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**Report on Recruitment, Retention and Operational
Problems Facing the New York Office of the
Federal Bureau of Investigation Caused by the
High Cost of Living, and a Plan for Remedies**

**Federal Bureau of Investigation
Office of Personnel Management
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APPENDIX

I. EXECUTIVE SUMMARY

Section 502 of the Intelligence Authorization Act of 1988 required the Director of the Federal Bureau of Investigation (FBI) and the Director of the Office of Personnel Management (OPM) to prepare a study on the effect on recruitment, retention and operations of employees of the New York Office of the FBI caused by the unusual living expenses associated with such employment, and to set forth a plan for remedying those problems. (See Appendix A.)

The FBI's problems in recruitment, retention, and operations caused by the unusual living expenses of the New York area were recognized by the Senate Select Committee on Intelligence in its report "Meeting the Espionage Challenge: A review of the United States Counterintelligence Security Program," (S. Rept. 99-522, October 3, 1986) which noted the FBI "confronts unusual personnel management problems" in New York City. These problems have arisen because the high cost of living has discouraged FBI Agents from seeking assignments or pursuing full careers in New York City. Within its report, the Committee expressed concern over the resulting effect upon the FBI's efforts in countering the activities of the large hostile foreign intelligence presence in New York. The Committee further noted that "action is needed to improve benefits and incentives in New York and [the Committee] is prepared to develop legislation that may be needed for this purpose."

The Senate, in its original action on the Authorization Act, had proposed immediate enactment of a cost-of-living allowance for the FBI in New York. However, because of the administration's opposition to singling out the FBI for special treatment, and with the understanding that OPM already had sufficient statutory authority to deal with the FBI's staffing problems, the conferees agreed to drop the Senate proposal and require a FBI-OPM study and recommendations.

The need for added incentives to work in New York will be made clear in this study. Virtually all Agents are directly transferred into the New York area from other parts of the country. Due to the rise in housing costs in recent years, an ever increasing number of these Agents have been forced to live further and further from the New York Office. As a result, many Agents are living south of Trenton, New Jersey, in eastern Pennsylvania, and east of New Haven, Connecticut.

As a result of the high housing costs and the lengthy commutes, the ability of the FBI to accomplish its mandated

mission is adversely affected, especially in the area of foreign counterintelligence, which is the largest New York investigative program. Since Fiscal Year (FY) 1984, the office has experienced a sharp increase in the rate of Agent resignation, from 11 Agent resignations (or a 1.17 percent annual resignation rate) in FY 1984 to a high of 38 Agents (or a 3.45 percent annual resignation rate) in FY 1987, more than triple the rate from FY 1984 to FY 1987. This resignation rate has substantially outdistanced the FBI-wide Agent resignation rate of 2.17 percent for FY 1987. The New York resignation rate does not include nine Special Agents who refused to report to New York after being transferred there in calendar year 1987. These resignation rates made the New York Office, which has more than twice the number of Special Agents as the next largest field office, extremely difficult to staff. Additionally, in FY 1987, 11.66 percent of the New York support personnel resigned. While this resignation rate has declined somewhat over the last few years, it still remains a significant problem. As of February 1, 1988, the New York Office had 112 vacancies for Special Agents, and 60 vacancies in the support staff due primarily to cost-of-living problems.

This high resignation rate extracts tangible costs from the FBI. Each employee who resigns represents a substantial amount of money previously spent by the FBI on recruitment, training, and transfers. Furthermore, each employee who resigns must be replaced, requiring future expenditures. The total costs represented by those employees resigning in 1987, using current figures, are in excess of six million dollars.

The FBI and OPM agree that the FBI faces serious problems in the staffing and operation of its New York Office. These problems are caused by a combination of factors, including the high cost of living as well as the lack of affordable housing in the New York area. While both agencies realize that these factors detrimentally affect all Government employees in the New York area, both agencies also agree with the congressional recognition that the FBI has certain personnel requirements (most notably the policy of directed transfers into the New York area from lower cost areas) which impose burdens in excess of those imposed by most other Federal employers in New York.

It is the position of the FBI and OPM that the most effective way of addressing the staffing and operational problems in the New York Office is through a two-part plan for remedies, combining new legislation with existing authority. For those employees subject to directed transfer, primarily Special Agents, OPM and the FBI recommend the establishment of mobility and retention allowances. The mobility allowance would provide a lump-sum payment upon initial assignment to the New York Office

to help defray the immediate and substantial expense of relocation, particularly housing, and the retention allowance would provide an incentive for remaining in the New York Office. This mobility and retention allowance would be similar to a provision in the administration's Civil Service Simplification Act which would authorize Governmentwide recruitment and retention bonuses to resolve demonstrated staffing problems. However, in recognition of the FBI's immediate and pressing need for a solution to its staffing problems in New York and to test the hypothesis, both agencies are willing to conduct this allowance program as a demonstration project. Because the FBI (along with most other members of the Intelligence Community) has been excluded from OPM's existing demonstration project authority, this recommendation can only be instituted through new legislation. Proposed language for this legislation is being submitted with this report. (See Appendix B.)

For dealing with staffing problems of support employees, the FBI and OPM recognize that the special pay rates authority under current law should prove an adequate solution.

**II. ANALYSIS OF COST OF LIVING AND RELATED
FACTORS IN THE GREATER NEW YORK CITY AREA**

A. Background

Section 502 of the Intelligence Authorization Act of 1988 directed the FBI and OPM to conduct a study to determine the effects of the unusual living expenses associated with employment in New York on the recruitment, retention and operations of employees of the FBI's New York Office and to report back to the Congress with a plan for remedying those problems identified by the study.

The Senate, in its original action on the Authorization Act, had proposed immediate enactment of a cost-of-living allowance for the FBI in New York. However, because of the administration's opposition to singling out the FBI for special treatment, and with the understanding that OPM already had sufficient statutory authority to deal with the FBI's staffing problems, the conferees agreed to drop the Senate proposal and require a FBI-OPM study and recommendations.

In the Conference Report on Section 502 of the Intelligence Authorization Act, the conferees noted that they had been advised by the FBI that, because of unusual living expenses in New York, it was having a difficult time staffing that office with Special Agents. Some Agents resigned rather than accept assignment to New York; and those Agents who were assigned to New York routinely attempt to leave at the earliest opportunity. The conferees noted that what distinguishes the situation of the FBI from that of other Federal agencies in New York is the FBI's requirement that Agents be transferred in and out of New York in accordance with established policy and that this personnel policy "impose[s] burdens in excess of those imposed by other Federal employment in the New York area." At the same time, the conferees also recognized the administration's concern that solutions, "minimize inequities in the treatment of all Federal employees in the New York area," and its intention to develop solutions "within the context of existing authorities."

This section of the study serves to demonstrate that Special Agents assigned to New York face an immediate and significant loss in purchasing power that lowers their standard of living in comparison to their peers in other FBI field offices. As discussed in Section III of this report, the cost of living and noncompetitive pay scale result in high turnover rates and a constant effort to recruit qualified personnel.

To illustrate the disparity in living costs, the average living and housing costs in New York are compared with those costs in Albany, New York; Birmingham, Alabama; Indianapolis, Indiana; Minneapolis, Minnesota; Omaha, Nebraska; Baltimore, Maryland; Miami, Florida; Newark, New Jersey; and

Philadelphia, Pennsylvania. The first five offices are used for comparison because they each had at least three Special Agents under transfer to New York as of December, 1987, and because employees relocating from smaller cities generally suffer greater hardships than those incurred by employees relocating from a substantially larger office. The latter four offices are among the twelve largest field offices of the FBI and, therefore, are among the offices to which Agents receive directed rotational transfers after approximately three years of service. Current FBI policy envisions that all Special Agents will spend a substantial part of their careers in one of these 12 field offices, of which the New York Office is by far the largest, employing more than twice as many Agents and support staff as the second largest office.

