



National Association of Housing and Redevelopment Officials

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VIA ELECTRONIC MAIL

March 14, 2013

Colette Pollard, Departmental Reports Management Officer, QDAM
U.S. Department of Housing and Urban Development
451 7th Street SW., Room 4160
Washington, DC 20410-5000

Re: Notice of Revised Information Collection for Public Comment; Public Housing Authority
Executive Compensation Information [FR DOC # 2013-01558]

Dear Ms. Pollard:

On behalf of the National Association of Housing and Redevelopment Officials' 23,000 agency and individual members, I am writing in response to a notice of a proposed change to an information collection that was published in the Federal Register on January 25, 2013. This change would affect the HUD-52725 form which requires PHAs to report on the compensation of their highest paid employees. NAHRO raised serious concerns in response to the original proposal to institute this information collection, and continues to be concerned not only about the existing information collection but also the proposed changes.

Although, on its face, the January 25, 2013 proposal to amend the HUD-52725 to include fields intended to isolate the portion of compensation paid from Section 8 and Section 9 appropriations may seem like a reasonable way to address the concerns raised by NAHRO and others in response to the original information collection, this proposed change highly problematic. According to the instructions included with the proposed form, PHAs are to report "the amount of total cash compensation that is paid for with funds *originating* [emphasis added] from Section 8 [and 9] appropriations." We find this particular requirement most troubling, and ask that the Department reconsider its proposal.

Many PHAs, as a result of following years of guidance from HUD, will be unable to accurately determine these amounts. Under HUD's asset management system, participation in which was mandated for most PHAs by the Quality Housing and Work Responsibility Act of 1998, PHAs operate more like private-market owners of housing, separating the accounts of each property from that of the Central Office Cost Center (COCC). Under the rules of asset management, the COCCs

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are permitted to charge certain management fees to the properties, in the same way that a third-party property management company would.

According to these rules, as explained in the Supplement to HUD Handbook 7475.1 REV., CHG-1, Financial Management Handbook, “the PHA has ‘earned’ the management fee and the PHA may use such funds in accordance with its mission, subject only to any local, but not federal, restrictions.” These funds are considered local program funds, and, as a result, standard accounting practices mingle these funds with funds from other business activities in other programs, including developer fees and management fees from other federal and non-federal programs. HUD’s Handbook goes on to state that “the PHA is not required to distinguish or separately account for the expenses or costs associated with the fee income from its public housing programs vis-à-vis its other business activities. Collectively, the PHA/COCC can use all fees earned to fund the operations of the COCC.”

Many PHAs use these funds to pay employees, particularly those at the executive level whose duties are not considered front-line activities which can be charged directly to the properties. As a result, much of the funding intended to be reported on the proposed HUD-52725 will come from the COCC, making it nearly impossible to report the funds originating as Section 8 and Section 9 funds as required by the proposed changes. In order to comply, PHAs would be forced to devise some kind of formulaic allocation of costs, increasing the amount of administrative work required and drastically diminishing the value of the information collected. Furthermore, requiring PHAs to track back the funds flowing into the COCC is antithetical to the ideology of asset management and the defederalization of these funds. To make such a radical policy shift by way of an amendment to a reporting requirement, rather than a careful, considered dialogue, is dangerous and sets a particularly disturbing precedent.

According to the notice published in the Federal Register, the proposed revisions are necessary to allow HUD to determine PHA compliance with a restriction on salaries which the Congress embedded in the FY 2012 appropriations legislation. The FY 2012 Consolidated Appropriations Act restricted PHAs from using any Tenant-Based Voucher, Operating Fund, or Capital Fund dollars to pay any amount of an employee’s or official’s salary above the base rate of pay for level IV of the Executive Schedule, the salary grade of the Assistant Secretary for Public and Indian Housing, or \$155,500 for FY 2010-2012. Based on the asset management guidelines, NAHRO contends that funds paid from the COCC are not covered under this restriction, and therefore collection of this information has no logical relationship to the Department’s ability to assess compliance with the restriction.

The concerns raised herein follow upon previous concerns raised in a letter dated June 27, 2011, in which NAHRO raised objections to the justifications which the Department provided with the original compensation information collection proposal. In the April 26, 2011 *Federal Register* notice proposing the new reporting requirement, the Department fallaciously claimed that the information collection would promote transparency around the use of federal subsidy. Given the organizational and governance structures of PHAs, however, creating a database of salary and benefit information as the Department has proposed to do would actually further obfuscate the facts by divorcing the data from its context and creating a false pretext of comparability between PHAs of different sizes and geographies. Without providing information regarding the job markets in which PHAs are located, the responsibilities included in each position, the seniority and

experience level of the employee, the total budgets each PHA (or its Affiliate or Instrumentality) manages (including Public Housing, Voucher programs, Project-Based Section 8 Multi-family Housing Assistance, Low-Income Housing Tax Credits, Section 202, Shelter-Plus Care, State and Locally-funded housing and homeless programs, other unrestricted general funds) etc., such a database would be ripe for exploitation and misinterpretation, thus running entirely counter to HUD's justification of transparency and accountability.

NAHRO also noted in its comments on the original proposal that many PHA executives' salaries and benefits are paid only in part from federal subsidy. Many PHAs maintain a diverse portfolio of properties and business activities which generate revenue used to supplement federal subsidy, including for purposes of paying PHA employee salaries and benefits. However, given that these other revenue streams are not federal funds, increased reporting requirements that fail to distinguish between various funding streams will do little to advance HUD's stated goal of increasing transparency around the use of taxpayer dollars.

In this time of draconian budget cuts and ever-increasing uncertainty, NAHRO is particularly disappointed that the Department continues to prioritize efforts such as this that have little or no value over focusing its resources on pursuing meaningful regulatory reform that will streamline the delivery of housing and services to low-income Americans. Despite repeated promises from all levels of the Administration to address and reduce unnecessary and overly burdensome regulatory and administrative requirements, this proposed information collection further increases the reporting burdens borne by PHAs and destabilizes the operating environments in which PHAs function. NAHRO recommends that the Department reevaluate the essential utility of this reporting requirement that bears no connection to necessary monitoring or oversight, and respectfully requests that use of the HUD-52725 form be discontinued immediately.

Sincerely,

A handwritten signature in black ink, reading "Saul N. Ramirez, Jr." in a cursive script.

Saul N. Ramirez, Jr.
Chief Executive Officer