National Council of HUD Locals

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
AFFILIATED WITH AFL-CIO

Council 222

AFGE HUD Council 222 Statement on the FY 2018 HUD Budget Request and Agency Reform

The proposed fiscal year 2018 HUD budget severely reduces funds available to help America's poorest meet their basic needs. The $40.7 billion proposed for HUD programs in 2018 is $7.4 billion, or 15%, below what was approved for 2017.[1] While it may be true that there's always a way to improve current programs, the drastic reduction in important support for the needy is not an improvement and does not represent any elimination of wasteful spending. AFGE Council 222 agrees with National Low Income Housing Coalition (NLIHC) President and CEO Diane Yentel, who criticized the budget's "cruel indifference to the millions of low income seniors, people with disabilities, families with children, veterans, and other vulnerable people who are struggling to keep a roof over their heads."[2] AFGE Council 222 deplores the cuts that will hurt America's poor, disabled, elderly, and veterans.

Almost half of the reduction comes from eliminating the $3 billion Community Development Block Grant (CDBG) program. CDBG, as *The Washington Post* explains, "provides cities with money for affordable housing and other community needs, such as fighting blight, improving infrastructure and delivering food to homebound seniors."[3] As the recent confirmation hearing of Deputy Secretary nominee Pam Patenaude disclosed, there is widespread Congressional support for the CDBG program. As Congressional leaders know, CDBG funds promote development in urban areas, resulting in more jobs and infrastructure improvements. In addition, widespread support for CDBG funding reflects an awareness of the benefit of local community input into how and where grant monies are spent, ensuring wise utilization of taxpayer dollars.

According to the NLIHC, 7.4 million out of the 11.4 million extremely low-income households in the U.S. currently lack access to affordable homes.[4] The budget plan makes it harder for needy households by cutting rental assistance by over $2 billion. Part of that reduction is accomplished by increasing tenant contributions toward rent

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[1] Rice, Douglas. "Trump Budget Would Increase Homelessness and Hardship in Every State, End Federal Role in Community Development." *Center on Budget and Policy Priorities*. May 23, 2017. http://www.cbpp.org/blog/trump-budget-would-increase-homelessness-and-hardship-in-every-state-end-federal-role-in

[2] National Low Income Housing Coalition. "President Trump's Budget Proposes to Slash Affordable Housing and Other Essential Programs." May 30, 2017. http://nlihc.org/article/president-trump-s-budget-proposes-slash-affordable-housing-and-other-essential-programs

[3] Jan, Tracy. "Trump wants more people who receive housing subsidies to work." *Washington Post*. May 23, 2017. https://www.washingtonpost.com/news/wonk/wp/2017/05/23/for-the-first-time-poor-people-receiving-housing-subsidies-may-be-required-to-work/?utm_term=.71315730cf70

[4] National Low Income Housing Coalition. "Urge Congress to Protect and Expand the National Housing Trust Fund." June 5, 2017. http://nlihc.org/article/urge-congress-protect-and-expand-national-housing-trust-fund-0

from 30% to 35% of adjusted income—a 17% increase in expenses for those who can least afford it. It also requires impoverished renters to pay a minimum rent of $50/month, even if that's more than 35% of the income.

The Section 8 Rental Assistance program will be funded at only $60 million, one-fourth the amount of its 2017 total resources. In short, HUD's FY 2018 budget cuts are accomplished by "shifting more than $2.5 billion in program costs onto vulnerable seniors, people with disabilities, and families with children."[5]

To give you an idea of the impact that these budget cuts will have on communities, Washington, D.C., Maryland, and Virginia together will lose over 12,300 housing vouchers and almost $90 million in public housing funding. New York alone will lose 26,530 vouchers and over $409 million in public housing funds. Illinois will lose 10,734 vouchers and more than $107 million in public housing funds. Those reduced funds don't include the CDBG or HOME funding cuts.[6]

Funding for the Public Housing Capital Fund is cut by almost 70% from FY 2017: from $1.9 billion to less than one-third of that at $564 million. This fund provides money to public housing authorities (PHAs) to address the most acute needs for capital repairs and replacements in public housing developments. This drastic funding cut comes at a time when industry figures place unmet capital improvement needs for public housing at $26 billion.