The cost of living can be measured by examining a variety of factors on a national as well as regional basis. For the purposes of this study the FBI has used the fourth quarter statistics for 1986, provided by the American Chamber of Commerce Research Association (ACCRA), a nationally recognized research group, which publishes a quarterly survey of living costs in a number of American cities. It includes in its survey an analysis of the cost of a variety of items including housing, health care, groceries, utilities, and transportation. ACCRA first calculates an average cost of living on a national basis. The component cities are then measured against this national standard to provide an index of relative costs in various regions. Component costs, such as housing, are also averaged nationally and then indexed regionally. For the ACCRA data used in this study, the national average is set at 100 percent.

Additionally, information from the Economic Research Institute, Newport Beach, California, has been analyzed. The Economic Research Institute uses ACCRA statistics in conjunction with other economic indicators to construct a model that measures the relative purchasing power of sums of money among cities. Its model is used by corporate relocation managers to determine proper compensation levels for corporate transferees.

Finally, the Coldwell Banker Residential Real Estate Company, one of the largest real estate companies in the Nation, annually compiles a comparison of real estate costs throughout the United States. Coldwell Banker measures the cost of similar homes located in various markets in each state. The 1987 Home Price Comparison Index, which was consulted for purposes of this study, used December 1986 figures.

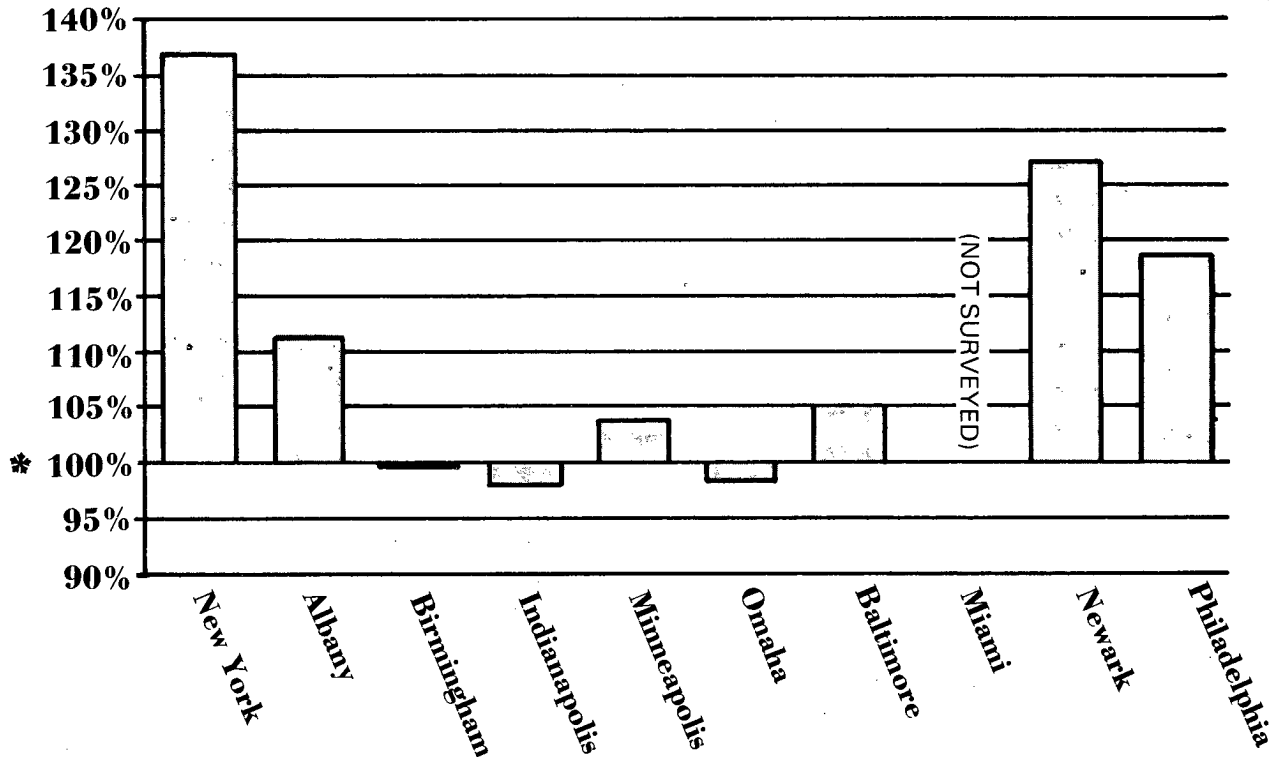
As the statistics and details can be overwhelming (and to avoid belaboring an issue that has previously been acknowledged) this concise review of the situation in the New York area has been prepared.

B. Cost of Living

As shown in the following graph, ACCRA has determined that the average living cost in New York is 37.20 percent above the national average. The graph also illustrates the relationship to the national average of the other cities selected for comparison purposes. New York's cost of living is substantially above those listed cities as well.

Not depicted in the graph is Boston, one of the 12 largest FBI field offices, and whose cost of living, according to ACCRA, is higher than New York's. For some of the other cities where large FBI offices are located--San Francisco and Los Angeles (the third largest field office) in particular--no ACCRA statistics are available; the two California cities are, however, generally known through a variety of other surveys and measures to have living costs that are comparable to those in New York. These other large field offices do not have the significant Agent staffing problems that New York is experiencing, despite their known high cost of living.

Average U.S. Housing Costs Compared to the National Average of 100%



* National Average

The following table compares the average cost of living for the selected small- to medium-sized cities with New York and selected large office cities. That comparison shows the change in average living costs that will be experienced by an Agent who is transferred to New York or to another large office. For example, an Agent transferred from Indianapolis to New York will experience a 40.29 percent increase in living costs. If the Agent had been transferred to Baltimore, on the other hand, living costs would have increased only 7.57 percent.

