Chapter 1: Role of Performance Measurement in HUD CPD Formula Grant Programs

Performance measurement is a tool to capture information about program performance. This chapter introduces the concept of performance measurement to HUD CPD's four major formula block grant programs. The chapter describes the Federal performance measurement requirements and discusses why performance measurement is important locally.

Specifically, this chapter answers the following questions:

1) What is performance measurement?

2) Why is performance measurement important at the Federal level?

3) Why is performance measurement important to grantees?

4) What is the new CPD Performance Measurement System and how was it developed?

What is Performance Measurement?

Most simply, performance measurement is an organized process for gathering information to determine how well programs and activities are meeting established needs and goals.

- Performance measurement systems can range from simple to complex depending on what is being measured and the capacity of the program.
  - A simple performance measurement system might track easy-to-collect information about a program. For instance, total program expenditures, an agency's administrative costs, or the progress of individual activities, such as the number of housing units completed or how many units are brought from substandard to standard physical condition. All of these data are easy to define and easy to generate. The information can all be captured in a basic spreadsheet on a staff person's computer.
  - A more complex performance measurement system may track data that is harder to define or obtain over time. For instance, programs that strive to improve the quality of life for beneficiaries would require performance measurement indicators that capture information on the individual elements that, taken together, describe a beneficiary's "quality of life." Such a system might gather information about the characteristics of those served – household income, education attained, and similar factors – or of the neighborhood or area in which they live.

- A successful performance measurement system is tailored to the specific goals and objectives of the program.

  - The same activity may be undertaken for different purposes. Therefore, the indicators of performance for that activity should vary, depending on the desired result. For example, some communities, such as Charlotte, North Carolina, and King County, Washington, target community development investments to specific neighborhoods within their jurisdictions. Charlotte gives investment priority to distressed communities, using community development programs to increase neighborhood quality. King County promotes affordable housing in select growth nodes within the county, so as to increase densities in some places and preserve open space in others. Although both communities target investments in specific neighborhoods, their desired outcomes differ. For Charlotte, the performance measurement indicator must measure whether the investments have increased the quality of neighborhood life. For King County, the performance measurement indicator must measure whether affordable housing options have increased in its growth nodes and whether the available open space elsewhere has remained the same or increased.

  - Different activities may also be undertaken to achieve the same objective. For instance, a jurisdiction that wants to provide affordable housing to its low-income residents might offer both a tenant-based rental assistance program and a rental housing development program. The performance measurement system would want to measure how well the jurisdiction achieved its objective of housing low-income families in affordable units through a combination of activities.

Importance of Performance Measurement at the Federal Level

At the Federal level, performance measurement is no longer a choice. By law, all Federal agencies are required to measure the outcomes of their programs. Additionally, program results are directly linked to funding decisions and public support for programs. Collectively, CPD grantees must be able to demonstrate the positive effects their programs have on communities and individuals.

Without a tool to measure the performance of CPD programs nationally, HUD and its program partners will not be able to capture the difference that grantees are making in their states and communities, and convey these important program outcomes to policymakers and the public. The CPD Performance Measurement System provides a framework for HUD to take local data from grantees throughout the nation and aggregate it so that the impact of housing and community development programs can be measured at the national level.

Federal Requirements

At the Federal level, HUD is required to meet the standards of the Government Performance and Results Act (GPRA) of 1993 that hold all Federal agencies accountable for establishing goals and objectives and measuring achievements. GPRA directly links Congressional decision-making on program spending to the effectiveness

and efficiency of Federal programs. To help aid agencies in their efforts to report the results of their programs and how funds are spent, the Office of Management and Budget (OMB) has implemented several initiatives. The President's Management Agenda establishes government-wide and agency-specific objectives to improve Federal management and strengthen the Federal government's focus on creating a results-oriented government, centered on achievement and accountability.[1] OMB has also developed a Program Assessment Rating Tool (PART) to assist agencies in assessing the effectiveness of individual programs.

To meet its obligation to assess its program performance, HUD must require grantees to provide information on their achievements and investments since program objectives and activities are determined and implemented locally. If CPD grantees do not provide this information, HUD will be unable to fully comply with Congressional and executive performance measurement mandates. This is likely to have a direct impact on future funding for these four programs (CDBG, HOME, HOPWA, and ESG).

