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Views on H.R. 2941—A Bill to Improve Housing for Employees of Land Management Agencies

Statement for the Record by
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Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to provide this statement summarizing our work on employee housing within the federal land management agencies and to provide our views on H.R. 2941—a bill to improve the housing situation in these agencies. While the scope of H.R. 2941 addresses all of the major federal land management agencies, the comments I am providing focus on the National Park Service (NPS). With about 4,700 units, the National Park Service's employee housing program is the largest among all of the land management agencies and has received most of the attention from both the Congress and the Department of the Interior over the past several years. Since 1993, we have issued two reports on issues surrounding the National Park Service's employee housing program.[1] Accordingly, my comments are based on our previous reports.

In summary, our work has shown that:

- About 11 percent of NPS' housing inventory is in poor or obsolete condition.
- About 12 percent of NPS' housing inventory did not meet the agency's existing criteria for providing housing.
- NPS' backlog of repair, maintenance and replacement needs may be over $500 million. Insufficient rental income from employees and competing demands for limited operating funds are the principal reasons the backlog has developed.
- A number of options identified in our earlier reports would help NPS deal with the housing conditions that, for the most part, do not require increased appropriations.

H.R. 2941 contains several provisions that would, if enacted, help address some of the employee housing problems we have reported on by providing the National Park Service with increased authorities for entering into alternative financing arrangements and by requiring the agency to get more detailed information on the scope, depth, and justification for its housing needs.

[1]National Park Service: Condition of and Need for Employee Housing (GAO/RCED-93-192, Sept. 30, 1993).

National Park Service: Reexamination of Employee Housing Program Is Needed (GAO/RCED-94-284, Aug. 30, 1994).

However, while the bill provides needed authorizations, we have several specific comments on and concerns about the bill as now written. Before I provide our specific comments on H.R. 2941, I will discuss the results of our previous work on the Park Service's housing issues.

Condition of the Park Service's Housing Inventory

In 1994, we reported that the Park Service had about 4,700 housing units in its inventory. About 50 percent of the inventory is more than 30 years old. At that time, we reported that about 50 percent of the housing units were in excellent or good condition, that is, like new or needing only minor maintenance or repairs; about 39 percent were in fair condition, that is, showing early signs of reversible deterioration; and about 11 percent were in poor condition, that is, needing major repairs, or were obsolete, that is, economically beyond repair.

Not Clear That All Park Service Housing Is Justified

Under current law and policies, the Park Service is authorized to provide housing to employees when the housing is essential to accomplish the Park Service's mission. To carry out its mission, the Park Service believes that it needs to provide some of its employees with housing within the parks. The Park Service is authorized to provide housing to seasonal employees whenever necessary and to permanent employees (1) when a park is isolated and housing is not available for sale or rent within a reasonable commuting distance to an established community or (2) when employees must live in the park to render necessary services to visitors or to protect government property or resources, regardless of where the park is located.

In 1993, we found that the Park Service did not have adequate justification for about 12 percent of its inventory. In each instance, the rationale for providing the housing was that it was needed for employees who provide necessary services to visitors or who protect government property or resources. However, none of these units were occupied by employees specifically required to live in the park in order to provide such services and protection. Furthermore, these units were not being occupied by seasonal employees, nor were they at isolated locations. Thus, these units met none of the existing criteria for providing housing.

Repair and Maintenance Backlog May Be Over $500 Million

In 1993, the Park Service reported a backlog of $546 million to repair, rehabilitate, and replace employee housing. However, we were unable to verify the accuracy of this figure because the individual parks that provided the information were not provided with guidance in preparing the estimate and supporting documentation was not required or available. Nonetheless, while the precise amount of the repair and maintenance backlog for the Park Service's housing units may be in doubt, there is no doubt that a large backlog does exist.

Two factors are major contributors to the backlog—insufficient rental income and competing demands for the parks' limited operating funds that could be used to supplement rental income. The rental income paid by Park Service employees is kept by the individual park units and can be used only for housing-related expenses. However, rental income is not required to cover all of a park's housing maintenance needs, nor does it.

In accordance with Office of Management and Budget (OMB) Circular A-45, rental rates are established on the basis of regional market surveys that are done as part of a multiagency program designed to establish market-based rental rates for government-furnished housing programs. Once base rental rates are established, OMB's and the Park Service's guidance requires the rents to be reduced for housing units located in isolated areas and for such things as lack of fire and police protection and the lack of privacy. The Park Service reduces base rental rates up to 60 percent for such factors. The net result of this is that the amount of funds available for the repair and maintenance of housing units is reduced. At the time we did our report in 1993, the latest information the Park Service had indicated that it was collecting less then 50 percent of the $19.2 million needed to cover the costs of maintaining and operating housing. In addition, beginning in fiscal year 1992, the amount of rental income available to address housing maintenance and operating needs has been further reduced because the Congress has limited rental rate increases to no more than 10 percent of the rent paid in the previous year.