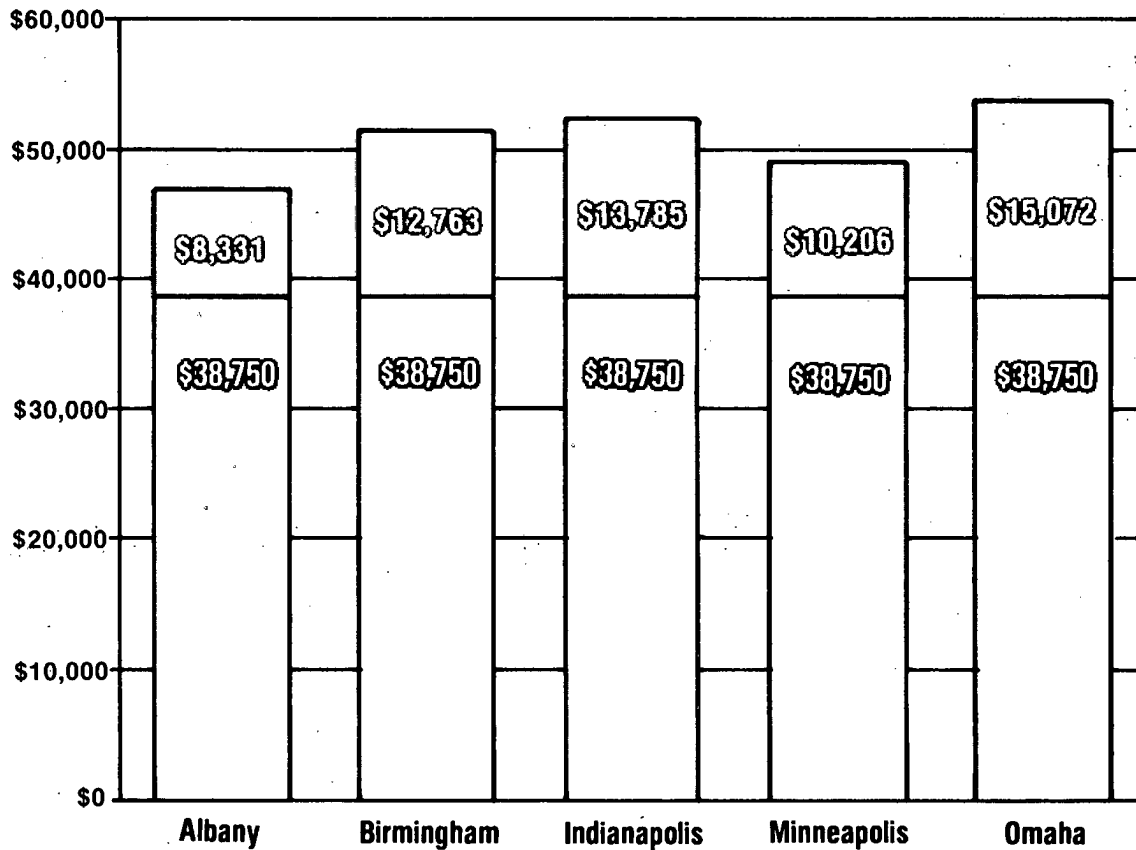
Comparison of the Percentage of Increase/Decrease
in the Average Cost of Living Faced by an Agent
in Moving from One City to Another

To:	From:	AL*	BH*	IP*	MP*	OM*
		111.2	99.7	97.8	103.7	98.0
Baltimore	105.20	-5.40	5.52	7.57	1.45	7.35
Newark	127.30	14.48	27.68	30.16	22.76	29.90
Philadelphia	118.06	6.17	18.42	20.72	13.85	20.47
New York	137.20	23.38	37.61	40.29	32.30	40.00
Boston	152.20	36.87	52.66	55.62	46.77	55.82

*AL - Albany
 BH - Birmingham
 IP - Indianapolis
 MP - Minneapolis
 OM - Omaha

The following graph, derived from a model created by the Economic Research Institute, illustrates the additional compensation that would have to be paid to allow an Agent who has a salary of \$38,750 (total salary plus overtime compensation for an Agent at a FY 1987 GS 12, step 1 classification level) to maintain the same purchasing power in New York which the Agent had in another city. For example, an Agent transferred from Albany, New York, to New York City, whose New York tax liability remains constant, would need an additional \$8,331, or a 21.5 percent increase, in income to maintain the same standard of living which he or she enjoyed in Albany. An Agent transferred from Omaha would need \$15,072, or a 38.9 percent increase in income to maintain a life style similar to what he or she had in Omaha.

Purchasing Power



 - 1987 GS 12, Step 1 salary including overtime compensation of \$38,750.

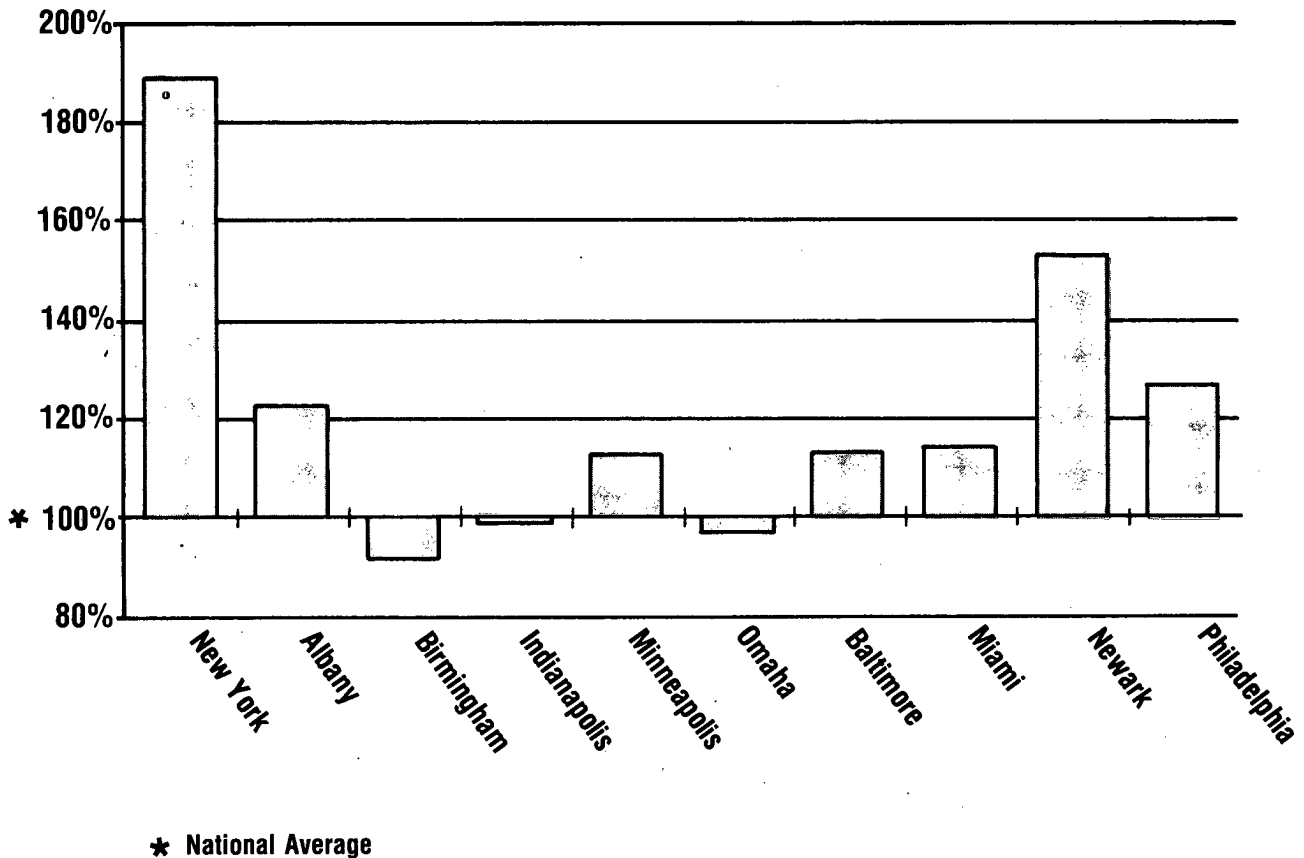
 - Additional compensation needed to maintain purchasing power if transferred to New York City.



C. Housing Costs

Housing is the largest component of most family budgets. The following graph, derived from figures for the fourth quarter, 1986, illustrates the ACCRA average cost of housing for each of the cities previously mentioned. Again, the average cost of housing in New York City is higher than the other listed cities and, according to ACCRA, is one of the highest in the Nation. The average cost of housing is represented in this graph as 100 percent.

