# POLICY ISSUE
## NOTATION VOTE

January 19, 2005 SECY-05-0019

FOR: The Commissioners

FROM: Jesse L. Funches ***/RA/***
Chief Financial Officer

SUBJECT: PROPOSED REVISION TO NRC'S RELOCATION POLICY

PURPOSE:

In the Staff Requirements Memorandum for the FY 2006 PBPM Budget Decision Book (COMSECY-04-0043), the Commission stated it will reassess funding for change of station after staff examines alternative ways to reduce the cost of the Change of Station Program and submits policy options for Commission consideration.

SUMMARY:

This paper provides the results of the staff's examination of ways to reduce relocation costs, describes actions to reinforce existing policy and reduce the cost of the Change of Station Program, and recommends a policy change on the use of the Home Sale Program. The following actions will be taken to reinforce existing policies that affect change of station costs: (1) reduce waivers for the Home Sale Program; (2) provide 120 days advance notice of relocation; (3) decide when to use relocation benefits as a recruitment incentive; (4) limit temporary quarters extensions; and (5) assign new hires to a permanent duty station. Additionally, I am recommending a change to limit the use of the Home Sale Program.

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Implementation of these measures recognizes that the agency will continue to use relocation benefits as an incentive to remain competitive with the private sector in attracting and retaining a high quality, diverse workforce with the skills needed to fill critical vacancies and to provide developmental opportunities to achieve our mission. Management decisions on the case-by-case application of relocation benefits will be made based on the best interest of the agency, considering the potential impact on agency recruitment, merit selection, and development programs as well as costs associated with relocation.

BACKGROUND:

Change of station policy is found in the Federal Travel Regulation (FTR) which is promulgated by the General Services Administration (GSA). An employee’s entitlement to change of station benefits varies based on whether they are a new hire (i.e., not a current Federal employee) or a current Federal employee. Attachment 1 outlines the mandatory and discretionary relocation allowances an agency must or may pay for new hires and current Federal employees. Attachment 2 provides a glossary of terms. The NRC’s relocation costs are summarized in the following table:

**Summary of NRC Relocation Costs**
**Table 1**

| | FY 2001 | | FY 2002 | | FY 2003 | | FY 2004 | |
|---|---|---|---|---|---|---|---|---|
| | # of Moves | $K | # of Moves | $K | # of Moves | $K | # of Moves | $K |
| Change of Station | 124 | $4,600 | 174 | $6,900 | 195 | $9,900 | 153 | $6,400 |
| Home Sale | 29 | $1,100 | 23 | $1,400 | 43 | $1,700 | 35 | $1,700 |
| Total | N/A | $5,700 | N/A | $8,300 | N/A | $11,600 | N/A | $8,100 |

As shown in Table 1, the NRC’s relocation costs increased approximately 100 percent between FY 2001 and FY 2003. This trend was primarily the result of the increase in the number of moves authorized by the agency and the rising cost per move. Between FY 2001 and FY 2003 the number of moves authorized for change of station increased almost 60 percent from 124 to 195. The primary factors that contributed to the increase in the number of moves were a growth of 143 FTEs and reassignment/promotion involving relocation of NRC staff. During the same time, the average cost per move for current Federal employees increased by 41 percent from approximately $60,600 to $85,800 and the average cost per move for new employees increased by 47 percent from approximately $10,600 to $15,600.

The FY 2004 change of station costs decreased because of a decline in the number of hires from outside NRC and relocations of NRC staff. Additionally, the funding requirement was reduced by more than $1.1 million in the Change of Station Program and $300,000 in the Home Sale Program as a result of changing the process of managing the use of these funds. This efficiency decreased the amount of obligations needed to fund the Change of Station and Home Sale Programs.

Increases in relocation costs are a federal government-wide issue that has attracted congressional interest. Specifically, congress is concerned about the rise in relocation costs and the lack of data on relocation transactions. In response to the congressional concerns, the GSA recently proposed changes to the FTR to better manage government relocation costs and bring relocation practices in line with industry trends. The proposed rule changes, published in the *Federal Register* on November 23, 2004, include:

- reducing the length of time to complete a relocation from two years to one year;
- reducing the length of time for relocation extensions from two years to one year;
- reducing the maximum number of days for a house-hunting trip from 10 to 8 calendar days;
- reducing mileage reimbursement to match Internal Revenue Service rates;
- limiting temporary storage of household goods to 150 days; and
- encouraging the use of lump-sum payments for relocations.

