Chapter 11: Special Issues for States

For states, implementing the CPD Performance Measurement System may present a number of challenges, because states generally act in the capacity of grantor, rather than implementer. Further, program administration at the state level involves a large number of partners and stakeholders. This chapter considers the challenges that many states may face when implementing the CPD Performance Measurement System. Specifically, the chapter provides guidance on:

- ***Getting organized and securing participation of the key stakeholders;***
- ***Integrating outcome measurement into the consolidated planning process and linking to other state initiatives and state budgeting, strategic planning, and administrative processes;***
- ***Working with local recipients who will administer the activities and collect and report the required data; and***
- ***Setting up efficient processes for the collection and recording of performance data.***

Performance Measurement Challenges at the State Level

There are a number of reasons why a performance measurement system is important to states:

- States need to be able to clarify the objectives and intended outcomes of their programs, especially when there are state policy objectives that need to be considered along with Federal program objectives.
- States tend to administer their programs through local recipients,[1] and they need to be able to hold local recipients accountable for performance and support of the program objectives.
- States need to be able to track accomplishments and report on program accomplishments to elected officials and the public.

[1] For purposes of this chapter, the term "local recipient" is used generically to refer to all sub-state entities selected by a state to administer any activity under any of the four Consolidated Plan programs, including units of general local government (UGLGs) and nonprofit organizations. It includes: local grantees under the State CDBG Program; state recipients, subrecipients and developers under HOME; project sponsors under HOPWA; and local government and nonprofit recipients under ESG.

In these respects, states are in a position similar to HUD -- they depend on others to implement a wide variety of locally chosen activities while holding them accountable for performing and meeting program objectives. A performance measurement system for selecting outcomes and reporting gives them a way to do this.

Implementing the outcome measurement system at the state level may present unique challenges for several reasons. There are likely to be several state agencies involved in the planning and administration of the four HUD programs that are part of the Consolidated Plan, so there needs to be coordination of the performance measurement system across these independent agencies. Further, the role of the states differs from the role of local government grantees. States are more likely to act as grantor agencies, with local recipients administering specific activities – these are generally units of general local government, nonprofit subrecipients, and developers. Consequently, states need to involve a large number of stakeholders beyond state government in the process of designing and implementing outcome measures.

> In the Consolidated Plan Final Rule, HUD acknowledges that: "States as grantor agencies have less control over fulfillment of sections of the regulations dealing with annual goals and performance than do local jurisdictions. However, states are expected to provide the information to the extent that they are able to do so."
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> (*Federal Register,* February 9, 2006, p. 6956)

Launching a performance measurement system at the state level will require states to make a number of critical decisions throughout its program administration process: adapting the consolidated planning process, modifying program design and procedures, and implementing training and data collection and reporting methods. This chapter draws from the experiences of a number of state grantees that participated in the CPD Performance Measurement Working Group ("the Working Group States"), as described earlier in this guidebook. These states have already begun to implement performance measurement for their programs.

Getting Organized

Before implementing a performance measurement system, the state must first mobilize its stakeholders to determine how to implement the system. If states have not started this process, they need to begin immediately. This may involve the following tasks:

- ❑ Provide information and briefings to, and get buy-in from, the appropriate state political leaders, participating administrative agencies, and local recipients;
- ❑ Establish links to any special initiative(s) of the Governor's Office, the state legislature, or the administering agencies;
- ❑ Determine how to integrate the outcome measurements into the current state processes for strategic planning and management (and existing state performance measurement systems); and
- ❑ Determine when and how to involve the local recipients and administrators of the programs in the design of the data collection.

Who should be briefed? Generally, the following groups will need to be briefed: the Governor's Office, key legislative leaders who have oversight of the agencies that administer the four Consolidated Plan programs, the heads of the administering agencies, and program staff.

What should be provided to the key state officials? At a minimum, key state officials need to understand what HUD's performance measurement requirements are and what the state will need in order to implement the requirements. HUD's brochure, *Implementing CPD Performance Measures* provides useful background information on the outcome measurement requirements and is a good starting point. (This brochure is available at HUD's performance measurement training sessions.) In addition, more specific information may need to be provided to state officials on how the Consolidated Plan process operates in the state, how performance measurement requirements affect IDIS and related data collection, and how this information might be useful for the management of state programs.

The four HUD programs have to be implemented not only in the context of the objectives, but also in the context of a state's own policy and program initiatives, as established by the Governor's Office, the state Legislature, or the agencies implementing the programs. Typically, integration of Federal and state-level objectives has occurred during the annual consolidated planning process, but the introduction of measurable objectives and outcomes perhaps forces the state to take a more careful look at how the four programs support both national and state-level objectives. By developing the objectives and outcomes to be pursued under this outcome measurement system, a state may decide to refine the definition and focus of state policy objectives and initiatives. In some cases, this may be a matter of adopting objectives and measures from the HUD system; in other cases, there may need to be a cross-referencing of compatible but different Federal and state policy objectives for funded activities.