Average U.S. Living Costs Compared to the National Average of 100%



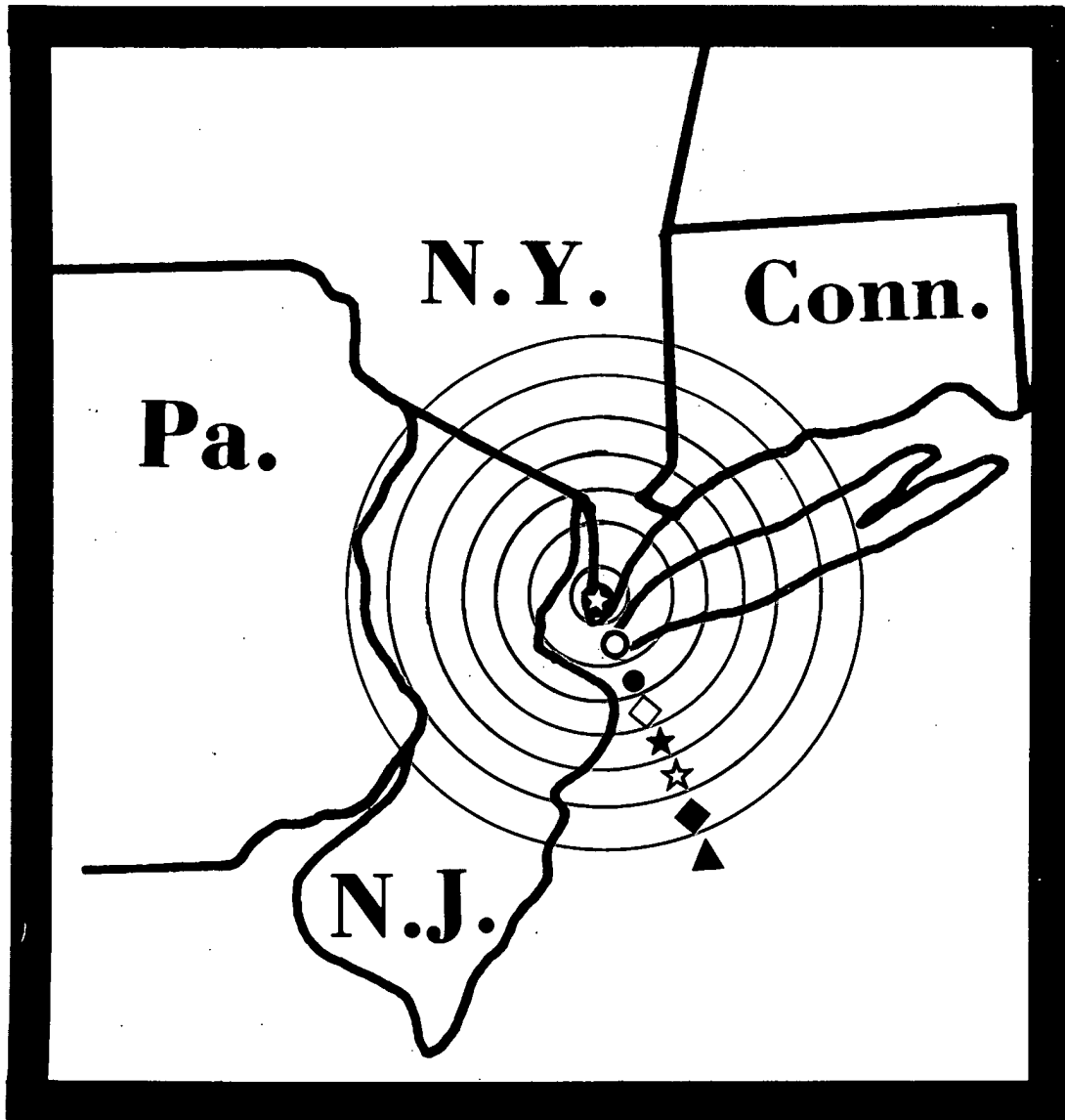
The Coldwell Banker 1987 Home Price Comparison Index for the listed cities is provided in Appendix C. From a review of that comparison index, it is clear that New York City is by far the most expensive area listed. Similar Coldwell Banker data agrees that the average monthly principal, interest and tax payments, as well as rental costs are higher for New York City than for the same cities listed in Appendix C.

The next chart shows the relationship between relative prices for homes in the areas where Special Agents currently reside and the approximate distance of those homes from Manhattan. Home prices are based on a survey conducted by the FBI of various members of the New York City area real estate profession. The illustration depicts a series of rings, showing radial distances rather than actual road miles. The relationship between commuting time and distance from New York is not always proportionate. In the New York City area, heavily trafficked areas and indirect routes add a great deal of time and actual distance to what appears to be a short commute. Thus, a home in the 60-mile ring could be 80 highway miles from New York City.

It is apparent that given the price of homes in the New York City metropolitan area and the current salary levels for Special Agents, many new Agents transferred to New York must live beyond reasonable commuting distances to find suitable housing. As the map indicates, an Agent transferred to New York now must locate 51-60 miles away to find housing that averages \$170,000. Most newly transferred Agents cannot afford to purchase housing at this cost and are therefore forced to rent, locate further from the city, or accept housing they would not otherwise consider. It is possible that increasing home prices will force Agents to purchase homes even further from New York, and that in the future the New York Office will be forced operationally to deal with a work force much less able to respond rapidly to situations requiring immediate attention.

It is also important to note that in other high-cost cities--including Boston, San Francisco, and Los Angeles, where the FBI maintains large field offices--the cost of housing, even where very high by national standards, does not have as detrimental an impact on the FBI's ability to retain Special Agents as it has in New York.