The Government Performance Results Act (GPRA)

GPRA was the first step taken by Congress to establish Federal agencies' responsibility to link results with funding. All Federal agencies, including HUD, are required to meet the standards of GPRA. GPRA directly links Congressional decision-making on program spending to the effectiveness and efficiency of programs in achieving statutory objectives through emphasis on:

- Program effectiveness and results;
- Increased service quality and customer satisfaction; and
- Improved public accountability.

CDBG, HOME, HOPWA, and ESG are each designed to increase flexibility and shift responsibility to local governments, making it difficult for HUD to capture results and monitor programs at the national level.

- HUD can better meet its GPRA responsibilities by building grantee capacity to measure performance and evaluate programs. This is the key objective of the CPD Performance Measurement System.
- In a time when budgets are tight, it is in the mutual self-interest of HUD and local partners to demonstrate the effectiveness of these programs.

The Program Assessment Rating Tool (PART)

To help agencies improve their ability to account for the results of program spending, the OMB has instituted several initiatives to reform agency practices and augment agency

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[1] *The President's Management Agenda, Fiscal Year 2002.* Executive Office of the President, Office of Management and Budget.

collection and analysis of performance data.[2] As a part of the President's Management Agenda, OMB developed the Program Assessment Rating Tool (PART). The PART is a standardized tool used to assess every Federal program.

A PART review identifies a program's strengths and weaknesses. The PART evaluates four key elements:

- Program purpose and design;
- Strategic planning;
- Program management; and
- Program results.

Each Federal program is rated on a scale of 1-100, and determined to be "effective," "moderately effective," "adequate," or "ineffective." Programs that do not have adequate performance measurement systems are scored "results not demonstrated." The PART analyses and scores not only inform program management decisions, they are also considered in Federal funding decisions and recommendations.

Program Funding Decisions

HUD programs, such as CDBG, HOME, HOPWA, and ESG, are valuable programs that are currently at risk for budget cuts, in part because HUD has had difficulty demonstrating program results for one or more of these programs at the national level. The CPD Performance Measurement System allows HUD to access readily available data from grantees and aggregate the data nationally to demonstrate the positive impact housing and community development programs are making at the national level.

Demonstrating Results to the Public

CDBG, HOME, HOPWA, and ESG are critical programs in communities throughout the country. These funds are used to improve housing for families, create employment opportunities for individuals, aid in neighborhood revitalization efforts, and much more. As the focus on accountability increases and funding decisions are determined by demonstrated program results, it is imperative that HUD and its grantees be able to describe the impact these programs have in their communities. These program results must be understood by the public as well as key decision makers in Congress, state legislatures and local governing bodies. This capability is essential for effective program delivery and for maintaining and sustaining public support and funding for these programs.

The CPD Performance Measurement System will allow grantees to capture data on their key program activities, and "roll" that data up with that from other communities to the national level. In the future, HUD anticipates that the system will be able to provide ad

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[2] *Promising Practices in Grantee Performance Measurement*. U.S. Department of Housing and Urban Development Office of Policy Development and Research, April 2005.

hoc reports that will enable grantees to better demonstrate to their residents and elected officials the impact of these Federal programs at the local level.

Importance of Performance Measurement to State and Local Grantees

Performance measurement is important for state and local jurisdictions receiving community development funds from HUD for several reasons:

- HUD needs performance information to meet its responsibilities and highlight program accomplishments; and
- Performance measurement will help grantees enhance program capacity and performance.

Helping HUD Capture and Report Program Accomplishments

Performance measurement by grantees has been strongly encouraged by HUD in recent years as a means to strengthen local program management and report program accomplishments. HUD Notice CPD 03-09, *Development of State and Local Performance Measurement Systems for Community Planning and Development (CPD) Formula Grant Programs*, strongly encouraged grantees to develop or use a state or local performance measurement system.

While state and local performance measurement systems generate data about local program outcomes and inform local program decision making, differences in data structure, format, and timing make it difficult to use these data to describe outcomes at a national level. The CPD Outcome Performance Measurement System will enable all grantees to meet the HUD requirements and provide HUD with standardized information it needs to report on program results nationally.

Enhance Program Capacity and Performance

A HUD study, *Promising Practices in Grantee Performance Measurement,*[3] reveals that an increasing number of grantees see performance measurement as a tool that can help them address local challenges.