Minimal cost savings to the NRC are anticipated if the proposed rule changes are incorporated into the FTR. On July 9, 2004, the GSA also created a Relocation Federal Advisory Board (Board), comprising a cross-section of government and industry, to further review the FTR relocation allowances and address congressional concerns. The Board is expected to complete its review this Summer and will recommend improvements for better management of government-wide relocation. Agencies will have to follow any policy changes that GSA adopts based on the Board’s recommendations.

DISCUSSION:

Existing relocation policy and procedures were reviewed within the framework of better managing relocation costs, while retaining relocation benefits as an important agency human capital strategy to remain competitive with the private sector in attracting and retaining a high quality, diverse work force. Therefore, changes were developed to meet three objectives:

- provide alternative ways to reduce costs,
- ensure proposed changes are supported by Federal Travel Regulations, and
- support the agency need to recruit, develop and retain high quality, diverse staff.

Consistent with the above objectives, the following actions have been developed to reinforce existing policy and propose a policy revision. The EDO and I will issue a joint memorandum providing guidance to reinforce existing policy.

**Reinforce Existing Policy**

Reduce Waivers for the Home Sale Program

The NRC provides a Home Sale Program to assist employees in transferring to their new duty location. The Home Sale Program was established to provide a "safety net" for the employee if he or she was unable to sell their home to an outside buyer. As shown in Table 1, the cost of the Home Sale Program has increased approximately 55 percent since FY 2001. The increase primarily results from more employees enrolling in the program and the rise in home sale prices. In FY 2004, the average cost to the NRC for an employee to participate in the Home Sale Program was $48,892 and ranged from a low of $23,581 to a high of $116,474.

Since the Home Sale Program was established as a safety net, the NRC requires that the employee actively market their home for 60 days before entering the program, unless a 60-day waiver is granted by the employee's new office director or regional administrator. Such waivers often increase agency cost because they usually result in the relocation contractor purchasing the home. If the relocation contractor purchases the home, the agency pays a service fee of 20.5 percent rather than 12.25 percent if an outside buyer is found by the employee. In FY 2004, nine 60-day waivers were granted that resulted in a potential increased cost to the agency of approximately $130,000. On August 27, 2004, I issued a memorandum reminding office directors and regional administrators that waivers to the 60-day provision should not be routine and should be granted only in exceptional cases that are in the best interest of the agency. Since that memorandum was issued, no waivers have been granted.

Provide 120 Day Advance Notice of Relocation

According to the GSA, the single best way to reduce costs and ensure that employee relocations work smoothly is to give an employee sufficient lead time to relocate. The NRC Management Directive 10.1, *Appointments, General Employment Issues, Details, and Position Changes,* states that employees should be provided at least 120 days to relocate to their new duty station. A July 22, 1991, EDO memorandum stated that exceptions to this policy may be granted by the employee's office director or regional administrator if it is in the best interest of the agency. Exceptions to this policy have become the common practice and result in increased relocation costs associated with selling a home, providing temporary living quarters, and storing household goods. The joint memorandum will remind office directors and regional administrators that employees should be given at least 120 days notice to relocate to their new duty station and that waivers to the 120-day provision should not be routine and should be granted only in exceptional cases that are in the best interest of the agency, or when relocation costs will be minimal (e.g., when no home sale transaction is involved).

Decide when to use Relocation Benefits as a Recruitment Incentive

Currently, most NRC vacancy announcements do not specify whether or not relocation benefits will be paid. Unless otherwise provided proper notice during the recruitment process that the agency does not intend to pay relocation expenses, Federal employees and new hires who are relocating may be eligible for relocation benefits. Generally, an agency is not required to pay relocation allowances for new hires. However, once the agency elects to pay relocation expenses for new hires, the agency must pay the mandatory relocation allowances set forth in Attachment 1, Table 1, column 1. The agency may elect to pay, and typically NRC has paid, discretionary allowances also set forth in Attachment 1, Table 1, column 2. An existing Federal employee, transferred in the best interest[1] of the government, must be reimbursed the relocation allowances set forth also in Attachment 1, Table 2, column 1. The agency may elect to pay, and typically NRC has paid, discretionary allowances set forth in Attachment 1, Table 2, column 2.

For positions that are not anticipated to be difficult to fill or when a highly-qualified, diverse applicant pool exists locally (e.g., clerical and certain non-technical positions), it likely is not in the best interest of the agency to offer relocation benefits. When initiating the recruitment process, offices and regions, in consultation with the Office of Human Resources, will determine on a case-by-case basis (i.e., for each vacancy) whether to use relocation benefits as part of the recruitment incentives. Beginning in February 2005, each vacancy announcement will include a statement specifying whether or not relocation benefits will be paid in filling the vacancy.