Average Housing Costs in the New York Area



Housing Costs

☆	0-10 Mi.	\$275,000
○	11-20 Mi.	255,555
●	21-30 Mi.	255,000
◇	31-40 Mi.	190,000

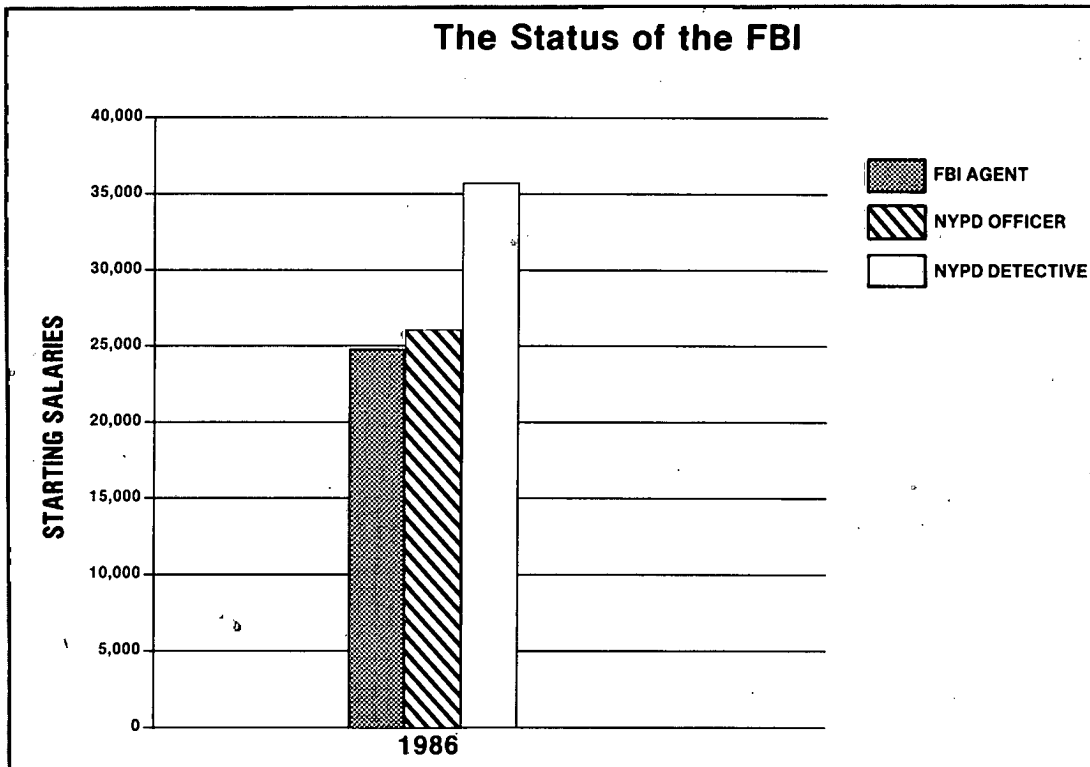
Housing Costs

★	41-50 Mi.	202,500
☆	51-60 Mi.	170,000
◆	61-70 Mi.	150,000
▲	71+ Mi.	87,500

D. Salaries

FBI Special Agent salaries have not kept pace with local law enforcement agencies in the New York City area. The following graph shows the salary status in 1986 of the FBI Agent compared to starting salaries for New York Police Department (NYPD) officers and NYPD 3rd grade (entry level) detectives. It is noted that the police department does not require college degrees for either position and NYPD salaries are lower than some police departments in the New York City area, including Nassau County, Suffolk County and Port Authority Police Department.

This disparity in salaries, as illustrated by the graph, has impacted negatively on the FBI in three areas: morale, operations, and recruitment. The morale of an FBI Agent in New York is seriously affected by the realization that the starting salary of his detective counterpart, who is not required to have a college degree, is considerably more than his salary. Low morale inevitably affects performance which, in turn, has an adverse impact on FBI operations. Additionally, the FBI has, in previous years, successfully recruited local New York City police officers and detectives. In the last five years, however, there have been virtually no recruitments from these agencies.



E. Personal Impact

The high cost of living in New York also has intangible consequences that impact on FBI personnel. Long commutes, transportation costs and constant financial strain cause high stress to employees and their families. In December, 1987, employees of the New York Office were asked to prepare statements outlining their personal experiences related to their employment in New York as affected by the high cost of living. Employees surveyed reported that in order to meet financial obligations, they were forced to borrow from relatives and to reduce or eliminate health and life insurance coverage. They complained of being unable to start families or to provide for future school expenses of their children. Many reported that their mortgage notes were adjustable, and they were just "getting by" because their payments were, at present, at the low end of the adjustable scale. They were, in general, living paycheck to paycheck and often felt that they were at the brink of financial disaster.

All of this has an impact on the FBI's staffing and operations in New York, a matter which is discussed in the next section. What the FBI cannot measure, however, is the inevitable impact that personal and family stress has on the performance of its employees.

To summarize, it is clear that New York is a high-cost area, with the biggest problem being affordable housing within reasonable commuting distance. While employees of all Federal agencies are similarly affected by these high costs, most agencies don't fill the majority of their core jobs (Special Agents) through directed reassignments from generally low-cost areas of the country as does the FBI.

III

**III. IMPACT OF COST OF LIVING ON FBI
STAFFING/OPERATIONS**

A. Background

The New York Office is the largest of the FBI's 59 field divisions and exceeds the combined staffing level of the next two largest divisions, Washington, D.C., and Los Angeles, California, by approximately 200 Agents. As the largest Federal law enforcement agency, and the Federal law enforcement agency with the broadest jurisdiction, the entire spectrum of Federal law enforcement throughout the United States is often connected directly to the work performed by the New York Office. This impact is particularly true in the area of foreign counter-intelligence.

Because of the factors mentioned previously, the FBI has difficulty in getting Agents to transfer willingly to New York, in getting Agents to stay in New York, and in having the Agents fully productive while there. These problems impact on staffing, operations, cost, and general morale within the office.

B. Staffing

The New York Office has consistently been the most difficult office to staff and the least desirable large office in terms of assignment preference. This can be illustrated by considering the number of Agents requesting permanent service in New York compared to the total staffing level of the office. While the FBI does not rely exclusively on its office of preference list as a means for ensuring the staffing of its offices, if it were to do so, New York could only meet approximately 30 percent of its Special Agent staffing needs. By comparison, in Detroit, the next least desirable large office in terms of the office of preference list, 57 percent of the Agent staffing needs could be met.

Primarily because of the problems associated with the high living and housing costs, New York is constantly under the established target staffing level for both Agent and support personnel. As of February 1, 1988, the New York Office was 112 Agents below its authorized complement of 1212 Agents, and was 60 support employees below its authorized complement of 802. Since FY 1984, the office has experienced a sharp increase in the rate of Agent resignations, from 11 Agent resignations (or a 1.17 percent annual resignation rate) in FY 1984 to a high of 38 Agents (or a 3.45 percent annual resignation rate) in FY 1987, more than triple the rate from FY 1984 to FY 1987. This resignation rate has substantially out-distanced the FBI-wide

Agent resignation rate of 2.17 percent for FY 1987. The New York resignation rate does not include nine Special Agents who refused to report to New York after being transferred there in calendar year 1987.

These resignations have a severe negative impact on the experience level in the New York Office. In the FBI, a Special Agent reaches the journeyman level after seven years of work experience. At that point, the Agent is experienced and capable of investigating the most complex matters handled by the FBI. As of December 14, 1987, more than 56 percent of the Agents in New York had not had seven years of experience, and more than four-fifths of these, or 46.4 percent of the Agents in the New York Office, had five years or less in the FBI. Only 19 percent of the Agents in New York had completed a full ten years as Special Agents.

Likewise, the New York Office traditionally has a high resignation rate among its support staff. In FY 1987 the rate was 11.66, with an average annual resignation rate of 12.11 percent over the past ten years.

To determine the reasons for this high resignation rate, the FBI file containing the reports of exit and separation interviews of support employees for the period October 1, 1985, through September, 1986 (FY 1986), was reviewed. Additionally, each employee who voluntarily resigned during FY 1986 was sent a questionnaire regarding the reasons for leaving the FBI. These two sources of data, reports of the exit and separation interviews and the survey, showed that of the 113 support employees who entered on duty during FY 1986, twenty-seven of these employees, or 23.9 percent, resigned without fulfilling their one-year obligations. It is important to note that support personnel positions (essentially everyone who is not an Agent) cover a wide variety of occupations, each with its own staffing problems. While their reasons for leaving are varied, the survey results indicated that one of the primary reasons support employees leave the FBI is low salary.

Not only does New York have a high resignation rate, but Agents also seek transfers out of the New York Office in increasing numbers. Within the past three years only four Agents received office of preference transfers into New York, while in FY 1987 alone, 58 Agents received office of preference transfers out of New York. There are currently no Agents on the office of preference list eligible for transfer into New York; however, there are approximately 300 Agents in the New York Office seeking office of preference transfers from New York to other "top

twelve" offices. Many more seek transfers to small- to medium-sized offices. Additionally, increasing numbers of Agents in New York seek early acceptance into the Career Development Program which usually involves a transfer to FBI Headquarters in Washington, D.C. Office of preference transfers, career development transfers, and resignations combined have created an immense staffing problem which has an adverse impact on FBI operations in New York and throughout the FBI.