While there is a range of reasons that states and communities have developed their own performance measurement systems, the communities in the study all decided to create their systems as a tool to assist them in achieving better implementation of their programs. These jurisdictions report that performance measurement helps them in the following ways:

- **Respond to a budget crisis:** When a budget crisis occurs and a jurisdiction needs to be able to demonstrate that local funds are being used well, a number of cities have found that a performance measurement system helps them

[3] *Promising Practices in Grantee Performance Measurement*. U.S. Department of Housing and Urban Development Office of Policy Development and Research, April 2005.

maintain a focus on the top priorities, demonstrate progress in addressing those priorities, and show that funds are being used effectively.

- **Focus on long range goals, rather than operations:** The HUD study notes that some jurisdictions found that having a performance measurement system that provided regular reports to elected officials regarding performance against established goals resulted in the ability for elected officials to stay focused on the long range goals.

- **Show results and build public support:** The ability to show that a jurisdiction's performance is improving over time, or that its performance is comparable to or higher than similar communities, helps staff and elected officials win public support for their efforts.

These are just a few of the potential benefits to jurisdictions that can come from implementing performance measurement.

Use of CPD Outcome Performance Measurement System

Spring 2006 Release of IDIS

Grantees can begin reporting on performance measurement data items starting in Spring 2006. At this time, an updated version of the Integrated Disbursement Information System (IDIS) will be released and will provide grantees an opportunity to familiarize staff with the new reporting requirements and the revisions to IDIS. It also provides an opportunity for grantees to check that forms, reports, and procedures are adequate to provide IDIS staff with all of the required information.

Performance Measurement Reporting Required Starting in Fall 2006

Starting in Fall 2006, grantees must use the CPD Outcome Performance Measurement System and provide the required data. This information will enable HUD to meet its Federal performance measurement responsibilities for the CDBG, HOME, HOPWA, and ESG programs. All grantees will be required to use the new performance measurement system in IDIS, regardless of whether they have already developed their own performance measurement systems.

State and Local Performance Measurement Systems

Many grantees already use state and local performance measurement systems developed by their agency or jurisdiction. For a list of several local grantee performance measurement systems examined in the recent study by HUD, see Attachment 1-1 at the end of this chapter.

The CPD Outcome Performance Measurement System is not designed to replace local performance measurement systems but to complement them. Grantees using their own state or local systems should continue to use their systems, but need to make sure that they have the capability to provide the data items required by the CPD Outcome Performance Measurement System as well. HUD anticipates that most grantees with

their own existing performance measurement systems should find these requirements relatively easy to meet.

For grantees that have not developed local performance measurement systems, the CPD Performance Measurement System will be incorporated into IDIS and will be sufficient for HUD's purpose of gathering results nationally.

While grantees are not required to develop state or local performance measurement systems, HUD encourages grantees to consider developing their own systems to address the specific needs of their state or community. For jurisdictions that have not implemented performance measurement systems, the HUD system can provide a useful starting point for these efforts.

Development of the Outcome Performance Measurement System

The Challenge

Large Federal block grant programs, such as CDBG, HOME, HOPWA, and ESG, face particular performance measurement challenges because they are multi-faceted programs guided by broad national objectives where states and localities use the funds to address their own diverse, specific needs and requirements within these larger objectives.

The Community Development Performance Measurement Working Group recognized this challenge and strived to craft a performance measurement framework that captured results at a local level across the four programs using a common structure that allows them to be "rolled up" to the national level.

Purpose of the System

The performance measurement system was developed to provide HUD and CPD grantees with a standardized methodology and system to measure the outcomes of HOME, CDBG, HOPWA, and ESG. Given the Federal requirements to measure program performance and the strong competition for available Federal resources, HUD and its grantees must be able to demonstrate how CPD programs benefit low-income families and communities.

The Performance Measurement Working Group

The Community Development Performance Measurement Working Group membership included HUD staff, as well as state and local public interest groups, grantees of various sizes, and OMB. It was important for each of these stakeholders to be represented and involved during the development of the system to ensure that:

- ❑ The performance measurement system is an easy to use tool that draws upon readily available data for all grantees; and
- ❑ Federal reporting requirements are met so HUD and OMB are able to "roll up" the data at a national level to show accomplishments and demonstrate the value of the programs.

The Working Group met several times over an 18-month period to develop the framework of the CPD Performance Measurement System. Exhibit 1-1 provides a list of the agencies in the Working Group.

