

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Chief Financial Officer

Working Capital Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	47,088	2,616	-	49,704	41,272	40,464
2022 Annualized CR	62,675	16,750	-	79,425	62,675	62,675
2023 President's Budget	77,749	16,750	-	94,499	77,749	77,749
Change from 2022	15,074	-	-	15,074	15,074	15,074

PROGRAM PURPOSE

HUD'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 HUD to finance enterprise goods and services, such as Financial Management, Procurement, Travel services, Payroll processing, Records management, Human Resources (HR) systems, and HR processing. The Working Capital Fund Division (WCFD) formulates, executes, and manages the financial operations of the WCF. Business line owners, such as the Office of the Chief Financial Officer (OCFO), the Office of the Chief Human Capital Officer (OCHCO), and the Office of Administration (ADMIN) are responsible for the management and delivery of WCF goods and services.

BUDGET OVERVIEW

The 2023 President's Budget requests a total operations level of \$78 million for the WCF, which is \$15 million more than the 2022 Annualized CR total operations level. The 2023 Budget provides for each HUD office to pay for their use of WCF goods and services, through payments to the WCF for their estimated usage. The Budget requests funding for these WCF payments within HUD's salaries and expenses (S&E) accounts. The requested level will support the WCF services shown in Table 1 below. In addition to the funding levels listed below, the Budget requests an adjustment to the WCF's appropriations language to be more closely in line with the WCF's authorizing statute. This streamlined language will allow HUD to fully realize the benefits to efficiency and economy that can be achieved through the WCF.

The WCF operates on a revolving cycle of business, where revenue derived from the provision of services is used to finance future provisions of service. As a result, revenue generated in a given fiscal year for the provision of services is derived from accounts across multiple fiscal years. While the Summary of Resources Table above shows total revenue and carryover for each fiscal year, the funds in each year will be used to finance both current services and services in the following fiscal year. Table 1 below outlines the costs to provide services for each fiscal year in order to better illustrate the total cost of operations within a given fiscal year.

WORKING CAPITAL FUND

Differences in Table 1 below and the Summary of Resources table above are attributable to the timing of obligations, expenditures, and revenue across fiscal years as part of the revolving cycle of business operations within the WCF.

TABLE 1
(Dollars in Thousands)

Working Capital Fund Services	2021 Actual	2022 CR	2023 President's Budget
Financial Management, Procurement, & Travel Services*	25,000	25,115	29,427
Human Resources Processing	11,500	20,538	21,565
Human Resources Systems*	1,735	1,834	1,777
Payroll Processing	1,152	1,221	1,394
Records Management	5,896	6,783	6,412
IT End-User Devices and Wireless Support**	-	-	11,800
Printing Service**	-	-	2,748
Human Resource Platform Licensing**	-	-	525
Working Capital Fund Operations	1,945	2,118	2,101
Total Operating Budget	47,228	57,610	77,749

*2023 includes Treasury Executive Institute funding in the HR Systems service line and Financial Services Acquisition and Development Division full cost recovery in the Financial Management, Travel and Procurement service line.

**New Service Lines Proposed for 2023.

JUSTIFICATION

HUD's WCF provides a business-like buyer and seller approach to centralized services, aligns service provider and customer incentives, and brings transparency to both program offices and HUD at the enterprise level. Program offices bear the cost-of-service and are therefore empowered to manage service usage to maximize limited resources by continually evaluating and refining core business processes. Consequently, the WCF drives cost-conscious incentives for the customer. Additionally, the WCF expands the base of stakeholders who are invested in the continuous improvement of the delivery services provided through the WCF. Customers push for effective and efficient service delivery, while business line owners have the data and feedback to negotiate for improvements in service quality and/or lower costs.

The WCF Division (WCFD) oversees the financial management and governance of the Fund. While each service financed through the WCF remains operationally accountable to the appropriate Administrative Support Office, the WCFD manages the Fund's day-to-day financial operations, including the establishment of transparent and reliable unit cost accounting for all services funded through the WCF and customers who reimburse the Fund for their appropriate share of services.