Limit Temporary Quarters Extensions

The FTR allows authorizations of up to 60 days for Temporary Quarters Subsistence Expense (TQSE) with an additional 60 days when compelling reasons warrant. According to GSA, a compelling reason is an event that is beyond the employee's control and acceptable to the agency. Examples include delayed delivery of household goods due to natural disasters, unanticipated delay in settlement on the new residence, inadequate housing available in new duty station, and sudden illness, injury or death in the immediate family.

The current NRC practice is to approve all TQSE extension requests when a reasonable justification is provided. However, since the TQSE is intended to be authorized for a need basis, extensions of TQSE should not be routine and should be granted in only exceptional cases when compelling reasons warrant including in the best interest of the agency.
The joint memorandum will provide guidance on approving TQSE extension requests including examples of compelling reasons that would warrant a TQSE extension.

Assign New Hires to Permanent Duty Station

When the agency hires a new employee to one duty station and then subsequently moves them to another duty station within a short period of time, the agency pays relocation costs twice.

[1]For example, relocations resulting from a competitive merit selection process as well as management-directed reassignments are considered to be in the best interest of the government.

Between FY 2002 and FY 2004, 22 new hires had two moves within 16 months or less. Ten of these moves were less than six months apart, at an additional cost to the agency of $650,000. Since most of the second moves involved reassignments to resident inspector sites, improvements are focused on newly hired resident inspectors. Determining a new employee's permanent resident site is not always possible, but the Regions should consider locating new hires directly to the resident site when the duty station is known and the time required to complete training and qualifications for the resident inspection program is expected to be minimal. In this case, the employee can be detailed to the Regional office with temporary duty travel authorized for training and development as necessary. The decision to assign new hires to their permanent duty station should be made on a case-by-case review, and should be based on agency need and cost effectiveness. The joint memorandum will direct Regions to make these case-by-case reviews and locate new hires directly to the resident site when possible.

**Proposed Policy Revisions**

<u>Offer Home Sale Program Only to NRC Employees</u>

Currently the NRC allows all current Federal employees reassigned or selected competitively to an NRC vacancy to participate in the Home Sale Program. Federal employees transferring to the NRC are allowed to enter the Home Sale Program without the 60-day home marketing requirement. In FY 2004, 4 non-NRC employees used the Home Sale Program for a total cost of $214,020. In FY 2003, 7 non-NRC employees used the Home Sale Program for a total cost of $300,243. As stated previously, the intent of the Home Sale Program is to provide NRC employees a “safety net” if he or she is unable to sell their home to an outside buyer.
I recommend that NRC limit this program to its original purpose. Thus, Federal employees transferring to the NRC would not be permitted to participate in the Home Sale Program unless a waiver was granted by the office director or regional administrator. Such waivers would not be routine and would be granted only in exceptional cases that are in the best interest of the agency.

**<u>Other Actions Considered</u>**

In examining ways to reduce relocation costs, limiting employee eligibility for relocation allowances to no more than one agency-paid move within a specified length of time (e.g., four years) was considered. However, an employee transferred in the best interest of the government is entitled to all of the mandatory relocation allowances established by law regardless of any NRC policy limiting eligibility for relocation benefits. Relocations resulting from a competitive merit selection process as well as management-directed reassignments are considered to be in the best interest of the agency. The NRC does have the latitude to establish a policy limiting an employee's eligibility for discretionary relocation allowances. However, limiting eligibility for discretionary allowances could hamper the agency's ability to fill critical positions and pursue developmental activities for succession planning. Limiting relocation benefits could deter employees from applying or being available for reassignment to positions that involve geographic movement if the move entails the financial hardship associated with paying many of their own relocation costs. Near-term cost savings achieved by establishing a policy limiting relocation benefits may generate long-term adverse impacts on program effectiveness and additional recruitment and replacement costs. For these reasons, I am not recommending this option.

In summary, staff has examined ways to reduce relocation costs and believe the following actions to reinforce policy would achieve cost reductions without adversely impacting human capital strategies:

- Grant waivers of Home Sale Program 60-day provision only in exceptional cases that are in the best interest of the agency.

- Provide employees 120 days advanced notice of relocation granting waivers only in exceptional cases that are in the best interest of the agency or when relocation costs are minimal.

- Offices and regions in consultation with the Office of Human Resources, decide whether to offer relocation benefits as part of the recruitment incentive. Each vacancy announcement will include a statement specifying whether or not relocation benefits will be paid.

- Grant 60-day extensions for Temporary Quarters Subsistence Expense only for compelling reasons including in the best interest of the agency.

- When possible, based on agency need and cost effectiveness, assign new resident inspectors to a permanent duty location and use temporary duty travel for training and development.

Recommendation

I recommend that the Home Sale Program be modified to allow only NRC employees to participate. Waivers would be granted only in exceptional cases that are in the best interest of the agency.

