

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY**

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	\$66,225	\$68,002	\$67,304
Non-Personnel Services			
Travel	787	928	928
Rent and Utilities	4	2	2
Printing	3	5	5
Other services/Contracts	2,025	500	500
Training	296	345	300
Supplies	24	23	23
Non-Personnel Services Subtotal	\$3,139	\$1,803	\$1,758
Working Capital Fund	\$1,863	\$1,706	\$2,250
Grand Total	\$71,227	\$71,511	\$71,312
Associated FTE	496	491	481

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of Fair Housing and Equal Opportunity's (FHEO) mission is "To eliminate housing discrimination, promote economic opportunity, and achieve diverse, inclusive communities by leading the nation in the enforcement, administration, development, and public understanding of federal fair housing policies and laws." FHEO's cardinal duty, therefore, is to create equal housing and credit opportunities for all persons living in America, which it does by administering laws that prohibit housing discrimination on the basis of race, color, religion, sex, national origin, age, disability, and familial status.

FHEO is statutorily obligated to investigate, conciliate, and when appropriate, administratively enforce several Federal Civil Rights Statutes, including inter alia, Title VI of the Civil Rights Act of 1964 (Title VI); Title VIII of the Civil Rights Act of 1968, as amended in 1988 (Title VIII); and Section 504 of the Rehabilitation Act of 1973. In addition to FHEO processing well over 1,000 complaints per

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year, the Office also oversees 8,500 complaint investigations conducted annually by approximately 89 state and local government Fair Housing Act enforcement agencies which are funded through the Fair Housing Act Assistance Program (FHAP). FHEO also administers and oversees the Fair Housing Initiatives Program (FHIP) funding more than 100 private fair housing groups and non-profits nationally which provide direct assistance to individuals who feel they have been discriminated against while attempting to purchase or rent housing. By funding entities through FHAP and FHIP, the Department not only ensures enforcement of several Federal Statutes, but also promotes State and local control in concerns relating to their communities.

Through this budget FHEO is requesting to change the structure of the Economic Opportunity Division, to the Office of Economic Mobility. This request is based on one of HUD's major priorities of promoting economic self-sufficiency to recipients of HUD funding. The Office of Economic Mobility has the responsibility for developing long-range strategies to ensure that recipients of HUD funding fully comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), as amended (Section 3). Section 3 requires that economic opportunities generated by certain HUD financial assistance for housing and community development programs, to the greatest extent feasible, be given to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns that provide economic opportunities to low- and very low-income persons. Economic opportunities may be provided in the form of training, employment, or contracting. The Office of Economic Mobility collaborates with other HUD Offices, in particular the Offices of Community Planning and Development (CPD), Housing, and Public and Indian Housing (PIH), to ensure that the legislation is upheld.

Over the last year, FHEO has increased its technical assistance and compliance efforts to ensure that recipients of HUD funding are knowledgeable of their responsibilities to make their best efforts to hire Section 3 residents and contract out to businesses that hire low and very-low income persons. As a result, the number of Section 3 annual reports (60002 Form) submitted have increased significantly. In September 2015, HUD updated its Section 3 Performance Evaluation and Reporting System (SPEARS). At that time, HUD had only received 274 reports from 86 agencies, representing less than 1 percent of Section 3 covered recipients reporting their efforts. To date, HUD has received a total of 31,714 from 4115 agencies, representing approximately 82 percent of agencies reporting. HUD is committed to achieving 100 percent reporting from all required agencies.

FHEO continues making enhancements to its reporting system and providing direct technical assistance to ensure timely and accurate reporting of hiring activities. Over the next year, FHEO will launch online training modules for grant recipients and contractors to ensure they are knowledgeable of Section 3 requirements. Additionally, FHEO will host its first ever Section 3 National Training Conference to ensure grantees are abreast of statute and regulatory requirements, annual reporting requirements, and provide best practice modules that may be emulated to ensure successful program implementation.

FHEO is the lead enforcement Office for ensuring that the Department and recipients of HUD funding comply with the Fair Housing Act, which affects nearly every program in the Department. FHEO recognizes the greater role of State and local government in addressing community needs. FHEO is currently providing extensive technical assistance to many local governments and public housing authorities as they assess fair housing issues in their jurisdictions and develop local plans to address disparities in access to

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economic opportunity, healthy environments, educational access, and affordable housing; all of which increase families' opportunities to become self-sufficient.