Traditionally, first office Agents have not been returned to the office from which they were recruited. The FBI has always considered it important for Agents to receive a national perspective of law enforcement which otherwise will not be achieved if an Agent remains in his/her area of recruitment. It is also considered beneficial for Agents to gain an overall understanding of the variety of investigative responsibilities of the Bureau. An assignment to a small- to medium-sized office allows an Agent more opportunity to participate in a greater variety of priority work including white-collar crime, organized crime, and personal and property crime. In the past, the occasional assignment of first office Agents directly to a major field office often resulted in their becoming specialized in one area of work only, thereafter depriving them of the training necessary to readily perform other duties.

Nevertheless, in spite of the desirability of giving all Agents a chance to experience the variety of work in a small- to medium-sized office, the FBI at times transfers new Agents directly to major field offices. Staffing requirements have necessitated that an increasing number of Agents be sent directly to New York from New Agents' Training. This necessary exception to the transfer policy lowers the average experience level of Agents entering New York.

C. Operational Impact

Investigations conducted by the New York Office are among the most complex and sophisticated in the FBI. The Foreign Counterintelligence Program is the largest program in the New York Office. Its effectiveness is critical to the success of the FBI's overall Foreign Counterintelligence Program, and therefore, to the protection of national security. In the foreign counterintelligence area, Soviet and Soviet-bloc Intelligence Services staff their New York posts with their best and most experienced officers. In general, the Special Agents facing this elite group have significantly lower experience levels. Foreign counterintelligence investigations are long-term efforts. It takes several years for any Agent to build up the requisite expertise in, and knowledge of, counterintelligence

operations, methods, and techniques. Under current conditions in New York, Agents who have acquired this knowledge and experience seek transfers at a time when they are of the most value to counterintelligence investigations.

The New York Office was responsible for many well-known successes in organized crime matters, such as the "Pizza Connection" case and the "Commission" case, largely because it had a corps of relatively experienced Special Agent personnel working on those cases. The experience possessed by those Agents involved a knowledge of the various organized crime figures, including the ability to recognize them by nicknames and appearances, and a thorough working knowledge of their relationships with other organized crime figures, as well as a knowledge of their particular criminal specialities. That experience also involved a knowledge of the Mafia family hierarchies and internal alliances. This type of expertise led to a more effective investigative strategy against organized crime and gave the Agents the ability to recognize significant investigative developments within ongoing investigations. Many Special Agents who have developed an expertise in these organized crime matters have been transferred through the Career Development Program, have received office of preference transfers, or have resigned. As a result, New York is continually losing its institutional knowledge in this, as well as in other criminal investigative areas.

In addition to being the home base of the five largest and most powerful Mafia families in the United States, with more than 9,000 members and associates, New York is also the financial capital of the world, and, as result, it is the financial crime capital of the world. These financial crime cases, as well as the public corruption cases handled by the New York Office, are among the most complex and difficult found anywhere.

An important factor which impacts on operations in New York is the lengthy and time-consuming commutes to the Manhattan Office. A commute of as much as three to four hours each day is faced by some Special Agent personnel. Often, because of these long commutes, tasks that could be performed by one team of Special Agents, such as surveillance, must be performed by two teams. For example, an Agent who resides in Pennsylvania and who is to perform a surveillance on a hostile intelligence service officer residing in an area north of the metropolitan area, must leave his residence before 5 a.m. to ensure that he/she is on location to begin the surveillance before the intelligence officer leaves to go about his daily routine at approximately 7:30 or 8:00 a.m. Experience has shown

that the intelligence officer will continue his routine throughout the day and often into the evening. The Agent who has been up and on the road since before 5 a.m. will have to be replaced in the afternoon to maintain an effective and continuous surveillance.

The inability to fill the support positions in the New York Office and the inexperience of the majority of on-board support personnel create two serious problems. First, important functions either are not performed or are performed on a delayed basis. Second, Special Agents are frequently required to perform many routine, but essential support functions, such as indices searches, records checks, and expedited typing. Support functions in the counterintelligence field (where most of the support vacancies now exist) which require highly specialized skill and expertise are performed by Special Agents whose investigative skills could be better utilized in other capacities.

The extremely high cost of living may also have an operational impact in the area of national security. An underpaid employee assigned to work foreign counterintelligence matters in New York City, who has serious financial problems, can be a prime target for recruitment by a hostile intelligence service. Unfortunately, this vulnerability does not restrict itself to employees working in the foreign counterintelligence field. An organized crime family or terrorist group might attempt to exploit these same vulnerabilities. The FBI by no means impugns the integrity of its many loyal and dedicated employees, but unfortunately, recent, well-publicized events have proven that extreme financial burdens and stressful circumstances can be factors in unlawful and sometimes treasonable acts.

The FBI is no longer primarily a reactive organization. The nature of FBI investigations has become increasingly complex and lengthy. White-collar crime investigations, including political corruption cases, may take years to research, document, and prosecute. Organized crime and foreign counterintelligence investigations may necessitate years of background investigations to develop assets, study the movements of subjects, and pursue investigations through court-authorized technical means. It is very difficult to maintain continuity in an investigation of that magnitude over an extended period of time when the majority of the Agents in New York City are seeking to relocate due to the financial burdens faced. Although all information received is meticulously documented and recorded in case files, there is always the intangible thread of understanding that weaves itself through the investigation, which is possessed only by case Agents who have developed, researched, and investigated a case from its inception.

D. Cost

The resignation rate of New York Office employees extracts a financial cost from the FBI. Each employee who resigns represents a substantial amount of money previously spent by the FBI on recruitment, training, and transfers. Furthermore, each employee who resigns must be replaced, requiring future expenditures.

In FY 1987, 38 Agents assigned to New York resigned. Using current figures, those 38 resigning Agents represent prior expenditures of \$2,217,414. Additionally, replacement costs will double the direct cost to the Government, resulting in a total expenditure of \$4,434,828. (See Appendix D). Furthermore, in calendar year 1987, nine Special Agents resigned, or failed to report, upon receiving transfer orders to New York. These Agents represent a prior expenditure of \$339,660. Replacement costs will be the same, resulting in a total cost of \$679,320.

In FY 1987, 83 support employees resigned. Average lost preinvestigative costs associated with each New York support employee resignation, using the current figures, is \$13,429 making a total cost of \$1,114,607. To replace these employees will require an equal outlay, doubling the cost to \$2,229,214.

These costs, of course, do not measure the value of the loss to the FBI in terms of Agent and support experience, which is impossible to quantify.

Agent transfers out of New York create another cost to the FBI. New York has the largest percentage of Agents who receive transfers out of New York to an office of their preference. This Office of Preference program, generally based upon seniority, provides an accelerated ranking for those assigned to New York for an extended period of time. This accelerated ranking is provided to New York Agents to offset the hardship of the assignment. The average relocation costs associated with transfers out of the New York metropolitan area are consistently higher than those from any other major field office.

It is noted that while the FBI does not lose the value of the transferred employee as it does of the resigned employee, it nonetheless does incur extremely high costs as a result of the transfer. Sufficient monetary incentives might encourage some of these Agents otherwise seeking transfers out of New York to remain, thereby stabilizing the office experience level and reducing costs of the Government. If the FBI could reduce support employee and Agent turnover and Agent transfers out of the New York Office the savings to the Government would help offset the cost of the proposed remedy recommended in Section IV.