Proposal to Streamline HUD's WCF Appropriations Language

The 2023 Budget streamlines the WCF appropriations language to align more closely with the WCF's authorizing language by removing specific services included and/or proposed for inclusion. The current legislative text does not serve the Department well in the administration of HUD programs by limiting WCF activities to a restrictive list of activities that does not consider changes over time in business operations and current operational needs. The current approach of adding new services into the list of allowable activities takes HUD further away from the authorized purpose of the WCF, which is to provide for the operations and maintenance of HUD activities that the Secretary finds in the interests of economy and efficiency. The proposed appropriations language would allow HUD to fully realize the benefits of a dynamic WCF by providing greater continuity of

operations and risk mitigation. The Budget would mitigate risk by allowing the WCF to establish and operate a proper operating reserve. Some immediate benefits would be the ability to continue to deliver essential services in the event of a lapse in appropriations, improved management of fixed versus variable expenses, and smoother operations during continuing resolution (CR) periods.

Modification of Current Activities in 2023

The 2023 Budget consolidates Treasury Executive Institute (TEI) shared services currently paid for by OCHCO as part of the Treasury Shared Services Program (TSSP) interagency agreement. Additionally, the 2023 Budget re-proposes full cost recovery for the Financial Services Acquisition and Development Division (FSADD) to be more closely in alignment with GAO’s key operating principles for Working Capital Funds.

TEI Interagency Agreement Consolidation

The 2023 Budget re-proposes funding TEI services through the WCF. Currently, TEI is provided through the human resources platforms provided by TSSP and paid for by OCHCO. Paying for TEI out of the WCF reduces the time and effort related to contract administration and eliminates an arbitrarily split funded contract. Furthermore, moving TEI in the WCF furthers the goal of funding Federal shared services out of the WCF.

For a detailed shift in the budget neutral realignment of budget authority, please see **Table 1** below.

TABLE 1

Component	2022 TEI - Base	2022 Allocation - TEI	Realignment
ADMIN	-	1,185	1,185
CPD	-	5,136	5,136
EO	-	604	604
FHEO	-	2,859	2,859
GNMA	-	2,928	2,928
LHCHH	-	465	465
HSNG	-	14,037	14,037
OCFO	-	6,554	6,554
OCHCO	62,308	1,255	-61,053
OCIO	-	3,556	3,556
OCPO	-	1,092	1,092
ODEEO	-	70	70
FPM	-	3,068	3,068
OGC	-	8,808	8,808
PDR	-	1,557	1,557
PIH	-	9,134	9,134
Total	62,308	62,308	-

FSADD Full Cost Recovery

FSADD is an office within OCFO that manages the Financial Management line of business. Since all activities performed by FSADD are dedicated to administering, overseeing, and managing the Financial Management line of business, moving FSADD costs under the WCF model will allow HUD

to achieve full cost recovery by recovering the contract administration and management costs incurred by the WCF's customers. Moving FSADD operational costs within the WCF achieves the goal of aligning WCF operations with GAO's key operating principles for Working Capital Funds.

For a detailed shift in the budget neutral realignment of budget authority, please see **Table 2** below.

TABLE 2

Component	2022 FSADD - Base	2022 Allocation - FSADD	Realignment
ADMIN	-	57,948	57,948
CPD	-	143,242	143,242
EO	-	16,063	16,063
FHEO	-	40,793	40,793
GNMA	-	25,778	25,778
LHCHH	-	22,724	22,724
HSNG	-	284,293	284,293
OCFO	1,434,036	175,726	-1,258,310
OCHCO	-	39,581	39,581
OCIO	-	58,299	58,299
OCPO	-	48,162	48,162
ODEEO	-	4,113	4,113
FPM	-	36,473	36,473
OGC	-	21,928	21,928
PDR	-	51,368	51,368
PIH	-	407,545	407,545
Total	1,434,036	1,434,036	-

New Business Lines Proposed in 2023

The 2023 Budget repropose IT end-user devices and wireless support from the 2022 Budget and expands business line offerings with the inclusion of printing services and HR platform licensing.