Exhibit 1-1: CPD Performance Measurement Working Group

- ❑ Council of State Community Development Agencies (COSCDA)
- ❑ National Community Development Association (NCDA)
- ❑ National Association for County Community Economic Development (NACCED)
- ❑ National Association of Housing and Redevelopment Officials (NAHRO)
- ❑ National Council of State Housing Agencies (NCSHA)
- ❑ State grantees
- ❑ Entitlement grantees and HOME participating jurisdictions, including cities and counties
- ❑ HUD staff
- ❑ OMB staff

What did the Working Group Seek to Achieve?

When setting out to create the CPD Performance Measurement System, the Performance Measurement Working Group focused on developing a practical, easy to use tool that draws on readily available data and addresses the common activities that may be undertaken by each of the four programs. It considered the range of activities undertaken through the four CPD programs and developed a framework that accomplished two objectives:

- ❑ To collect robust data on the outcomes of program activities that enable HUD to describe and quantify the impact these programs make nationally and locally; and
- ❑ To minimize the reporting burden on grantees.

In order to create a tool that successfully addressed these challenges and achieved these objectives, the Working Group established the principles in Exhibit 1-2. Not only was the development of the framework an innovative consensus-building process over time, but the final framework and each indicator agreed upon had to address each

principle. Consensus amongst all members of the Working Group was required to ensure that the views of all stakeholders were given equal weight.

Exhibit 1-2: Guiding Principles of the Working Group

- **Address all four Consolidated Plan programs:** Early on, the Performance Measurement Working Group recognized that while each of the four Consolidated Plan programs (CDBG, HOME, HOPWA, and ESG) has a unique set of requirements, the performance measurement system needs to focus on the elements and results common across the programs. The Working Group recommended a framework that reflects the common ways that grantees work to achieve their goals regardless of the specific source of funds they administer.

- **Preserve program flexibility:** These programs are unique in that state and local governments are given the flexibility to make choices about how to use program funds. The Working Group made it a priority to preserve local autonomy in determining how funds should be used based on local needs and priorities.

- **Capture diverse outcomes:** Collectively, the CPD programs fund a wide variety of housing and community development activities. Funds can be used for downpayment assistance to a family to purchase a home; to repave the sidewalk in a low-income neighborhood; or to provide shelter to homeless persons. The Working Group believed that the performance measurement system must allow data to be captured across these varied activities to accurately show the difference these programs have been making.

- **Recognize that similar activities are often funded for different purposes and outcomes:** The system has to capture different outcomes across similar activities based on the intent of the activity. For example, a public infrastructure improvement activity under CDBG could be for creating a suitable living environment or for economic opportunity, depending on the intent. If a grantee is making road improvements to improve safety in a residential area, the grantee is working to create a suitable living environment. If a grantee is funding road improvements to provide improved access to an industrial park, the grantee is working to expand economic opportunity.

- **Emphasize the use of readily available data:** To facilitate the use of the system by grantees, the Working Group made it a priority to have the performance measurement system incorporate, to the greatest extent feasible, data commonly collected by many grantees.

- **Focus on outcomes that can be rolled up nationally:** In order for HUD to "tell the story" and explain how these programs help families and communities, the Working Group recognized that HUD must be able to use the system to show how these programs make an impact at the national level.

What are the Benefits of the System?

The CPD Performance Measurement System provides the following benefits for HUD and its grantees and subrecipients.

- **Meets Federal performance measurement requirements:** The system was developed in direct consultation with OMB to ensure that it fulfills Federal performance measurement requirements.

- **Provides clear evidence of program results/outcomes at a national level:** The system provides HUD with "hard" numbers about the results of grantee activities. These numbers will allow HUD to quantify the impact of grantee activities, both locally and nationally.

- **Provides grantees with performance information that they can use to inform local officials and the public about the results of their programs:** For grantees that have not yet developed their own performance measurement systems, the CPD system provides them with performance information for their programs that can be used at the local level. This information can help grantees communicate their accomplishments and build public support.

- **Informs grantee decisions about program design and implementation:** The system provides grantees with information about the extent to which their programs achieve the intended results. To the extent that program performance falls below the desired levels, grantees can examine their program designs and procedures and assess whether changes are needed to enhance their performance.

Using the System

HUD's Role

HUD's role is to maintain the system, analyze the data provided, and report program results to Congress, the public, and other key stakeholders. Here are some ways in which HUD will use the data it collects:

- HUD will use the data entered by grantees to develop a composite picture of the results of the four CPD programs. This will include developing outcome statements that summarize national results across activity or grantee types.

