In Fiscal Year 2013, HUD is requesting $1.89 billion to increase internal efficiency and effectiveness, to better achieve the mission to create strong, sustainable, inclusive communities and quality, affordable homes for all.

HUD is in the midst of a reinvention that is leveraging technology and a new way of doing business to respond to the need for increased transparency and improved service delivery. The current economic and housing crisis; the structural affordability challenges facing low-income homeowners and renters; and the new, multidimensional challenges facing our urban, suburban, and rural communities all require an agency in which the fundamentals matter and the basics function. HUD is committed to an investment in transformation, research, and development that will be implemented persistently over time.

**CHANGING HOW WE WORK TOGETHER**

When employees attain skills and are motivated to use those skills to help their organization reach goals, the capacity of the organization grows and employees in the organization grow as well; which is why HUD is creating training and leadership development opportunities for employees at all levels. Over time, the rules and regulations that develop within an organization become hurdles instead of the helpful pathways they were intended to be. HUD is in the process of simplifying and combining programs, streamlining regulations, and eliminating rules and constraints. In addition, the Department is in the middle of a major reform of its information technology, human resources, procurement, and other internal support functions to give more authority to managers and provide better service to HUD customers.

In Fiscal Year 2013, HUD is requesting $1.475 billion in salaries and expenses, including $126 million for HUD's Office of Inspector General (OIG). With this funding request, which represents just a 1.3 percent increase from the FY2012 enacted level, HUD is committed to ‘doing more with less.’ Specifically, the Department will continue to improve operations and create a dynamic organization capable of addressing some of our nation’s most difficult challenges. HUD remains at the forefront of the Federal response to the national mortgage crisis, the economic recovery, and the structural gap between household incomes and national housing prices. These roles require an agency that is nimble and market-savvy, with the capacity and expertise necessary to galvanize HUD's vast network of partners, including local officials, non-profits, and faith-based organizations, among others.

**TRANSFORMING THE WAY HUD DOES BUSINESS**

HUD's ongoing transformation is a multiyear effort that can only be achieved through the relentless focus of agency leadership, full transparency and accountability for real results, and sustained and flexible budget resources. The Transformation Initiative (TI) remains the primary source of funding for this transformation. Since TI was first enacted in 2010, it has bolstered the long-neglected areas of IT modernization, research and evaluation, and program demonstrations crucial for increasing the efficiency and effectiveness of the Department's programs. Further, TI has provided a mechanism for innovative, cross-cutting technical assistance that goes beyond program compliance to improve grantee capacity, performance and outcomes.

While the Department's transformation is a crucial long-term commitment, HUD continues to prioritize these efforts in a responsible manner that ensures HUD's constituent services don’t suffer at the hands of internal transformation. The FY 2013 Budget proposes a Department-wide HUD Transformation Initiative Fund to be funded by transfers from program accounts of up to 0.5 percent at the Secretary's discretion. In Fiscal Year 2013, HUD's request includes transfer authority of up to $120 million into its Transformation Initiative Fund for priorities such as:
Replacement of 30-year-old technology and information management practices to reduce risks, implement higher performing, and cost effective business solutions to more effectively administer rental housing assistance programs that enable more accurate budget forecasting and formulation; minimize HUD’s financial risk; improve the quality of available rental housing; enhance financial accountability and reduce improper payments; and reduce the time to perform rental assistance business functions through automation; and modernizing mortgage insurance practices to develop portfolio, borrower, and collateral risk analytics to better identify key credit risk drivers and manage and mitigate risk at both the portfolio and loan level.

Demonstrating, evaluating, and researching HUD policy issues such as the Rental Assistance Demonstration (RAD) approved in Fiscal Year 2012. RAD allows a trial conversion of public housing and certain multifamily properties to long-term project-based contracts, and TI could allow evaluation of outcomes. HUD is also proposing to implement the successful evidence-based policies established by the Jobs Plus Demonstration to increase the earnings and employment of public housing residents. In tandem, a process evaluation through TI could document successful local adaptations and how this larger scale implementation affects outcomes.

Intensive and cross-cutting technical assistance A key priority for TA is intensive, place-based interventions for the highest-risk grantees and clients, such as: assessments and targeted interventions for PHAs; helping local government comprehensively assess market trends and implement housing and community and economic development programs through OneCPD; and targeting underlying, long-term problems like deficits and poor bond ratings through the National Resource Network. Flexible, cross-program technical assistance could also help grantees and clients adapt to new HUD policies, programs, and management approaches, and develop core skills and critical competencies required to effectively deliver HUD’s programs.

In addition to TI fund transfers, in Fiscal Year 2013 HUD is requesting $242 million in Working Capital funding, including a transfer of $72 million from the Federal Housing Administration (FHA) and a direct appropriation of $170 million. These funds are crucial to complement HUD’s transformation efforts, providing resources for maintaining and improving Department-wide information technology systems.

Providing a strong research basis to effect long-lasting change

The Office of Policy Development and Research (PD&R) provides fundamental support for informed decisions by the Department and national policy makers through data collection, research, policy analysis and program evaluations. PD&R has a key role in the improvement of national housing data infrastructure, rigorous evaluations of major HUD programs, and meeting other key national information needs including disaster response and recovery research.

In Fiscal Year 2013, HUD is requesting $52 million to fund the nation’s basic data infrastructure and share research knowledge on housing and community development. Complementing TI, Research and Technology funds continue the transformation of PD&R into the nation’s leading research organization addressing the wide array of America’s housing and urban development challenges.

- The American Housing Survey collects information on housing costs, underwater mortgages, community satisfaction, and the primary source of data on worst case housing needs;
- The Rental Housing Finance Survey is the main source of data concerning rental housing developments in danger of foreclosure and rental affordability;
- Dissemination and research support ensure that research and analysis conducted by PD&R through TI or staff resources provide the greatest possible value by reaching a broad audience of policymakers, researchers, practitioners, policy analysts, and the American public.