCIO	-	19,228	19,228
OCPO	-	10,338	10,338
ODEEO	-	1,861	1,861
FPM	-	39,560	39,560
OGC	-	71,928	71,928
PDR	-	14,390	14,390
PIH	-	143,690	143,690
Total	\$5,215,095	\$5,215,095	-

IT Customer Devices

For a detailed shift in the budget-neutral realignment of budget authority, please see **TABLE 3** below.

TABLE 3

Component	2021 Customer Devices - Base	2021 Allocation - Customer Devices	Realignment
ADMIN	-	1,943,330	1,943,330
CPD	-	4,614,624	4,614,624
EO	-	685,446	685,446
FHEO	-	3,868,906	3,868,906
GNMA	-	1,264,330	1,264,330
LHCHH	-	384,674	384,674
HSNG	-	14,959,775	14,959,775
OCFO	-	1,449,954	1,449,954
OCHCO	-	1,018,673	1,018,673
OCIO	-	4,616,799	4,616,799
OCPO	-	625,825	625,825
ODEEO	-	128,720	128,720
FPM	-	2,461,669	2,461,669
OGC	-	3,503,405	3,503,405
PDR	-	930,809	930,809
PIH	-	8,467,781	8,467,781
IT Fund	50,924,720	-	(50,924,720)
Total	\$50,924,720	\$50,924,720	-

APPROPRIATIONS LANGUAGE

The 2021 President's Budget includes proposed changes in the appropriation language listed below. New language is italicized, and language proposed for deletion is bracketed.

For the working capital fund for the Department of Housing and Urban Development (referred to in this paragraph as the "Fund"), pursuant, in part, to section 7(f) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(f)), amounts transferred, including reimbursements pursuant to section 7(f), to the Fund under this heading shall be available [only]for Federal shared services used by offices and agencies of the Department, and for any such portion of any office or agency's *information technology customer devices and support*, printing, records management, space renovation, furniture, or supply services the Secretary has determined shall be provided through the Fund, and the operational expenses of the Fund: Provided, That [amounts within the Fund shall not be available to provide services not specifically authorized under this heading: Provided further, That]upon a determination by the Secretary that any other service (or portion thereof) authorized under this heading shall be provided through the Fund, amounts made available in this title for salaries and expenses under the headings "Executive Offices", "Administrative Support Offices", "Program Offices", and "Government National Mortgage Association", for such services shall be transferred to the Fund, to remain available until expended: [Provided further, That the Secretary shall notify the House and Senate Committees on Appropriations of its plans for executing such transfers at least fifteen (15) days in advance of such transfers:]Provided further, That the Secretary may transfer not to exceed an additional [\$5,000,000]\$10,000,000, in aggregate, from all such appropriations, to be merged with the Fund and to remain available until expended for any purpose under this heading. (Department of Housing and Urban Development Appropriations Act, 2020.)