Authorized by Congress under the fiscal year 2012 HUD Appropriations Act, the Rental Assistance Demonstration (RAD) allows public housing agencies (PHAs) and owners of other HUD-assisted properties to convert units from their original sources of HUD financing to project-based Section 8 contracts. By drawing on an established industry of lenders, owners, and stakeholders, RAD allows PHAs and owners of HUD-assisted housing to preserve and improve affordable housing units that otherwise may be lost due to disrepair and/or other factors. RAD provides greater funding certainty for potential lenders and increased operational flexibility and local decision-making for PHAs and owners to serve their communities. FHEO plays a critical role in this increasingly important Departmental priority. FHEO's civil rights reviews of RAD conversions consists of performing a range of activities throughout the conversion process; this includes site and neighborhood, PHA Plan, threshold, accessibility and relocation reviews, as well as Affirmative Fair Housing Marketing Plan (AFHMP) reviews, requirements necessary prior to any RAD deal being approved. As the RAD demonstration's success and size grows, this activity continues to represent an expanding FHEO function as well.

The fiscal year 2019 President's Budget of \$71,312K is \$199K less than the fiscal year 2018 Annualized CR level. This total includes \$2,250 for FHEO's allocation towards the Working Capital Fund.

Personnel Services (PS): FHEO requests \$67,304K and 481 Full-Time Equivalents (FTE) in fiscal year 2019, a decrease of 10 FTE from fiscal year 2018. FHEO will achieve this reduction in FTE through attrition.

Non-Personnel Services (NPS): FHEO requests \$1,758K in fiscal year 2019 to primarily support travel, training and contracts.

Working Capital Fund (WCF): FHEO requests \$2,250 to pay fees for use of shared services and other investments as determined by the Secretary.

FHEO Priorities:

Priority 1 – Enhance Section 3 compliance, and thus increase important economic opportunities for low- income individuals, public housing residents, and the businesses that employ them, thereby assisting work-eligible families to achieve self-sufficiency:

- By providing clear guidance to affected recipients of HUD funding, examining and determining best practices for leveraging as model recommendations for use nationwide, and develop tracking mechanism for compliance work and metrics for success.
- Development of matrix for selection of five cities representing a cross sample, to gain a better understanding of what enables successful implementation and operation of Section 3 in communities.
- Develop a turnkey program to help awardees remain Section 3 compliant.
- FHEO plans to allocate 20.0 FTE to support Section 3. FHEO will hire 15 additional FTE—5 in HUD Headquarters, including one Senior Executive Service (SES) employee, and 10 out-stationed employees (one in each of HUD's 10

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Regional Offices). These staff will focus on coordinating Section 3 activities with other program offices, directly with key federal agencies and working directly with the communities. This staffing increase will allow FHEO to conduct additional monitoring, training and oversight activities that have not been performed due to the limited staffing.

Priority 2 - Provide timely and complete investigations of complaints filed under the Fair Housing Act, Title VI, Section 504 and the Americans with Disabilities Act:

- In fiscal year 2019, FHEO seeks to further reduce its aged case inventory and achieve high impact outcomes where housing discrimination has occurred.
- Over the past several years, FHEO has seen steady increases in the number of cases open over 300 days. The implementation of rigorous agency-wide performance objectives in fiscal year 2015 began a modest reversal in this trend. The Title VIII aged case inventory carried into fiscal year 2016 remained level over the previous year, while aged cases under FHEO's other civil rights authorities decreased by 30 percent during the same period.
- During fiscal year 2017, FHEO made enormous progress towards addressing the backlog of cases that have been with the Department for 600 or more days. The number of cases at or approaching 600 days old was reduced from 602 to approximately 270, roughly a 55 percent reduction in one year. This progress was the result of a series of recent innovations: nationalizing our productivity standards for frontline staff, leveraging existing technology, and cross-regional collaboration.
- While the reduction of aged cases has been an important priority, FHEO has continued to achieve impactful enforcement outcomes. Despite this agency-wide focus on reducing the backlog, FHEO has continued to enhance its ability to settle or resolve cases in a manner acceptable to all parties. In fiscal year 2017, HUD resolved more than 34 percent of all its cases through the HUD administered conciliation/settlement process. The fiscal year 2019 request would allow FHEO to more effectively reduce aged cases by expediting the completion of newly filed cases and aggressively addressing the backlog, while still achieving impactful case outcomes that deliver full and just remedy to victims of housing discrimination.

