

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)**

Working Capital Fund	<u>Spending Authority</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2017 Operations Level.....	\$42,019	\$9,634	...	\$51,653	\$42,019	\$42,019
2018 Annualized CR	37,936	14,911	...	52,847	39,327	39,202
2019 Request	<u>47,688</u>	<u>13,755</u>	...	<u>61,443</u>	<u>47,688</u>	<u>47,813</u>
Change from 2018	+9,752	-1,156	...	+8,596	+8,361	+8,611

1. Program Purpose and Fiscal Year 2019 Budget Overview

- The 2019 Working Capital Fund (WCF) anticipates a total operations level of \$47.69 million, which is \$9.752 million more than the 2018 annualized Continuing Resolution
- The WCF serves as a mechanism for the Department of Housing and Urban Development (HUD) to finance enterprise goods and services
- These funds are requested across HUD’s salary and expense (S&E) accounts and reflected in the WCF as spending authority from offsetting collections; the Budget does not request a direct appropriation for the WCF

2. Request and Anticipated Revenue

The 2019 request provides for each HUD office to pay for its use of WCF goods and services, through payments to the WCF for its estimated share. The requested level is expected to support the activities below.

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

Working Capital Fund

New Activities proposed in 2019:

- Management Data Initiative
- Working Capital Fund Operations

3. Justification

The Working Capital Fund Division (WCF-D), as a part of OCFO, oversees the financial operations of the WCF, while management and oversight responsibilities for providing the core WCF goods and services remain with the servicing business line owners. Beginning with the enactment of the Consolidated Appropriations Act of 2016, Congress established the WCF to provide 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 worked to establish WCF governance and financial management protocols, per best government practices as outlined by the Office of Management and Budget and the Government Accountability Office. HUD successfully established WCF oversight committees, transparent WCF accounting practices, customer billing practices, and service usage reporting during this period. In 2017 the WCF began to collect reimbursement for shared services from all HUD customer organizations. In 2018, the WCF-D plans to continue to refine and streamline WCF operations and business processes including full cost recovery, while increasing institutional capacity for onboarding future business lines into the WCF.

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

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Working Capital Fund Service Costs	2017 Enacted	2018 Annualized CR	2019 HUD Request
Financial Management Services (ARC)	\$24,190	\$22,147	\$22,147
Human Resources Services (ARC)	12,796	12,274	12,274
Human Resources Systems (TSSP)	3,791	3,363	3,363
Payroll Processing (NFC)	1,242	1,293	1,293
Management Data Initiative			6,550
Working Capital Fund Operations			2,061
Total	\$42,019	\$39,077	\$47,688

Current Shared Services

The Department of the Treasury provides shared services for HUD financial management, procurement, and travel in 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 services to HUD. These services include human resources transaction processing, human resources systems, and payroll processing.

New Services Requested in 2019

Data Management Initiative: The 2019 President’s Budget requests funding across the Salaries and Expenses accounts to establish the management data initiative business line to drive effective management reporting critical to provide timely, accurate information necessary to support strong planning and execution of operational resources. HUD retains operational data from nine administrative offices such as financial, human capital, procurement, etc. This effort will make CXO data centrally available in a unified data-store to assist offices in creating centralized reporting tools for use in program analysis. This initiative will ensure that the data meets basic data quality standards and provide timely and accurate reporting to program offices and HUD leadership for planning and improved efficiency. The funding allotted to this service line will support the systems contracts that support the technology platform and provide data services across HUD offices.

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Working Capital Fund Operations: While the WCF manages cost allocation, ordering, billing, and usage reporting for internal HUD customers of externally provided shared services, the full cost of service delivery (including WCF salaries and expenses) is not currently charged to customers. To implement full cost recovery, the 2019 Request transfers WCF Division costs from OCFO to the WCF customers across the Department. The WCF will begin collecting reimbursement for these costs in 2019. Throughout 2018, the WCF will design and implement organizational, business process, and technology changes required to achieve full cost recovery in 2019. Implementing full cost recovery in 2019 aligns with the vision that the WCF communicated to Congress and OMB for the continued development and maturity as a fund, and will:

- **Align with the Administration’s priorities to realize efficiencies through business-like practices:** Converting services from a conventional administrative framework with direct funding and centralized management to a WCF changes the ways in which decisions are made, vesting more decision-making in HUD customers¹.
- **Facilitate the pricing and provision of internally-provided administrative shared services within the Department:** The WCF seeks to expand the scope of services managed through the fund to include internally-provided administrative services. Cost accounting processes and technology will allow the WCF and business line owners to determine the full costs of these services and the charges required to equitably and fully recover the costs of these services.
- **Achieve further compliance with GAO’s key operating principles for working capital funds²:** Three of GAO’s four key operating principles for WCFs require full cost recovery capabilities:
 1. Ensure Self Sufficiency by Recovering Actual Costs: Cost accounting processes and technologies determine the pricing and rates required to meet revenue goals and recover the full costs of delivery
 2. Measure Performance: Cost accounting processes and technologies determine the pricing and rates required to meet revenue goals and recover the full costs of delivery
 3. Maintain Flexibility to Obtain Customer Input and Meet Customer Needs: Demand forecasting and scenario analysis will allow the WCF to make data-driven decisions on what service to deliver and how demand impacts pricing

¹ U.S. Department of Energy, Guidebook for Creating and Managing a Working Capital Fund Business, 2003

² GAO Report: Intragovernmental Revolving Funds: Commerce Departmental and Census Working Capital Funds Should Better Reflect Key Operating Principles, Nov 2011 <http://www.gao.gov/assets/590/586402.pdf>

**APPROPRIATIONS LANGUAGE
WORKING CAPITAL FUND
(INCLUDING TRANSFER OF FUNDS)**

The fiscal year 2019 President's Budget includes proposed changes in the appropriation language listed below.

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 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, supply services, or other shared 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, 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 matter preceding the first proviso, for which the appropriation would otherwise have been available, and may transfer not to exceed an additional \$5,000,000, in aggregate, from all such appropriations, to be merged with the Fund and to remain available until expended for any purpose under this heading: 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 matter preceding the first proviso: Provided further, That with respect to the Fund, the authorities and conditions under this heading shall supplement the authorities and conditions provided under such section 7(f): Provided further, That up to \$6,550,000 in the Fund may be made available for the management reporting initiative to improve the effectiveness of enterprise data governance, analysis, and reporting, including information technology investments to make such improvements: Provided further, That, to carry out the previous proviso, the Secretary shall transfer any amounts for related information technology investments to the heading "Information Technology Fund".

Note.—A full-year 2018 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, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.