There are several benefits that accrue to any service that moves into the WCF. First, moving enterprise services into the WCF drives the efficient and effective delivery of services. Second, delivery of services through a WCF model incentivizes program offices to utilize WCF services efficiently by aligning costs to usage. Third, HUD will reduce overlap and duplication of efforts by providing a centralized funding source across HUD's enterprise. Finally, delivery of services under the WCF model drive transparency into the operation and management of the services delivered through the fund.

IT End-User Devices and Wireless Support

HUD firmly believes that beginning to fund IT Operations and Maintenance out of the WCF is in the best interests of HUD's obligation to provide efficient and effective services in the administration of HUD's programs. The WCF's customer base strongly supports the establishment of the IT end-user devices business line within the Fund. They believe that funding these services will streamline operations by managing budgeting, reducing the complexity of contracting in-between annual appropriations, monitoring device usage to allow customers to scale up or down based on their needs,

and allow IT management to focus their attention on other important areas such as IT security and operational improvements (DM&E).

IT end-user devices and wireless support are comprised of hardware purchases of standard and high-end laptops, mobile phones, iPads, and MiFi's, and includes the associated voice and data plans. This proposal represents a budget-neutral realignment for the Department of \$11.8 million; the totals in this budget submission include the funding shifted out of the Information Technology Fund and realigned into program offices S&E accounts. Moving IT end-user devices and wireless support to a WCF model provides several benefits: improved planning and funds management around long-term IT investments, improved operational efficiency by allowing customers to make business decisions surrounding the devices their offices need, and enhanced cybersecurity through regular device refreshes. Ultimately, moving IT end-user devices and wireless support to the WCF advances HUD's overall ability to thoughtfully plan for IT needs and ensures HUD Program Offices' ability to meet mission requirements.

HUD's current model to fund IT end-user devices and wireless support through the IT Fund presents significant funding limitations on HUD's ability to thoughtfully plan for and execute against IT needs. For example, HUD lacks the ability to smooth acquisition costs over time because they must all be obligated each year, making regular IT refreshes more difficult. This inflexibility impairs HUD's ability to effectively establish and execute IT acquisition contracts. These funding limitations present not only considerable constraints around decision making and decreased operational efficiency, but also cybersecurity risks as hardware ages.

With IT end-user devices in the WCF model, HUD will be better positioned to improve and refresh end-user devices on a pre-determined schedule. Moving to a WCF model will provide suitable, risk-based, and economical capabilities that allow HUD to meet evolving mission needs. Through the WCF model, HUD will deliver IT end-user devices and wireless support services in a more customer-centric and economical manner.

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

TABLE 3

Component	2023 End-User Devices - Base	2023 Allocation – End-User Devices	Realignment
ADMIN	-	502,148	502,148
CPD	-	1,106,915	1,106,915
EO	-	199,022	199,022
FHEO	-	1,080,506	1,080,506
GNMA	-	330,388	330,388
LHCHH	-	89,811	89,811
HSNG	-	3,285,641	3,285,641
OCFO	-	379,632	379,632
OCHCO	-	242,826	242,826
OCIO	-	752,369	752,369
OCPO	-	136,731	136,731
ODEEO	-	30,272	30,272
FPM	-	629,682	629,682
OGC	-	832,724	832,724
OBT	-	-	-

WORKING CAPITAL FUND

PDR	-	284,390	284,390
PIH	-	1,916,943	1,916,943
IT Fund	11,800,000	-	-11,800,000
Total	11,800,000	11,800,000	-

Printing Services

The Printing Service line of business provides access to hundreds of multi-function devices (MFDs), printing project management oversight, contractor support and production printing equipment to include a wide-format 44-inch production printer. Printing Services are currently centrally funded out of the Office of Administration. This proposal represents a budget-neutral realignment for the Department of \$2.7 million; the totals in this Budget include the funding shifted out of the Office of Administration (ADMIN) and realigned into program offices S&E accounts, including three ADMIN employees that will be funded via the WCF. This proposed service aligns with the Department’s goal to “Strengthen HUD’s internal capacity and efficiency.” Moving this service to the WCF will create opportunities to realize long-term savings, increase customer visibility into costs, and provide for expanded printing capabilities. The printing devices and contractor support will be acquired through an Interagency Agreement (IAA) with Government Printing Office (GPO). The service is already authorized under the WCF’s original appropriations language and is a common service offered by other WCF's across the federal government.