Priority 3 – Advancing fair housing and HUD programs:

- Rental Assistance Demonstration (RAD):
 - FHEO's civil rights reviews of RAD projects cover a range of activities including, as applicable to the type of conversion: (1) site and neighborhood standards; (2), transfers of assistance; (3) substantial alternations affecting accessibility; (4) changes in unit configuration; (5) changes in occupancy; and (6) Affirmative Fair Housing Marketing Plans. In November 2016, HUD published the RAD Fair Housing, Civil Rights, and Relocation Notice

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(Notice H-2016-17 and PIH 2016-17) to ensure that PHAs converting inventory to a RAD structure comply with the Fair Housing Act and other civil rights statutes. RAD projects must meet the civil rights review requirements or the financing of the housing and infrastructure re-development cannot go to closing.

- FHEO is in the process of implementing the RAD civil rights reviews nationally. Once fully implemented, field staff will be required to provide technical assistance to PHAs, and civil rights reviews of RAD conversions. Headquarters staff will conduct second level reviews of field work to ensure national consistency and accuracy. Depending on the type of review and the completeness of the information submitted for review, the staff time commitment to complete the work will range between 4 to 80 hours as applicable to the type of RAD conversion.
- Compliance Work:
 - In order to support HUD CPD and PIH program participants in developing successful, locally-driven plans to achieve fair housing outcomes in their communities, HUD staff and technical assistance (TA) providers will conduct training nationally and provide jurisdiction-specific direct TA. These activities provide program participants with the data, resources, information, and support needed to Assist program participants in fulfilling their duty to affirmatively further fair housing. Additionally, FHEO, in 2019, will continue to work towards modifications and streamlining of the tools offered to assist program participants in fulfillment of their civil right obligations.
 - Through Consolidated Plans, Annual Action Plans, and PHA Plans, program participants will submit strategies and actions for achieving goals related to reducing governmental barriers to affordable housing and access to all communities. FHEO will continue to proactively review these plans, in coordination with other program offices, to ensure civil rights compliance.

2. Key Operational Initiatives

- FHEO has begun implementation of a robust Enterprise Risk Management (ERM) framework for managing risk, including an integrated governance structure to improve mission delivery, and to focus and align key operational initiatives, resources, staff efforts, and corrective actions toward key risks and opportunities which are most impactful in meeting Departmental goals and that of the President's Budget. Goals include creation of a SharePoint-based Consolidated Risk Register with user views for identification and update to risks, issues, strategies and action plans; organizational change management to include training materials and events; risk assessment at operational and management work-unit levels, with intent for strategic, management planning, funding, IT and performance goals for fiscal year 2019 to be reflective of FHEO's risk profile, appetite and priorities.
- FHEO Section 3 Performance Evaluation and Registry System (SPEARS):
 - The objectives of Section 3 are (1) to use HUD program funds to provide a springboard for residents to become economically empowered through direct participation in construction and other activities designed to physically

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improve and revitalize their neighborhoods; and (2) to leverage HUD funds to strengthen local economies, promote self-sufficiency, and reduce dependency on federal housing subsidies. HUD utilizes the Section 3 Performance Evaluation and Registry System (SPEARS) to capture data on the number of Section 3 residents hired and number of contracts awarded to Section 3 businesses to ensure compliance with regulatory requirements.

- Another component of SPEARS is the Section 3 Business Registry. This is a tool that HUD launched in fiscal year 2014 to meet regulatory obligations to notify Section 3 businesses of the availability of local HUD-funded contracts and to increase the number of contracts awarded to Section 3 businesses. The funds requested would modify the existing Section 3 Performance Evaluation and Registration System to comply with changes to Form 60002 and the Business Registry based on the new rule.
 - There are about 5,000 covered grantees, who receive funds that are subject to Section 3, and are required to submit Form 60002 to HUD. There are also about approximately 1,000 businesses who have self-certified that they meet one of the definitions of a Section 3 business. The system enhancements to SPEARS will save grantees and businesses time and effort, and will promote consistency in compliance with the revised regulatory requirements.
 - Enterprise Opportunity – Fund the Document System integration requirements with IDIS and other business systems for deployment in fiscal year 2018. The estimated funding is \$1 million.
- HUD Enforcement Management System (HEMS):
 - HEMS is an automated enforcement management system that tracks housing discrimination cases throughout the investigation processes, generate management reports, enables FHEO Intake Analyst, FHEO Investigators, Fair Housing Assistance Program (FHAP) agencies to assist in the production of documents for cases filed under Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Act of 1988, and other processes. HEMS also tracks complaints and compliance for the Title VI, Title IX, Age Discrimination of 1975, and American with Disabilities authorities. State and local agencies certified by HUD to investigate and adjudicate Title VIII housing discrimination complaints also use HEMS to record investigation information.
 - HEMS will consolidate several legacy systems utilizing outdated platforms. This consolidation will result in reduced infrastructure costs by removing the support for these legacy platforms and reducing the number of systems the network must support.