Among the other effects of the proposed HUD budget:

- Eliminate Housing Choice Vouchers for more than 250,000 low-income households. The budget cuts almost $800 million from the current funding levels, and will be $2.3 billion less than what is needed to renew all vouchers.[7] The program primarily helps extremely low-income seniors, people with disabilities, and working families with children; the proposed budget will increase homelessness and other hardships.[8]
- Reduce public housing funding by $1.8 billion, or nearly 29 percent, from 2017 levels. This will hurt the health and safety of public housing's 2.2 million residents by not providing the money to fix leaky roofs or replace outdated heating systems and electrical wiring in public housing.[9]
- Cut $133 million (5.6 percent) from homeless assistance grants, which provide critical support for communities' efforts to prevent homelessness, help homeless families move from shelters to stable homes, and reduce long-term or

[5] Rice.
[6] Rice.
[7] Rice.
[8] Rice.
[9] Rice.

repeated homelessness among people with mental illness and other disabilities.[10]

- Eliminate the HOME, Community Development Block Grant, and Choice Neighborhoods programs that help poor communities improve basic infrastructure like streets and water and sewer lines and provide affordable housing for low-income residents.[11] Notably, defunding of the Choice Neighborhoods initiative (funded in 2017 at $257 million) eliminates a program which leverages federal and non-federal funding to help rehabilitate, in innovative ways, some of the most disadvantaged neighborhoods in the nation.

- Eliminate the Section 4 Capacity Building program, and the Self-Help Homeownership Opportunity Program.[12]

- Reduce funding of Section 811 Housing for People with Disabilities program to $121 million, $25 million (17%) less than the 2017 level.[13]

- Eliminate the National Housing Trust fund, described by the NLIHC as "the first new housing resource in a generation exclusively targeted to help build and preserve housing affordable to people with the lowest incomes, including those who are homeless."[14] The HTF's first $174 million were allocated to the states in 2016.

- Cut funding for the Office of Lead Hazard Control and Healthy Homes grants by more than 10%, a reduction of $15 million.[15]

- Cut funding for the Housing Opportunities for People with AIDS by $26 million, about 7%.[16]

- Cut funding for the Native American Housing Block Grant program by $54 million, about 8%.

- Eliminate funding for the Native Hawaiian Housing Block Grant program.[17]

The proposed 2018 HUD budget eliminates critical funding without providing viable alternatives to support those in need. It ignores the fact that federal assistance has been necessary because states and local communities do not have the money to provide safe, clean, affordable housing for families with children, the elderly, and the disabled.

[10] Rice.
[11] Rice.
[12] National Low Income Housing Coalition. "President Trump's Budget."
[13] National Low Income Housing Coalition. "President Trump's Budget."
[14] National Low Income Housing Coalition. "Urge Congress."
[15] National Low Income Housing Coalition. "President Trump's Budget."
[16] National Low Income Housing Coalition. "President Trump's Budget."
[17] National Low Income Housing Coalition. "President Trump's Budget."

Suggested Agency Reforms

Rather than cutting aid to needy populations, HUD should be taking measures to restructure the clearly dysfunctional bureaucracy that has been in place at the Agency for years. HUD is notorious for its mismanagement and inability to properly manage its human capital. These problems were detailed by HUD's Inspector General in his March 16, 2017, testimony before Congress.[18] In particular, the Inspector General referenced several GAO studies pointing to a "lack of human capital accountability and to insufficient strategic management of pervasive problems at HUD."[19] Under former Deputy Secretary Nani Coloretti, unresolved disagreements with OIG audit recommendations skyrocketed to 16, nearly doubling disagreements in the previous three years.[20]

It was the Inspector General's opinion that this spike in disagreements "resulted from a negative culture created by former Deputy Secretary Coloretti and some of her staff that appeared to produce a distrust of the OIG and an atmosphere where career staff were not allowed to work with the IG…."[21]. Interestingly, the same officials who assisted the previous administration with its agenda, including the Chief Human Capital Officer, remain in key positions at the Agency. Those collecting data for the reform plan to be submitted to OMB are the same officials who assisted former Deputy Secretary Nani Coloretti with her obstructionist policies. Ms. Coloretti's failures are well documented in the Inspector General's report, yet her closest aide "burrowed in" at the agency and remains in a management position.