For example, a state-level policy objective to help elderly homeowners age in place can be connected directly to the Decent Housing – Sustainability objective/outcome of the HUD system if it promotes home maintenance. On the other hand, enriched social services for this purpose might be more compatible and supportive of the Suitable Living Environment – Sustainability objective/outcome. Or, the state policy may straddle both objective/outcome statements.

Most states also have their own strategic planning and management processes. If the Consolidated Planning process has already been linked to these state-level planning mechanisms, then the process of folding in outcome measurement should be fairly straightforward. However, if the Consolidated Plan has not been integrated with the state processes, then states may need to evaluate how the strategic outcome decision-making and measurement should be tied into these state level processes.

In most states, several state agencies are involved in the administration of the four Consolidated Plan programs. Working across agencies to implement the outcome measurement system will be a challenge if the inter-agency relationship is minimal and has been confined to the production of the annual Consolidated Plan submissions. However, the implementation of a performance measurement system, and the Consolidated Planning process itself, could be an opportunity to spark a more integrated approach to planning and administration. If the state has a standing Consolidated Plan

committee, task force, or working group, it would be appropriate to use that group to begin planning for implementation of performance measurement. If there is no such standing group, then an ad hoc group might be formed involving the Governor's Office, the Consolidated Plan agency, and the agencies administering the four Consolidated Plan programs.

The other stakeholders to consider involving in this initial planning and organizing effort are the local recipients – the units of general local government, nonprofit subrecipients, and developers who implement program activities at the local level. They are ultimately the ones who will have to collect and report most of the data. In essence, they are the users, and must be consulted in the process of designing the data collection system. Representatives of these local recipients and administrators might also be added to this working group – at the beginning for the strategic discussion or as the group begins to discuss data collection requirements and methods. Keep in mind that the Consolidated Plan process has required consultations with such local administrators, as will be discussed in the next section, and this might be considered part of the consultation process.

Working with Local Recipients

As noted, nearly all Consolidated Plan activities are administered by local recipients – units of general local government, nonprofit subrecipients, and project sponsors or developers. Successful implementation of the outcome measurement system for states depends heavily upon the capability and willingness of local entities to implement activities and collect and report the data.

Local recipients are busy, and they are likely to feel the burden of administering Federal program funds. They are not likely to welcome additional reporting requirements, especially if it is perceived as just another Federal requirement and there is no increase in administrative funding.

However, states need to stress the critical importance of being able to measure and communicate the effectiveness of these programs in this time of potential budget cuts. Showing results is not just a good management idea, it may be essential to the survival of the programs and their funding levels.

How can states obtain the cooperation of local recipients? There is no easy way, but the following ideas might help to increase cooperation and compliance after discussing the different approaches of the system with local recipients, and determining how and when the objectives and outcomes will be identified:

- **Involve some local recipients in the design of the revised procedures**: The more users are involved, the more likely the users will understand the value of the measures, the more likely the procedures will be reasonable and pragmatic, and the more likely they will be willing to cooperate during implementation. It will not be perceived as such a "top down" requirement.

- **Make it an integral part of the overall grant process**: Integrate performance measures into the manuals, application requirements, reporting requirements and monitoring, so the local entities recognize a consistent message.

- **Provide "safe harbor" designations of outcomes associated with activities:** This will allow local recipients to accept standardized approaches to activities if that makes it easier for them to comply.

- **Make it as easy as possible for local recipients to comply**: Set up the measurement system so that there are "default" selections of objectives and data elements for each type of activity. Provide data collection formats so that local recipients do not have to create forms. Where possible, incorporate all data collection into the forms, protocols, and routines that already exist. Do not make this a separate effort.

- **Put as much of the required data collection as possible in the application and pre-contract stages**: Applicants are more willing to provide data than recipients, especially if they perceive that their selection or access to the funds depends on it.

- **Use the data to show them where they stand among their peers**: Create reports that provide feedback to local recipients, in comparison to their peers. Everyone wants to be a high performer. States can use the recipients' natural competitive instincts to their own advantage. In the HOME Program, HUD has implemented the SNAPSHOT, which rates jurisdictions on eight key performance measures, and also ranks the jurisdiction relative to its peers. These factors include funds expended, units completed and occupied, and types of households served. Using this as a model, states could create a "snapshot" of local recipients, and show them how they rank.

- **Make the system provide information they can use**: Do not represent this purely as meeting a HUD requirement. Increase the local recipients' cooperation by making some of the data available and useful to them. Ask them what data will help them locally in their planning and design efforts, and what might help them to build political support for their strategies. Make the data accessible to them whenever they need it online.

There are several different methods states can consider to gain local recipient involvement or input during the design phase:

- Invite some local recipients to participate in the state agency working group described above.

- Use the Consolidated Plan consultation process (discussed below) to get input from local recipients on any possible changes to the allocation methods and procedures for the various programs.

- Conduct discussion groups at any scheduled conferences or other activities where many of the local recipients may be in attendance.

- Create a user group or focus group for each program to provide input on how the procedures and forms can be designed for efficiency.