IV

IV. PLAN FOR REMEDIES

A. Introduction

New York is a high-cost area with unusual living expenses--particularly those connected with housing--that combine to adversely affect recruitment and retention of Federal employees there. Organizations specializing in assessing relocation problems for private companies report that relocation resistance, because of housing costs, is increasing, and that the New York metropolitan area is the location most frequently resisted (even though other areas have as high, or higher, costs of living). The unavailability of affordable housing comparable to what they had in previous locations, within reasonable commuting distance, is the reason most often cited by employees who balk at relocation. This combination of overall living costs and location of acceptable housing makes the impact of relocation of employees to New York among the worst, if not the worst, of any city in the country.

This high cost of living and housing in New York affects all Federal employees in New York, not just the employees of the FBI. At the same time, it is acknowledged that the impact of these factors on employees and agencies is not uniform. There are features of the FBI's personnel policies and practices and operational considerations, primarily directed geographical reassignments for core staff (Special Agents), that are not common among most other agencies and create special problems in staffing the New York Office of the FBI.

In the final analysis, it appears that the combination of overall living costs, housing costs, and the distance to affordable housing from the worksite, creates problems for FBI employees whose assignment to New York is directed by FBI management, usually from one of the lower-cost areas where the FBI maintains its smaller field offices. This, we believe, creates a special set of circumstances impacting in part on national security and is of significant magnitude to warrant an innovative solution.

OPM's existing special pay rate authority does not satisfactorily address the recruitment and retention problems faced by the FBI in New York for its Special Agents, where directed assignments in and out of the city occur on a regular basis. Special pay rates are, by law, basic pay and, as such, become a retained rate of pay for the employee when assigned by the agency to another geographic area. Because of this and the FBI's mandatory mobility policy for all of its Special Agents, special pay rates do not provide an acceptable solution for this set of circumstances and may, in fact, create an incentive to leave New York.

The majority of the FBI's staffing difficulties for most support employees in New York, however, can be addressed through use of the existing special rates authority (some support employees are already covered by special rates), particularly now that the authority has been enlarged under recent congressional action to take account of factors in addition to private sector pay competition.

B. Recommendations

1. Mobility and Retention Allowances

After consultation, the FBI and OPM have agreed that mobility and retention allowances, as set forth in a demonstration project, are mutually acceptable to both agencies. This plan, which would require legislation and apply only to employees subject to mandatory mobility requirements, i.e., directed transfer, would encourage mobility by the payment of a lump sum allowance upon transfer to the FBI's New York Office, and encourage retention there by payment of retention allowances through the payroll system. This option would be tested on a demonstration basis, in a manner similar to demonstration projects that fall under OPM's existing authority, but with the modifications described below.

As envisioned by both agencies, a two-part allowance would be paid to employees transferred to New York under the mandatory transfer program. A lump sum would be paid at the time the employee is actually transferred to New York, upon the employee's written agreement to a specified term of service in New York.* For all employees in New York subject to a mobility requirement, an additional allowance would be paid, on a bi-weekly basis through the payroll system. (The amounts of these allowances would have to be determined.) These allowances would not become part of the employee's basic pay and would cease when the employee is reassigned out of New York.

This plan is designed specifically to deal with the problems created by the mobility requirement for Agents and a small number of support personnel. These mobility and retention allowances would be similar to a provision in the administration's Civil Service Simplification Act, which would authorize Governmentwide recruitment and retention bonuses to resolve demonstrated staffing problems. However, OPM and the FBI recognize the immediate and pressing need of the FBI for this

* The terms of the service contract could be waived or amended upon a management-directed transfer out of New York.

personnel management tool in its New York Office, and would be willing to accept a demonstration project to test this concept. It is expected that the cost of the demonstration project would be covered through a reprogramming request submitted to the appropriate committees of Congress.

The FBI is not covered by OPM's existing demonstration authority, so special legislation would be needed to authorize this project. Proposed language for this legislation is submitted with this report. OPM understands the FBI's concerns that certain procedural features of OPM's existing authority are troublesome in light of the FBI's security requirements, and would support a demonstration project that places limitations on public discussion and that could be terminated before the end of its five-year life span only by agreement of the FBI and OPM or Congress. If Congress authorizes a demonstration project, the role of OPM would involve participation in the design and evaluation of the project, with the FBI maintaining its control over classified information. This recommendation follows the intent of Congress as expressed in its exclusion of the FBI from Chapter 47 of Title 5, United States Code, (U.S.C.), that contains existing demonstration project authority from which the FBI is exempted.

2. Special Rates

Under Title 5, U.S.C., Section 5303, OPM is authorized to establish higher rates of basic pay for one or more occupations in one or more locations where the pay rates in private enterprise are so substantially above the regular pay schedules that they significantly handicap the Government's ability to recruit or retain well-qualified individuals. This basic authority has been expanded under the FY 1988 Continuing Resolution to include consideration of competition from state or local governments or other Executive branch agencies, as well as remote or undesirable worksites or working conditions.

The implementation of special rates in New York requires no new legislation, and would make use of the existing special rate authority to increase rates of basic pay for appropriate groups of support personnel in New York.

C. Other Options

In order to resolve those problems facing the employees in the FBI's New York Office, OPM and the FBI considered a number of other possible options. These options were ultimately dismissed outright as not practical or were set aside in favor of the jointly agreed position discussed above.

Initially, the FBI's preferred option was removal of the FBI from that part of Title 5, U.S.C., which pertains to the General Schedule pay and classification systems. Such removal would place the FBI in a similar position to most of the civilian members of the Intelligence Community. This option would have granted the Director of the FBI the latitude to set pay levels in order to address those recruiting, retention and operational problems associated with employment in the New York Office or in any area of the country where similar problems exist. The FBI understands OPM's concern that such action would tend to cause further fragmentation of the Federal personnel system.

The FBI also favored a cost-of-living allowance for its New York employees, patterned after the cost-of-living allowance currently given in areas outside the continental United States. However, OPM did not like this option for two reasons: first, pay adjustments should be linked to staffing needs rather than cost of living measurements; and second, since all Federal employees in New York are subject to the same cost of living, there is no justification for singling out one agency for a cost of living allowance.

The FBI and OPM considered other options, including the reclassification of FBI employees, relocation of the New York Office, and the changing of FBI staffing policy for the New York Office. Changes in the staffing policies for New York and the reclassification of employees have already been implemented on a small scale by the Director of the FBI with limited success, but do not have the potential to provide sufficient relief to impact significantly on cost of living and attendant problems. The proposal for relocating the New York Office outside Manhattan was rejected as operationally unsound.

App.

APPENDIX A

II 9930 CONGRESSIONAL RECORD — HOUSE November 10, 1987

**TITLE V—ENHANCED COUNTERINTEL-
LIGENCE AND SECURITY CAPABILI-
TIES**

FBI NEW YORK FIELD DIVISION EMPLOYMENT PLAN

SEC. 502. (a) The Director of the Federal Bureau of Investigation and the Director of the Office of Personnel Management shall conduct a study to ascertain the effect on recruitment, retention and operations of employees of the New York Field Division of the Federal Bureau of Investigation caused by the usual living expenses associated with such employment.

(b) No later than 60 days after the enactment of this Act, the Director of the Federal Bureau of Investigation and the Director of the Office of Personnel Management shall submit to the Congress a report setting forth the results of the study described in subsection (a) and a plan for remedying problems identified by the study, including, as appropriate, additional compensation or other means of defraying the costs of employment in the New York Field Division.

