



# FORMER HUD SECRETARY BENJIMAN S. CARSON'S FY 2020 BUDGET PRIORITIES

An Examination

## Abstract

The budgeting process serves both as a tool that identifies an agency's resources and expenditures and as a declaration of a public administrator's programmatic and political goals. These financial goals often drive a leader's management goals as well. In this academic product, I illustrated how the U.S. Department of Housing and Urban Development's (HUD) Fiscal Year 2020 budget-in-brief provides the public insight into the agency's former Secretary Dr. Benjamin S. Carson's style of management. I explained how the Secretary's administrative approach is steeped in classical management theory and illustrates priorities influenced by behavioral and social construction concepts of organizational theory.

Angela A. Russo

March 2020

This is an version of an assignment prepared for Managing Public Organizations, Spring 2019

An agency's budget is often a roadmap of its key values and goals. One of the most widely known examples of this is the President of the United States' annual Fiscal Year (FY) budget proposal. Through the release of these annual proposals, the sitting U.S. President displays his priorities for Federal programs; morphing key government resources in ways that help their administration achieve its policy goals. This was further illustrated in President Donald J. Trump's recently released budget for FY 2020, when he closes his message to the public with: "My Budget reflects my Administration's commitment to these worthy goals...." Yet, beyond seeing the budgeting process as solely a source to better understand a public administrator's programmatic and political goals, we will illustrate how it also offers the public insight into their management philosophy and approach. We will achieve this by examining the Secretary of the U.S. Department of Housing and Urban Development (HUD), Dr. Benjamin S. Carson's FY 2020 Budget in Brief for the department. Here the Secretary's approach to management and administration will demonstrate an approach steeped in classical management principles, yet also fortified with both behavioral and social construction concepts to organizational theory.

The President's FY 2020 budget decreases HUD's allocation by 16.4% when compared to its enacted 2019 budget (Executive Office of the Presidency, 2019). Yet, despite the constraints dramatic budget changes can have on an agency's organizational functions, Sec. Carson supports the President's proposed changes and states "...the president's budget is a commitment to fiscal restraint..." (Ramirez, 2019). Sec. Carson chooses to focus HUD's FY 2020 Budget Brief on his management and policy agenda, which he has coined his "Prescription for HUD" (U.S. Department of Housing & Urban Development, 2019, p. 8). His "prescription" centers on creating economic opportunities for low-income communities, aligning program policies and procedures and streamlining operations throughout HUD's multiple program and

field offices (U.S. Department of Housing & Urban Development, 2019, p. 8). The Secretary's focus on HUD's internal operations reflects a perception of inefficiency and lack of transparency.

This approach is reminiscent of classical organizational theory, which utilizes "rationalized, technical, and scientific practices" to address perceived dysfunction within an agency. For instance, Sec. Carson believes the only way to protect taxpayer funds and enhance access to services is to reorganize HUD's bureaucratic system and enhance administrative functions such as "improved policies and processes" and to "streamline its operations" (U.S. Department of Housing & Urban Development, 2019, p. 8). Moreover, Sec. Carson's use of his authority and the Federal budgeting process embodies the classical concept of traditional authority coined by sociologist Max Weber. The power of this concept is rooted in an organization's "historically ground and sustained practices and norms" and is only influential as long as the leadership complies with the system's normal operations (Pershing & Austin, p. 29). Therefore, it can be interpreted that the Secretary depends on the President's FY 2020 budget proposal to bolster efforts within the department that align with his overall goals for HUD.

Included within Sec. Carson's FY 2020 Budget Brief are the department's specific goals for its management and administration functions. In this section we learn the Secretary proposes to restructure HUD's Real Estate Assessment Center Services (REAC) to adhere to a Working Capital Fund (WCF) model. In 2017 the Consolidated Appropriations Act established the WCF to provide shared services implementing administrative functions on behalf of HUD, such as financial management, travel services, procurement, etc by both budget appropriations and direct program funding within the department (U.S. Department of Housing & Urban Development, 2018). If enacted, Carson's vision for REAC, under this funding model, will consolidate REAC's

inspections and financial assessment of HUD-assisted properties, currently performed separately for over three separate HUD divisions, and will help the department achieve key “programmatic and business improvements” (U.S. Department of Housing & Urban Development, 2019, p. 26). At the heart of Sec. Carson’s plans involving REAC and the WCF model is the fundamental concept of transaction cost economies. As Pershing and Austin write in their book *Organization Theory and Governance for the 21<sup>st</sup> Century*, organizations reposition their transaction costs, which include a wide array of administrative activities and expenses, to produce “the most efficient means of production (Pershing & Austin, p. 83). HUD’s FY 2020 Budget Brief aligns with this concept when highlighting the proposed use of the WCF model would enhance its governance structure and create “incentives to deliver higher-quality services at lower long-term costs” (U.S. Department of Housing & Urban Development, 2019, p. 26).