The Union has not been invited to meet with the new Deputy Secretary nominee, Pam Patenaude, despite the fact that Ms. Patenaude has been at HUD Headquarters for weeks, meeting with the career employees who directly assisted former Deputy Secretary Coloretti. Accordingly, due to this lack of access, Council 222 submits the following suggestions for reform at HUD, and requests their inclusion in the plan submitted to OMB:

1. Increase Supervisory Ratios

In Headquarters and in Regional offices, the Agency is saturated with management positions and multiple layers of management. Supervisory ratios of one manager to 20 employees suggested by the Bush administration have never been implemented. As long time HUD employees are aware, and as the Union has consistently advised management, Deputy positions, "team leaders" and other management positions are created and filled to give employees GS-15 grades. HUD has consistently been top-

[18] Testimony of The Honorable David A Montoya, Inspector General, Office of the Inspector General, U.S. Housing and Urban Development (March 16, 2017, U.S. House of Representatives Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development)

[19] Montoya, page 3.
[20] Montoya, page 14.
[21] Montoya, page 14.

heavy with manager positions, and de-layering is necessary. Dynamics are different in smaller field offices and supervisory autonomy should remain in place regardless of ratios. As field offices shrink due to attrition and supervisory roles diminish, field offices lose the ability to operate on the ground without Headquarters or Regional interference. Supervisory ratios should be adjusted, primarily in Headquarters and the Regions.

2. Workforce Analysis

The Agency needs to conduct a thorough workforce analysis that includes a review of work actually performed. As pointed out by the Inspector General, "HUD continues to lack a valid basis for assessing its human resource needs and allocating staff within program offices." (Inspector General Testimony, page 3). In particular, the Agency needs to review positions that have a high grade level, but only perform a single work function/activity in the field such as Management Analyst and Program Analyst. These positions and duties need to reflect the program areas and employees need to be moved to areas where there are staff shortages. Job duties need to be clearly defined to ensure efficient service delivery. The focus should be on front-line delivery of services.

3. Protecting the Trained Workforce and Institutional Knowledge

The loss of experienced and highly trained employees, and the ensuing training costs for replacements, needs to be addressed. OMB Memo M-17-22, has instructed Agencies to develop a plan for long-term workforce reduction. HUD has given no indication that they are working on a long-term plan to successfully manage the impending mass depletion of institutional knowledge at the Agency. In his May 18, 2017, testimony before the House of Representatives Committee on Government Oversight and Reform, Robert Goldenkoff, Director, Strategic Issues, U.S. Government Accountability Office, stated the following: "*According to our analysis of OPM data, government-wide more than 34 percent of federal employees on-board by the end of fiscal year 2015 will be eligible to retire by 2020. Some agencies, such as the* ***Department of Housing and Urban Development****, will have particularly high eligibility levels by 2020.*" Mr. Goldenkoff went on to emphasize: "*But if turnover is not strategically monitored and managed, gaps can develop in an organization's institutional knowledge and leadership.*" One of HUD's most valuable assets are its career employees - custodians of the Agency's institutional knowledge. HUD needs to immediately address this looming crisis and strategize on a plan to ensure a successful mass transfer, not depletion, of institutional knowledge.

4. Settle the Fair and Equitable Case

As the new Deputy Secretary nominee is well aware, there is longstanding litigation involving hundreds of HUD employees, with a potential liability for the Agency in excess of $700 million dollars. The Agency lost at an arbitration in this matter, and has lost every appeal to the FLRA seeking to overturn the arbitrator's decision. These delay tactics have only served to increase damages, as interest on the back pay award continues to accrue on a daily basis. The Union would like to settle the case. Many employees are waiting to retire until this case comes to a conclusion. Until the case is settled, the Agency cannot engage in meaningful workforce planning.

5. Reduce Supervisors and SES Staff

While there is an oft-cited narrative of the difficulty of terminating front-line Federal employees, the real cost savings lies in dealing with the numerous non-functional SES positions across the Department. It is a long HUD tradition that, when an SES employee is not performing, that employee gets moved to a position that is essentially non-functional. The Employee and Labor Relations Division at HUD, has issued an edict that bargaining unit employees should be terminated for non-performance, rather than being given a second chance to perform in another division. However, this same edict does not appear to apply to managers. The Agency, and Congress, should take a close look at the number of SES positions at HUD, and what work is actually being performed by employees in those positions.

6. Reduce SES and Supervisory Travel

While there has been considerable pressure at HUD to force the Union to waive its contractual rights to conduct face-to-face bargaining, there has been no examination of the amount of money expended by supervisors traveling for meetings, conferences, "listening" and informational visits. In this era, with the availability of Virtual Meeting, SharePoint and other electronic mediums, it is difficult to understand why OCHCO, OGC and other service units feel the need to conduct on-site meetings with field personnel.