H 9932 CONGRESSIONAL RECORD — HOUSE November 10, 1987

TITLE V—ENHANCED COUNTERINTELLIGENCE
AND SECURITY CAPABILITIES

SECTION 502

Section 502 of the conference report directs the Director of the Federal Bureau of Investigation and the Director of the Office of Personnel Management to conduct a study to ascertain the effect on recruitment, retention and operations of employees in the New York Field Division of the Federal Bureau of Investigation caused by the high cost of living in the New York area. The section further provides that 60 days after enactment, the two Directors must submit to Congress a report setting forth the results of the study and a plan for remedying problems identified by the study, including, as appropriate, additional compensation or other means of defraying the costs of employment with the FBI in the New York Field Division.

Section 402 of the Senate amendment provided permanent authority to the Director of the Federal Bureau of Investigation to pay additional compensation to the employees of the FBI's New York Field Division in order to defray unusual living expenses associated with such employment. The House bill contained no comparable provision.

The Intelligence Committees have been advised for some time by the FBI that due to the high costs of living in the New York area, the FBI has a difficult time recruiting agents for such assignments, which impose a considerable financial burden on agents and their families under the current pay structure. Agents who are assigned to the New York office routinely attempt to leave at the earliest opportunity.

From the standpoint of the effectiveness of the FBI's Foreign Counterintelligence Program, the New York Field Division is critically important. To have employees assigned to this division against their wishes, at a considerable financial sacrifice, and to have them take the first opportunity to leave for the same reason, inevitably undermines the effectiveness of the New York office in terms of its counterintelligence responsibilities.

What distinguishes the circumstances of FBI employees in the New York area is that many FBI employees are transferred in and out of the New York area as a routine matter. The great majority are not recruited in New York and undergo significant hardship in terms of housing, commuting and overall living expenses by transferring into the New York metropolitan area. Most other Federal employees in the New York area are not required as a condition of employment to move to the New York area because they were already living in the area when they joined the Federal service. Further, the conferees wish to emphasize that the FBI, especially in its counterintelligence activities, possesses personnel requirements which differ from other Federal agencies and which impose burdens in excess of those imposed by other Federal employment in the New York area.

The conferees are conscious of the fact that legislating a special compensation supplement for FBI employees in the New York area would cause dissatisfaction and invite comparison with other Federal employment. Although the conferees are convinced that circumstances of FBI recruitment, assignment and operations are generally more onerous than those of other Federal employees in the New York area, the conferees were mindful of the Administration's concern to minimize inequities in the treatment of all Federal employees in the New York area. The conferees, however, are of the strong belief that some appropriate measures can and should be taken to relieve the high cost of living for Federal employees in the New York area but most particularly for those of the FBI.

The conferees had considered a short-term demonstration project in order to study the effect that an additional cost-of-living allowance would have on the situation of FBI employees in the New York Field Division. The intent of the allowance would have been to equalize the financial burden of living in the New York area with those which may occur in other areas of the country. The Administration opposed this approach and represented to the conferees that the Director of the Office of Personnel Management had sufficient legislative authority to make adjustments for the employees of the New York Field Division. The conferees were further told that the Administration was willing to undertake a study to consider ways in which to employ such authority and that there was a recognition within the Administration of the unique and significant burden imposed on many New York Field Division employees of the FBI. Accordingly, the conferees agreed to require such a study with appropriate recommendations. It is the expectation of the conferees that the results of the study will bear out the conferees' conclusions about the uniqueness of the FBI working conditions in New York and the appropriateness of providing some recompense for these conditions of employment.

The conferees believe that Administration officials have promised a good faith effort to come up with a solution to the New York Field Division problem within the context of existing authorities and as a result of cooperation between OPM, FBI and the Office of Management and Budget. The conferees put the Administration on notice that a failure to address the problems identified by the Intelligence committees will lead to further legislative action by the Congress.

The conferees expect that any FY 88 FBI funds used to implement any findings or recommendations of the study will be the subject of a reprogramming request submitted to the appropriate committees of the Congress.

APPENDIX B

**Demonstration Project on Mobility and Retention
for FBI New York Field Division**

Sec. _____. Notwithstanding any other provision of law, the Director of the Federal Bureau of Investigation and the Director of the Office of Personnel Management shall conduct a demonstration project to ascertain the effects on the recruitment, retention of personnel, and field operations in the New York Field Division of the Federal Bureau of Investigation of providing allowances--

- (1) in lump sums to personnel upon directed assignment to the New York Field Division from another geographical location, and who enter into an agreement to complete a specified period of service, not to exceed 3 years, in the New York Field Division; and
- (2) in periodic payments to New York Field Division employees who are subject by policy and practice to directed transfer or reassignment.

Such demonstration project shall commence not later than ninety days after the date of enactment of this Act and shall terminate five years after such date, unless extended by law.

APPENDIX C

COLDWELL BANKER 1987 HOME PRICE COMPARISON
SINGLE FAMILY HOME
 2000 Square Feet, 7 Rooms, 3 Bedrooms,
 2 Baths, Family Room, 2-Car Garage
Assumes Mortgage 20% Down Payment, 30 Years

	<u>Price</u>	<u>20% Down Payment</u>	<u>Annual Taxes</u>	<u>Monthly PIT Payment</u>	<u>Monthly Rent</u>
<u>Alabama</u>					
Birmingham	\$95,000	\$19,000	\$410	\$701	\$700
<u>Indiana</u>					
Indianapolis	\$90,000	\$18,000	\$900	\$707	\$800
<u>Minnesota</u>					
Minneapolis	\$140,000	\$28,000	\$2,100	\$1,158	\$1,100
<u>Nebraska</u>					
Omaha	\$88,000	\$17,600	\$2,500	\$826	\$600
<u>Connecticut</u>					
Greenwich	\$520,000	\$104,000	\$2,500	\$3,859	\$2,000
Hartford	\$183,000	\$36,000	\$1,500	\$1,410	\$ 900
Stamford	\$325,000	\$65,000	\$3,000	\$2,532	\$1,350
<u>New Jersey</u>					
Bergen County	\$320,000	\$64,000	\$4,700	\$2,638	\$2,000
Essex County	\$228,000	\$45,000	\$2,700	\$1,826	\$1,500
Morris County	\$235,000	\$47,000	\$3,000	\$1,000	\$1,400
Somerset County	\$278,000	\$55,600	\$3,500	\$2,243	\$1,500
<u>New York City Area</u>					
Nassau County					
Long Island, N.	\$300,000	\$60,000	\$3,800	\$2,423	\$1,400
Long Island, S.	\$200,000	\$40,000	\$3,400	\$1,687	\$1,200
Rockland County	\$215,000	\$43,000	\$3,500	\$1,801	\$1,500
Suffolk County					
Long Island, N.	\$225,000	\$45,000	\$3,500	\$1,871	\$1,300
Long Island, S.	\$190,000	\$38,000	\$3,400	\$1,671	\$1,200
Westchester Cty	\$300,000	\$60,000	\$3,500	\$2,398	\$2,000
<u>Maryland</u>					
Baltimore	\$145,000	\$29,100	\$1,628	\$1,157	\$1,100
<u>Florida</u>					
Ft. Lauderdale	\$128,000	\$25,600	\$1,116	\$992	\$900
Miami	\$125,500	\$25,100	\$2,066	\$1,053	\$1,100
<u>Pennsylvania</u>					
Philadelphia	\$162,000	\$32,400	\$2,027	\$1,306	\$1,200

APPENDIX D

ESTIMATED COSTS OF SPECIAL AGENT RESIGNATIONS

Average preemployment cost per hire.	\$ 9,464
Training Costs (Agent).	\$17,143
Relocation Costs:	
First Office.	\$11,133
Second Office	<u>\$20,613</u>
 Total Average Cost per Agent Assigned to New York	 \$58,353