Additionally, according to the Secretary, this change would position HUD as a paying REAC customer, thus improving customer responsiveness and overall customer service quality (U.S. Department of Housing & Urban Development, 2019, p. 26). In this scenario, HUD acts as a customer, awarding the department greater influence over its inspection activities and how these activities interface with the public. The approach to redesigning transaction costs in a way that awards an organization greater control over outputs also supports the concept of economies of scope. In this administrative function proposal, HUD would expand its WCF shared services activities (or for the purpose of this analysis its “economy of scope”) to also include REAC activities, thus, as Pershing and Austin writes, “placing similar sets of activities ‘under one roof’”, while also reducing transaction costs (Pershing & Austin, page 84-85). The belief that redesigning the funding approach for REAC’s services would provide key stakeholder improvements is also synonymous with Oliver Williamson’s “organizational man”; a person who pays attention to the structure of an organization but “at his core is still self-interested and utility maximizing” (Pershing & Austin, p. 84). According to Williamson’s work, Sec. Carson’s REAC/WCF vision assumes REAC staff fills the role of the

organizational man, only willing to provide higher quality services in exchange for the incentives inherent in bringing on HUD as a direct customer of their services.

While HUD's FY2020 Budget Brief illustrates a Secretary, who centers his management approach on technical ways to influence organizational structures and processes, he also displays an understanding of tapping into behavioral foundations to ensure a smoother transition through his proposed changes. Thusly, Sec. Carson's financial transformation plan for HUD established an agency-wide integrity task force which is a "central steering committee that consisted of the heads of HUD's program offices" and is chaired by his newly hired CFO Irving Dennis (U.S. Department of Housing & Urban Development, 2020, p. 8). This technique is indicative of Kurt Lewin's change management and action research theory, which highlights the importance of examining both the "practices and mind-set" of an agency to ensure effective change (Pershing & Austin, p. 58). As Lewin's work states, change management is a series of steps that include "fact-finding about the result of the action" and that leadership must ensure change includes both "interactive and participative" techniques (Pershing & Austin, p. 58). It can be assumed; both Sec. Carson and Dennis understand the extent of change their transformation plan calls for and the confusion that may remain after what Lewin coins the "unfreezing" stage of change management (Pershing & Augstin, p. 58). In this light, both leaders may understand the need to display democratic leadership techniques during this stage, thus resulting in the creation of the steering committee.

Moreover, consulting with existing HUD employees furthers Lewin's notion of change management by deploying what Renisis Likert coined the "consultative" system of his four systems of leadership styles (Persin & Austin, p. 59). Likert's four systems of leadership was developed out of his need to identify a tool that can quantify social attitudes within organizations. Deploying Likert's consultative system, Sec. Carson and Dennis create "a sense of involvement" in HUD's planned financial transformation via employee participation in the steering committee, thus seemingly distributing responsibility throughout the department's structure (Pershing & Austin, p. 59).

In conclusion, both President Trump and Sec. Carson's proposed budget for FY 2020 calls for significant changes in how HUD operates, both within the communities the department provides funding to and its own administrative processes. Our examination of HUD's FY2020 Budget Brief focused on its current leadership's approach to implementing these proposed changes. Here we uncovered a Secretary that seeks to use both his role and the federal budget process to implement his policy agenda and his technical understanding of the department's transaction costs on what he considers overall departmental efficiency. Yet, HUD leadership also demonstrates an understanding of involving existing staff to help it effectively manage the change their agenda calls for. It can be assumed, that there may exist different views within the public service sector on what the overall impact of Pres. Trump's proposed budget decrease would mean for HUD's communities and its staff, yet one can be certain, under its current leadership, HUD's administrative processes will undergo substantial change.

#### References:

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