



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE DEPUTY SECRETARY
WASHINGTON, DC 20410-0050

The Honorable Barbara A. Mikulski
Chairwoman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

Enclosed is the Fiscal Year 2013 Operating Plan for the programs and accounts administered by the Department. Pursuant to Sec. 1113 of Title I, General Provisions, Public Law 113-6, Consolidated and Further Continuing Appropriations Act, 2013, the enclosed operating plans: (1) outline the Department's use of funds appropriated by Congress for fiscal year 2013; (2) detail the use of funds carried over from prior year appropriations; and (3) provide an explanation of the intended use of funds where the Congress has provided flexibility.

HUD's fiscal year 2013 budget totals \$42.4 billion, which reflects reductions due to the 0.2 percent across-the-board (ATB) cut and \$2.2 billion from sequestration. In general, the 5 percent sequestration reduction as reported in the March 1 Joint Committee Sequestration Report was applied to nearly all HUD discretionary programs with the exception of the VA Supportive Housing (VASH) program. In addition, the \$16 billion disaster supplemental appropriated to HUD was reduced by \$800 million due to sequestration.

Overwhelmingly, the Operating Plans reflect using the funding as prescribed by the 2013 Appropriations Act, with application of the ATB and previously reported sequestration reductions by account. In certain cases, HUD proposes realignments to implement the reductions in a way that protects the Department's core mission; additional information in these accounts is provided to the Committees for further explanation. HUD continues to work with its grantees and stakeholders to provide technical assistance and guidance to prioritize mission critical activities and mitigate the impacts of sequestration on low-income families and communities.

We are grateful for the flexibility granted in the Salaries and Expenses (S&E) accounts to allow us to more evenly implement sequestration. As you know, this flexibility has allowed us to apply an even number of furlough days to the majority of HUD employees. The Congressionally approved transfers are reflected in the S&E operating plan.

Financial Assistance:

As stated earlier, HUD will continue to work with grantees to mitigate sequestration impacts on its competitive and formula programs, which serve at-risk and vulnerable populations. For example:

- HUD will work with local Continuums of Care to minimize the impact of reduced funding levels that support local homeless service organizations, which in turn help homeless families and individuals secure housing.
- As the reductions in the Housing Choice Voucher program are significant, HUD will continue to provide ongoing technical assistance to Public Housing Authorities (PHAs) that are at risk of running short on funds by the end of the calendar year. HUD will use the flexible authority provided by Congress to prioritize the use of the set-aside funds to prevent families from being terminated from the program. Guidance will be issued shortly to PHAs on how to apply for these funds.
- HUD will announce allocations for its formula grant programs in mid-third quarter, and these allocation levels will reflect funding levels, net of the ATB and sequestration. While the Department does not determine specific funding for projects in its block grant programs, HUD will work with the state and local jurisdictions that administer the Community Development Block Grant, HOME Investment Partnerships Program, Emergency Solutions Grants, and Housing for Persons with AIDS program to adjust their Consolidated Plans and specific program actions to match the reduced funding. The Department will monitor the programs' efforts and work with grantees to mitigate adverse impacts to the greatest extent feasible.

Personnel Actions:

HUD's Salaries and Expenses accounts of \$1.33 billion are reduced by \$69.65 million, net of the ATB and sequestration. HUD has imposed a hiring freeze, and is also expecting to furlough the majority of employees for up to 7 days before the end of the fiscal year. HUD will shut down operations on furlough days, and furlough employees regardless of rank or position. These days are: May 24th, June 14th, July 5th, July 22nd, August 2nd, August 16th, and August 30th. The hiring freeze and the furlough days are expected to lower the total estimated full-time equivalents (FTE) from 8,450 to 8,020.

GNMA's fiscal year 2013 S&E account of \$19.5 million is reduced by \$1.02 million. These reductions will be absorbed through a hiring freeze/slow down.

The OIG fiscal year 2013 S&E account of \$124 million is reduced by \$6.5 million. These reductions will be absorbed through a hiring freeze/slow down and reductions to travel and other support.

Contract Actions:

Each contract is being reviewed to determine if tasks, scope, or period of performance can be altered. In some cases, contracts will not be renewed, but there will be few contracts completely eliminated. HUD has initiated discussions with existing contractors to see if price escalations in

contract option periods can be renegotiated. Additionally, program offices are assessing contracts and working with their Contracting Officers to identify and negotiate cost reductions by either eliminating services entirely or negotiating scope reductions.

Information about Reduced Operating, Administrative or Other Costs

While the majority of HUD's budget supports rental assistance, grants and loan programs, HUD has approximately \$216 million in non-personnel expenses and \$256 million in the Working Capital Fund (WCF), which largely supports our information technology infrastructure and systems. Of the \$216 million in our non-personnel expense budget, \$140 million supports our leases, building security and utilities. From the remaining \$76 million, HUD has reviewed all spending by object class and reprioritized and reduced travel, contracts, and training in the S&E account by \$13.26 million. This includes most training, conferences and travel (travel for oversight of grants and management of loans will continue), contracts for administrative support of programs, building maintenance and repairs, and scaling back on support of the review of financial statements and internal controls.

Funding under sequestration for the Department's Working Capital Fund totals \$256 million. Since most of the WCF funding is required to maintain current systems and the current infrastructure, the impacts of sequestration will largely fall on the development and implementation of new systems and the implementation of a new, modernized, departmentwide infrastructure (HUDNET). The Department is in the process of reprioritizing operations and maintenance and development, modernization and enhancement (DME) efforts to manage reduced resources, extend schedules for work where possible and maintain our commitments to our key modernization and development projects. The Department believes that the overall Information Technology resources reflect underfunding of our most pressing high priority projects. Intensive review of our program and timetable is underway and will continue for an extended period and forthcoming adjustments in projects will be reflected in the scope of contracts that can be supported.

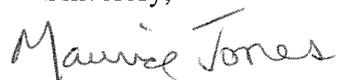
Reprogramming or Transfer Actions:

On March 21, 2013, the House and Senate appropriation committees approved a request for transfers within our S&E accounts. This transfer request was made to realign resources to allow the impacts of sequestration to be equally spread among HUD employees, resulting in a consistent number of furlough days across the Department to the greatest extent possible. Because S&E funds cannot be transferred either to or from GNMA and HUD OIG, those organizations will not have to furlough their employees under sequestration and savings will be achieved with alternative measures. While HUD will continue to review and refine its personnel expenses projections and constrain non-personnel spending, HUD may need to request additional transfers in S&E to maintain the goal of an equal number of furlough days across the Department.

In addition to the approved transfer, the Operating Plan reflects a small number of general reprogrammings being proposed, which have been approved by the Committee in past years. These requests include a proposed shift in priorities and needs in the Section 202 program, as well as a small amount of training funding in the Community Development Fund account.

We will provide a detailed briefing to the Committee Staff, at their request, as well as any additional information you may require. Should your staff have any questions on the plans, please contact me at (202) 402-5427, or Susan Shuback, HUD's Budget Director, at (202) 402-3963.

Sincerely,


Maurice Jones

Enclosure