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Industry Leaders Oppose HUD Proposal to Cap Housing Authority Executive Salaries
HUD Action is Disproportionate Reaction to 2010 Compensation Data

The Council of Large Public Housing Authorities (CLPHA), the National Association of Housing and Redevelopment Officials (NAHRO), and the Public Housing Authorities Directors Association (PHADA) have serious concerns regarding the Department of Housing and Urban Development’s (HUD) recently announced proposal to cap and regulate public housing authority (PHA) executive employee compensation packages—a far-reaching policy of questionable fairness and practicality.

On June 5, HUD announced that it is “proposing to align compensation with the tiers of the federal government pay system,” capping the use of federal funds for salaries of the highest paid PHA executives by unit size. This policy aims to address a need that is not suggested by the survey results on 2010 compensation paid to PHA employees that HUD released at the same time. The data show—and HUD acknowledges—that the “vast majority” of PHA executives are not over-compensated, with 97 percent of top-earning housing officials earning less in total cash compensation (inclusive of base salary and bonuses) in 2010 than the $155,500 salary-only cap—an amount arbitrarily established in the 2012 HUD appropriations act. In fact, 93 percent of all housing directors earned less than $125,000 annually. Furthermore, HUD noted that, “[b]y way of comparison, only 21 [percent] of the highest paid PHA executives earned more than the median for non-profit executives of similar sized organizations.” In light of these figures, imposing a salary cap on every housing authority director across the country is clearly an excessive measure.

CLPHA, NAHRO, and PHADA assert that salary caps represent bad public policy and an overreach of HUD authority. These caps also infringe upon the autonomy and authority of local boards of commissioners, who have a fiduciary responsibility to hire and retain the best staff possible but may be hindered by these constraints in attracting the best talent. It is undoubtedly in the public interest to ensure that PHAs are able to attract and retain qualified, skilled professionals. The executives of the nation’s approximately 4,000 PHAs directly administer billions of dollars in funding while being responsive to federal, state and local governments. They are responsible for administering programs that meet the basic housing needs of nearly seven million of the most vulnerable Americans, nearly all of whom would be at serious risk of homelessness if not for the critical services that local agencies provide.
CLPHA, NAHRO, and PHADA share HUD’s commitment to transparency and the efficient use of limited federal resources, and the overwhelming majority of our members are responsible stewards of taxpayers’ dollars. While HUD claims this policy will “protect the taxpayer,” it will not reduce public housing costs by one penny. Housing authorities will still receive exactly the same amount of money from the federal government derived from established formulas based on need, and agencies’ administrative costs are restricted by HUD-established limits based on the administrative expenses of private operators of affordable housing. As a result, taxpayers are already protected from any administrative costs exceeding amounts spent in the private sector.

The decision to index compensation caps to federal government salary scales raises additional concerns. HUD’s suggested salary structure is not an accurate reflection of the federal pay system as some federal employees earn well in excess of the proposed $155,500 cap. Beyond this, PHA staff are not federal employees and do not receive the same kinds of benefits. Unless HUD plans to similarly regulate the compensation of other local program operators that receive federal money, this policy is not equitable. In fact, the Office of Management and Budget recently raised the compensation cap for executives of government contractors to $763,209, reflecting a 10 percent increase required under a statutory formula. HUD itself has approved compensation levels well above $155,500 when it has direct administrative control of a housing authority, acknowledging that it requires more than this cap to manage some agencies.

The rigid, tiered caps in HUD’s proposal are based on the size and number of units within an authority, which is hardly a straightforward metric. HUD has not yet indicated whether the units apply to public housing only or if they take into account “small” public housing agencies that may also oversee hundreds or even thousands of Section 8 Housing Choice Vouchers while managing other complex operations, including, in some cases, programs funded through federal agencies other than HUD. Furthermore, the 1,250+ unit category includes housing authorities managing tens of thousands of units—significantly larger, more complex organizations than those at the lower end of the grouping. Additionally, these size-based caps do not take into account high cost regions of the U.S. or the long service tenure of many PHA employees.

HUD noted that they would like to work with Congress to enact this “permanent solution” but “will not wait if Congress fails to act… [W]e will take executive action to put this cap in place in Fiscal Year 2013 under our own regulations if necessary.” CLPHA, NAHRO, and PHADA question HUD’s executive authority to unilaterally impose a pay cap without congressional statutory action, and we urge the Department to consider these myriad concerns and questions before implementing this sweeping policy that may create greater and more numerous problems than it purports to address.

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