Conclusion

Implementation of these measures recognizes that the agency will continue to employ human capital strategies including the use of incentives to remain competitive with the private sector in attracting and retaining a high quality, diverse workforce with the skills needed to fill critical vacancies and to provide developmental opportunities to achieve our mission. Management decisions on the case-by-case application of relocation benefits will be made based on the best interest of the agency, considering the potential impact on agency recruitment, merit selection, and staff development programs as well as costs associated with relocation.

The staff will continue to monitor the progress of the GSA Relocation Federal Advisory Board to ensure that our actions and recommended policy change are in alignment with future FTR policies and procedures. We will also review the FTR proposed rule changes, submit any comments to GSA, and implement any final FTR rule changes when issued by GSA.

COORDINATION

The Office of General Counsel has reviewed this paper for legal implications and has no objections. The Executive Director for Operations has concurred in this paper.

***/RA/***

Jesse L. Funches
Chief Financial Officer

Attachments: As stated

Attachment 1

## Mandatory and Discretionary
## Relocation Allowances

| **New Hires** (new to the federal government) **Table 1** | |
|---|---|
| **Relocation allowances that NRC must pay or reimburse, if authorized** | **Relocation allowances that NRC has the discretion to reimburse** |
| 1. Transportation of employee & immediate family member(s). | 1. Shipment of privately owned vehicle (POV) over water. |
| 2. Per diem for employee only. | |
| 3. Transportation & temporary storage of household goods. | |
| 4. Extended storage of household goods. | |
| 5. Transportation of a mobile home or boat used as a primary residence in lieu of the transportation of household goods. | |
| 6. Relocation income tax allowance (RITA). | |

| **Transfers** (NRC and other federal employees) **Table 2** | |
|---|---|
| **Relocation allowances that NRC must pay or reimburse, if in the best interest of the government** | **Relocation allowances that NRC has the discretion to reimburse** |
| 1. Transportation & per diem for employee & immediate family member(s). | 1. House hunting per diem& transportation, employee & spouse only |
| 2. Miscellaneous moving expense. | 2. Temporary quarters subsistence expense (TQSE) |
| 3. Sell or buy residence transactions or lease termination expenses. | 3. Shipment of privately owned vehicle (POV) over water. |
| 4. Transportation & temporary storage of household goods. | 4. Use of a relocation services company (Guaranteed Home Sale Program). |
| 5. Extended storage of household goods. | |
| 6. Transportation of a mobile home or boat used as a primary residence in lieu of the transportation of household goods. | |
| 7. Relocation income tax allowance (RITA). | |

# Glossary of Terms

**Change of Station** - Government employees are generally eligible for Change-of-Station Relocation Benefits (see "Relocation Benefits" below) if the employee is a new appointee appointed to their first official duty station or a current Government employee transferring in the interest of the Government from one agency or duty station to another and the new duty station is at least 50 miles distant from the old duty station.

**Home Sale Program** - The Home Sale Program is one of the contractor-provided services as part of Relocation Services (see "Relocation Services" above). The Home Sale Program provides a "safety net" for an employee. If the employee is unable to sell their home to an outside buyer after 60 days of marketing, NRC's contractor will purchase the employee's home at the amount determined by an independent appraisal. If the employee does have an outside buyer, the contractor can still purchase the home from the employee, and then sell it to the outside buyer. NRC pays a considerably lower fee to the contractor when there is an outside buyer. The employee has the benefit of receiving their proceeds from the sale sooner, and the contractor pays most closing costs for the employee (e.g. real estate commission, etc.) rather than the employee paying those closing costs and being reimbursed at a later date by the NRC.

**Relocation Benefits** - Relocation Benefits are amounts paid for or reimbursed to a Government employee relocating (see "Change of Station" above) for qualified Change of Station expenses as specified in Chapter 302 - "Relocation Allowances" of the Federal Travel Regulations (FTR). The FTR is the regulation contained in 41 Code of Federal Regulations (CFR), Chapters 300 through 304, which implements statutory requirements and Executive Branch policies for travel by Federal civilian employees and others authorized to travel at Government expense.

**Relocation Services** - Relocation Services are obtained from an outside contractor under a GSA Government-wide program to obtain certain services for relocating employees that are in addition to Change-of-Station services provided directly by agencies. These services include the Home Sale Program (see "Home Sale Program" below) and other services. The other services are Home Marketing Assistance, Home Buyer Assistance, Mortgage Counseling, and Renter Assistance. While the NRC pays a fee (based on the sale price of the employee's residence) for the Home Sale Program, the other services are provided without charge to NRC or the employee.