7. Reduce the Number of Contractors

Contractors are historically more expensive than employees and require monitoring and oversight. They are less knowledgeable about HUD programs and practices and thus make mistakes that would not be made by HUD employees. Per the Inspector General, errors in HUD financial reports were attributable, in part, to HUD management outsourcing "roles to staff and contractors who were unfamiliar with HUD's financial reporting processes and did not receive adequate training."[22] Particularly concerning has been the performance of the Bureau of Fiscal Services (BFS) in its employee selection practices. BFS has repeatedly erred in culling the best qualified list from all applications, has been extremely slow in providing information to managers and employees alike on the selection process, and has provided incorrect information to those who inquire about vacancy announcements. Shared services contracts make sense for programs that are identical from agency to agency, but they are destructive when agency-specific expertise is required. An accounting and analysis of contract dollars spent and benefit gained should be conducted before engagement of additional contractors. The agency has better control of outcomes and expenses with in-house work.

[22] Montoya, page 4.

8. Provide Flexibility in Budgetary and Personnel Practices

Budgetary restrictions on the funding of positions by cylinder leads to inflexibility in moving personnel. We have seen one program area run out of work for employees in certain jobs, while other program areas desperately need help, and, although the near-idle employees want to work, they are prohibited from helping their sister program offices. This flexibility should be requested from Congress.

9. If staff reductions are necessary, incentivize staff to retire through incentives and retirement options that have real value.

We recommend that HUD offer buyouts in the amount of $40,000, as authorized for Dept. of Defense employees. HUD has a high proportion of retirement-eligible employees, and it has been recently reported that many fewer employees have retired from federal agencies than at this time last year. With respect to retirement, the 2018 budget proposal to eliminate cost-of-living adjustments on FERS pensions and to decrease them on CSRS pensions understandably is causing employees to re-think their ability to retire. The COLAs in social security cannot possibly make up for the reduction in the value of employee pensions that would be caused by this mean-spirited elimination or reduction in the pension COLAs.

9. Space Management

The Agency should seek to reduce its space footprint by moving personnel to government-owned buildings. Millions could be saved by eliminating leased office spaces and renegotiating existing leases. Reduction of space and renegotiation of leases were touted as justifications for the Multi-family Transformation, yet lease renegotiations seldom occurred. The agency also needs to aggressively promote its telework program, to reduce the need for office space.

10. Eliminate Presidential Management Fellows Program

The Agency needs to temporarily suspend its participation on the Presidential Management Fellows Program. At this Agency, millions of dollars are spent annually bringing on Presidential Management Fellows who historically don't stay beyond five years. These positions have grade levels that increase at a higher and faster rate than Civil Service positions. The Presidential Management Fellows Program has not proven to be an effective vehicle for transfer of institutional knowledge at HUD. Money would be better invested in training employees who already have the institutional knowledge, are planning on staying at HUD and ready to learn new skills. Under this CHCO, there has been no viable upward mobility program instituted. Historically, these upward mobility programs have proven to be the most cost effective training investment for the Agency.

11. Better Management Training

While there is a continuing narrative about holding employees "accountable" and getting rid of "poor performers," the Agency has failed to address the obvious problems with its managers which have resulted in costly litigation. The Agency has paid millions of dollars in EEO judgments and settlements over the past few years, yet has taken no action to address this problem. The Agency has a number of managers who simply don't know how to manage. Better training and holding such managers accountable would result in significant cost savings Department-wide.

12. Process Reasonable Accommodation Requests in a Timely Manner

The Reasonable Accommodation office in OCHCO appears to be both inadequately staffed and infused with a desire to avoid accommodating employees' disabilities. Processing requests timely and appropriately crediting the expertise of medical professionals would result in fewer EEO complaints for delays and denials of Reasonable Accommodation requests.

13. Increased use of Alternative Dispute Resolution

HUD reports to Congress annually on its use of Alternative Dispute Resolution (ADR) in EEO proceedings. HUD reports tens of millions of dollars in supposed savings, with no apparent benefit. The source and means of calculating the numbers reported to Congress is unknown to the Union. ADR should be increased to include most employee disputes, and closely tracked to reduce costs. Allowing front-line managers and employees to work things out saves money.

14. Employee Involvement in IT Improvements

Procurement protocols for IT systems need to be improved to allow front-line employees input at the front end, to reduce contract change costs. Historically, installation of new computer systems results in an immediate apparent need for modifications, which could be avoided. IT contracts typically require payment to private contractors for additional work or system modifications, and changes are often slow, costly or can't be made at all. Working with system users during the procurement process to ensure that appropriate work features are included in new computer systems will eliminate frustration, save money and increase efficiency.