Typically, park managers try to make up the difference between rental income and maintenance costs from the parks' annual operating funds. However, recent work we have done suggests that with current levels of funding, the many competing demands now placed on the day-to-day operations of many parks will not permit park managers to fill the gap between rental income and housing maintenance costs.[2]

[2]National Park Service: Difficult Choices Need to Be Made About the Future of the Parks (GAO/RCED-95-238, Aug. 30, 1995).

Actions Needed to Help Deal With Housing Problems

Throughout our past work on the Park Service's housing issues, we cautioned that because of the tight fiscal climate that all of the federal government is now committed to, it is unlikely that the Park Service would receive sufficient funds to cover its housing repair and rehabilitation needs with appropriated funds. From that perspective, we made a number of recommendations to the Park Service that would, if implemented, help overcome the housing situation now facing the agency. Essentially, our major recommendations called for the agency to (1) review its long-standing tradition of providing housing to its employees by reassessing the need for all housing units on a park-by-park basis and eliminating those that are not justified; (2) develop a strategy for closing the gap between rental income and maintenance costs, including the possibility of decreasing or eliminating the amount of the rental rate reductions now being provided; and (3) explore a number of alternatives designed to help meet the agency's housing needs without requiring increased federal funding. For the most part, the alternatives have been identified in a number of housing studies that have been done over the past several years and include the possibility of providing direct housing allowances or subsidies to employees.

The Park Service is taking steps to implement some of our recommendations. In September 1994, the Park Service began a process to assess its housing needs on a park-by-park basis. Among other things, this assessment is to examine at all parks the types of positions needed to manage the park, where the positions are located within the park, and the availability of housing outside of the park. Each park will conduct its own analysis. Training of park officials in how to conduct these assessments is on-going and scheduled to be completed by January 1997. According to Park Service officials, no new units will be funded at an individual park until the park has completed its assessment. Furthermore, because the Park Service acknowledges that self-assessments may result in analyses that are not objective, the agency entered into a contract with the Bureau of Indian Affairs to obtain an "independent" analysis of the housing needs at a sample of parks. This study is to be completed in May 1996. Once it is done, the agency expects to develop housing policy recommendations that will apply agencywide.

In connection with our recommendation to close the gap between rental income and maintenance costs, the Park Service is working with the other land management agencies on this issue. According to a Park Service housing official, because the agency uses a process of setting rental rates in conjunction with other land management agencies, the Park Service believes that eliminating or decreasing rental rate adjustments needs to be coordinated with the other land management agencies. However, since fiscal year 1992, the Park Service has publicly stated that the 10-percent cap placed on rental rate increases by the Congress needs to be eliminated.

As we recommended, the Park Service is exploring a number of alternatives for addressing its housing needs that do not increase the agency's reliance on appropriated funds. For example, the Park Service, working with the National Park Foundation,[3] is examining whether it can get the private sector to assist in improving employee housing. H.R. 2941 is designed to provide the authority for some of these alternatives.

Comments on Proposed Legislation

I will now provide our comments on the bill before the Subcommittee. Our work supports several of the major provisions of the proposed legislation because they address a number of issues identified in our previous work. However, we also have concerns about some of the provisions in the bill. My detailed comments follow.

H. R. 2941 Helps Address Issues Identified in Our Previous Work

Two of the stated purposes of the proposed legislation are to (1) substantially expand the alternatives available to the NPS and other land management agencies for the construction and repair of essential government housing and (2) rely on the private sector to finance or supply housing to the maximum extent possible in order to reduce the need for federal appropriations. To facilitate these purposes, the bill would provide authorities to the NPS and other land management agencies that would provide more flexibility to address housing needs by engaging in a broader range of alternative financing arrangements. Section 4 of the bill provides authorities for the Park Service to enter into housing programs with the private sector, section 5 provides for the Park Service to enter into housing programs with employees, and section 6 provides for the leasing of housing inside or outside of park borders for seasonal employees and for federally owned housing to be leased to nongovernment employees in the off-seasons.