- In combination with other nationally available data (such as U.S. Census data), HUD may track housing and community development related trends, such as homeownership rates or business creation.

- HUD will use the outcome statements to develop goals for the Annual Performance Plan required under GPRA, and to compile results for the annual Performance and Accountability Report to Congress.

- This information can be used to respond to various inquiries submitted by members of Congress and other elected officials, public interest associations, and interested citizens about HUD activities and programs.

The Role of Grantees

For grantees, the system provides a framework for classifying activities in their Consolidated Plans and also serves as a reporting tool. The information provided by

grantees will enable HUD to report on the outcomes of the four programs nationally. For a summary of grantee responsibilities, see Chapter 2.

Over time, the system will provide summary reports and data that grantees can use in analyzing their performance.

Next Steps

In Spring 2006, the objectives, outcomes, and indicators in the *Notice of Outcome Performance Measurement System for Community Planning and Development Formula Grant Programs* will be incorporated into IDIS. As discussed above, grantees will be asked to enter available data starting in Spring 2006, although entry of data is not required until October 1, 2006. Starting in October 2006, the CPD Performance Measurement System will be fully in effect and grantees will be required to enter performance measurement data for activities underway or completed after that date. As a result, HUD will be able to have complete performance information for all of the Federal Fiscal Year of 2007. Release of the web-based ("Phase I") re-engineered IDIS, including the new performance indicators, is scheduled for Fall 2006.

Grantees will be required to incorporate performance measurements into consolidated plans or annual action plans prepared for FY 2006 CDBG, HOME, HOPWA, and ESG funding and submitted after March 13, 2006. This will include the determination of an objective and selection of an outcome for each activity, based on the type of activity and its purpose. HUD recognizes that some grantees have already completed preparation of their FY 2006 plans, while others are well into the planning and development process. However, where possible, grantees should immediately incorporate the new performance measurements approach into consolidated plans or annual action plans that are being prepared for FY 2006 funds. Incorporating the new performance measures into grantee consolidated plans and action plans will help ensure that future reporting of data is less burdensome for grantees.

HUD plans a Phase II of the re-engineered IDIS that will reduce the overall administrative burden for grantees by integrating the Consolidated Plan, Annual Action Plan, and Consolidated Annual Performance and Evaluation Report (CAPER) into the performance measurement system. Phase II will be released no sooner than one year after the Phase I conversion has been completed.

Attachment 1-1:
Examples of Local Performance Measurement Systems*

Austin, Texas – City of Austin: Budget Office
Austin's strong interest in public accountability has led it to create an electronic performance reporting system, operated by the city's Budget Office, that allows agency staff to electronically file information on funds expended and units produced.

Website: http://www.ci.austin.tx.us/budget/eperf/index.cfm

Burlington, Vermont: Community Economic Development Office
The City of Burlington's performance measurement efforts include a mix of specific outputs attached to agency activities and community-wide measures of well-being that are not linked to concrete programs.

Related Links: http://crs.uvm.edu/burlingtonlegacy/index.html
http://www.ci.burlington.vt.us/

Charlotte, North Carolina: City of Charlotte
The City of Charlotte's performance measurement system is a citywide effort to link overall strategic direction imparted by the City Council to the work of the operating divisions within government through a series of performance "scorecards."

Website: http://www.charmeck.org/Departments/Budget+-+City/+Performance+Reports/Performance+Measures.htm

King County, Washington – Department of Community and Human Services: Housing and Community Development Division
Performance measurement in King County is noteworthy primarily for efforts to track changes in area-wide outcomes that are not necessarily tied to specific community development programs. The King County Benchmarks Initiative tracks economic development, environmental, affordable housing, land use, and transportation trends within the county as a way to measure progress against goals set under the state's growth management regime.

Website: http://www.metrokc.gov/auditor/PerformanceMeasures.htm

Minneapolis, Minnesota – Community Planning and Economic Development Department
Performance measures for the Community Planning and Economic Development (CPED) Department are broken down by "business lines"—such as housing development and workforce development—reported in the agency business plan and tied to the annual budget process.

Website: http://www.ci.minneapolis.mn.us/results-oriented-minneapolis/

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* These communities were taken from: *Promising Practices in Grantee Performance Measurement*. U.S. Department of Housing and Urban Development Office of Policy Development and Research, April 2005.