For a detailed shift in the budget neutral realignment of budget authority, please see **Table 4** below.

HR Platform Licensing

HR Platform Licensing service will be provided via a contract for ServiceNow Human Resources Service Delivery (HRSD) licenses. ServiceNow HRSD is a HR platform to manage service requests across HR business lines for employees throughout their employment lifecycle. HUD will implement ServiceNow HRSD during in 2022, with configuration anticipated to be completed in late 2022. The WCF would then begin funding the Operations and Maintenance costs, comprised of the license costs, in 2023. The ServiceNow HRSD platform will improve HR efficiency and productivity by streamlining the employee HR service experience end-to-end with intelligent workflows and a shared document portal. The system would provide a consistent level of service and experience to employees.

Specific services related to ServiceNow HRSD include, but are not limited to, hiring certificate sharing, employee on-boarding support, and a HR knowledge portal. ServiceNow HRSD has been implemented by other federal agencies with a demonstrated track record of streamlining HR service delivery. This service will be acquired through a contract with a non-federal vendor, with start-up and implementation costs paid for in 2022, out of the IT Fund. This service will only consist of funding the licensing cost for the ServiceNow HRSD platform and does not include implementation funding. The proposed HR Platform licenses will cost approximately \$525 thousand in new funding, which will be allocated among each WCF customer S&E account.

For details of the alignment of the new budget authority, please see **Table 4** below.

TABLE 4

Component	2023 Printing - Base	2023 Allocation - Printing	Realignment- Printing	2023 Allocation – HR Platform Licensing
ADMIN	2,748,349	99,933	-2,648,416	15,946
CPD	-	274,448	274,448	56,898
EO	-	20,812	20,812	4,684
FHEO	-	159,548	159,548	36,561
GNMA	-	92,906	92,906	11,840
LHCHH	-	23,256	23,256	3,334
HSNG	-	769,226	769,226	176,292
OCFO	-	264,692	264,692	14,854
OCHCO	-	55,971	55,971	9,757
OCIO	-	120,048	120,048	16,578
OCPO	-	50,243	50,243	8,262
ODEEO	-	5,431	5,431	1,196
FPM	-	103,956	103,956	24,187
OGC	-	206,701	206,701	41,453
PDR	-	68,536	68,536	10,608
PIH	-	432,642	432,642	92,562
Total	2,748,349	2,748,349	-	525,012

Key Assumptions

- All current services cost for 2023 will be within five percent of their 2022 cost. For 2023, this includes fully funding FSADD and the TEI program.
- An increase in the number of PRISM licenses and Oracle licenses by 580 to accommodate increasing onboard personnel and expanded procurement and financial management oversight. PRISM licenses are needed to access HUD's procurement system, while Oracle licenses are needed to access the financial system.
- Proposed new service lines have been budgeted based on anticipated contract and acquisition costs from existing agreements or a combination of vendor and government estimates.
- Personnel costs have been adjusted at the same rate as the HUD Salaries and Expenses accounts.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Changes

The 2023 President's Budget includes the following:

The Budget proposes changes to the appropriations language that provides the authority for the WCF to fund goods and services that the Secretary determines to be in the interest of economy and efficiency for HUD's operations by removing the restrictions limiting the WCF to specific activities.

APPROPRIATIONS LANGUAGE

The 2023 President's Budget includes the appropriation language listed below.

For the working capital fund (referred to in this paragraph as the "Fund"), established pursuant to section 7(f) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(f)), amounts transferred, including reimbursements, to the Fund under this heading shall be available, without fiscal year limitation, for any expenses necessary for the maintenance and operation of the Department that the Secretary finds to be desirable in the interest of economy and efficiency: Provided, That expenses of operation under such section 7(f) shall include operational reserves.

Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117-43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.