Our work has shown that these provisions are needed if the NPS is to effectively address its housing needs without increasing its reliance on federal appropriations. In addition, our work has shown that there is an

[3]The National Park Foundation is a private, nonprofit foundation chartered by the Congress in 1967 to provide private-sector support for the national park system.

additional authority the Subcommittee may want to consider including in H.R. 2941. This is the authority to directly subsidize the cost of housing outside of the parks. As we have reported, the affordability of housing in some park locations was a major concern to park managers. To the extent that affordability is a valid concern, an option would be for the Park Service to have the authority to provide employees with rental subsidies if they choose to rent or with mortgage subsidies if they choose to purchase a house in a local community. A September 1993 Congressional Budget Office study of military housing indicated that providing rental subsidies could be as much as 40 percent less expensive than providing government-built and -maintained military housing.[4] While providing housing subsidies may increase the government's outlays in the short term, subsidies would be cheaper in the long run because they could reduce housing inventories and the inventories' associated costs at the locations where subsidies are provided.

Another major provision of the bill that addresses important needs of the National Park Service's housing program is section 7. This portion of the proposed legislation requires the agency to do two important things: (1) complete a "condition assessment" of all employee housing and (2) develop an agencywide priority listing. The "condition assessment" is to include an analysis of all employee housing units to determine, among other things, whether each unit is necessary and the physical condition and suitability of each unit. Then, on the basis of this information, a priority list of housing needs would be developed. Our work has shown that both of these actions are meritorious and should be done. Currently, the National Park Service does not have the information that would be provided by the implementation of either of these provisions of the bill. While the agency is now in the process of doing a park-by-park housing assessment that would, if implemented properly, provide the kind of information required by the enactment of H.R. 2941, training on how to conduct the assessments is on-going and not scheduled to be completed until January 1997. The proposed legislation would help ensure that the necessary analysis gets done. Furthermore, to the extent that continued tight federal budgets will not permit the agency to address all of its housing needs, it will be necessary to put the available funds to the most good by addressing the agency's most critical housing needs first. To do this, an agencywide priority list must be established.

Concerns With Some Provisions of H.R. 2941

We have concerns with several provisions in H.R. 2941 that the Subcommittee may want to consider. Section 3 of the bill would authorize

[4]Military Family Housing in the United States, Congressional Budget Office, Sept. 1993.

the use of employee housing as a means of recruiting and retaining personnel. Currently, federal agencies are not permitted to set rental rates so as to provide a housing subsidy or as an inducement in the recruitment and retention of employees. Accordingly, authorizing this practice would provide employees of the Park Service and other land management agencies with benefits not now enjoyed by the employees of other federal agencies.

There are possible budget scoring issues associated with each of the additional authorities provided in sections 4, 5, and 6 of H.R. 2941. For example, section 5 of the bill would, among other things, authorize the land management agencies to sell housing units to employees or to a cooperative whose membership is made up exclusively of the agencies' employees. It is important to point out that the inclusion of this provision in the proposed legislation will subject it to the pay-as-you-go requirements of the Omnibus Reconciliation Act of 1990. These requirements would apply because under the Budget Enforcement Act, any receipts that would be realized from the sale of the federally owned housing units cannot be considered as revenue to the government and expenditures of these receipts would be considered direct spending for budget scorekeeping purposes. Consequently, the scoring effect of this section of the bill would be to increase the deficit.

Section 6(e) would allow for the rental of housing provided to seasonal employees to nongovernment individuals when the housing is not needed by the land management agencies. Providing this authority could open up opportunities to keep the units occupied and to provide additional rental income. However, any opportunities presented by this additional authority must be carefully managed or its costs could outweigh its benefits. For example, this arrangement would make the land managing agencies landlords for nongovernment employees. As such, the agencies could incur substantial additional liabilities. Also, criteria would have to be developed concerning who would be eligible to rent the units and how rental rates would be established. Finally, it is unclear what recourse the land managing agencies would have against individuals who damage such property.

Section 8(c) requires funds to be set aside from operating funds when rental rates are not sufficient to maintain the housing units. Conceptually, this arrangement could work. However, as it applies to the Park Service, it is not realistic. Our work has shown that the Park Service has a difficult time taking care of what it has. The scope and quality of services to visitors in the parks is declining, and the agency does not have the information it needs to adequately manage, preserve, and protect many of the natural, cultural, and historic resources it is responsible for. Furthermore, the agency is facing a multibillion- dollar backlog of maintenance needs. Consequently, mandating an additional funding priority will probably mean that the parks' other needs or activities will suffer unless additional operating funds are provided. In our view, the funding gap between rental income and housing maintenance costs can be better closed by eliminating housing units that are not justified, reducing or possibly eliminating the reductions that are made to base rental rates, and eliminating the rental cap.

This concludes my statement.

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