- Send out draft procedures and forms for comment by local recipients. Provide a 15- or 30-day comment period.

Since performance measurement is now a requirement, the focus of the input should be on how to implement the measurement system rather than to debate the requirement. Stress the importance of results-oriented data to defend the programs during the appropriations process. Then keep the discussion focused on how to implement the requirement in a way that is efficient and useful to the state and the local recipients.

The outcome measurement system must be designed and implemented in a way that takes into account the capabilities and limitations of the local recipients, and provides adequate support and training to the local entities.

Changing the Consolidated Planning Process

The Consolidated Plan process is central to the implementation of outcome measurement. The Final Rule changes to 24 CFR Part 91 (Consolidated Plan regulations) that took effect March 13, 2006, requires states to integrate planned accomplishments and outcomes into its future Strategic Plans and Annual Action Plans.

Consider the following questions in developing a plan to implement outcome measures within the Consolidated Plan framework:

- ❑ How will the outcome measurement system affect the overall strategic planning and allocation process for Consolidated Plan? Will the state's approach to implementation of performance measurement potentially change the types of activities the states will choose to fund, the allocation of funds to different activities, or the method of allocation to local recipients?

- ❑ How and when in the Consolidated Plan process will the objectives/outcomes be identified?

  - ➢ Will the objectives and outcomes for various activities be determined by the state Consolidated Plan agency, the program agencies, or local recipients? Since many of the state programs permit local recipients to propose strategies and select the activities, does the state want local recipients to be able to decide what objectives and outcomes apply to their activities, or should the state specify the objectives/outcomes by the activity categories?

    - If local recipients are permitted to choose, states will need to be clear about the need to designate a primary objective and outcome for purposes of reporting in IDIS. Further, states will need to decide when the proposed objectives and relevant outcomes will be identified: within the application submission, prior to IDIS set-up or prior to activity implementation?

    - If the state identifies the objectives and outcomes within funding selection/application process, will it:

      - – Use proposed outcomes as a basis for allocating funds among activities or funding categories, or for selecting among applicants?

- Amend funding or selection criteria to address accomplishments or outcomes?

- Require applicants to enumerate the proposed accomplishments in the application?

- Consider differences in proposed accomplishments as a basis for selection?

- ❑ How and when will the outcome indicators or measures be determined? Should the state designate outcomes for each activity, provide a finite list of the types of outcome from which local recipients must choose, or allow them to specify additional outcomes? The HUD Notice for Outcome Performance Measurement System published in the *Federal Register* on March 7, 2006 (Appendix 2 of this guide) provided an attachment listing outcome indicators for different types of activities. Should states permit local recipients to select from this list, a narrower list, or broader list?

- ❑ Will the state use outcomes as a basis for monitoring or evaluating performance? Will past accomplishments be a basis for future awards?

- ❑ How will the state get input from local recipients on the outcome measurement system, and what kind of input is needed? Should outreach be separate outreach, integrated into the current Consolidated Plan consultation process, such as the State CDBG Program consultation with non-entitlement units of local government? Is input needed on objectives, outcomes, measures or data collection procedures – or all of these?

These are all questions that states should consider, but remember that grantees are not required to change criteria or program focus because of the performance measurement system. This system was not designed to be burdensome for grantees, but to help grantees think about the focus of their programs, and to make changes when they are needed to achieve a better focus on results.

States use many different methods for allocating funds under the four programs to local recipients – including geographic distribution, formula allocation, allocation based on activity type and need, competitive procurements, or a combination of these methods. States must follow their Method of Distribution (MOD) process for State CDBG funds, and the allocation of funds under the other Consolidated Plan programs must be described in the Consolidated Plan. Some states do not allocate funds to specific projects as part of the Plan, but make funds available on a demand response basis – for example, accepting HOME applications for a whole range of housing needs and opportunities. Other programs, including some HOPWA and ESG programs, adopt a geographic or needs-based distribution formula, particularly where there might be a focus on operating support rather than production. All of these approaches are valid and permissible uses within the various program rules.

The introduction of the outcome measurement system should cause states to consider whether current methods might be refined to improve the ability to report on accomplishments. Proportionate allocation methods that are based only on regional distribution or based on analysis of need, but that do not consider provider experience

and track record, project readiness, or other operational issues might not have any correlation to accomplishments, and might compromise the state's ability to report significant accomplishments. Can states find a way for such sub-allocation methods to enhance reported accomplishments through performance requirements, performance bonuses, or activity selection? Competitive processes might be retooled to invoke proposed accomplishments in the application and as a basis for selection. In addition, past performance may need to become one basis for selection under future rounds.

The allocation method is a key component of all four programs in the Consolidated Plan. However, keep in mind that there are specific requirements for the Method of Distribution for the State CDBG Program and allocation methods for the other programs of the Consolidated Plan. States are required to consult with non-entitlement units of local government in determining their Method of Distribution, so any changes to CDBG methods of distribution can only occur within the Consolidated Plan consultation process. For all programs, changes in the allocation method are likely to be considered significant amendments that require citizen comment period and HUD approval.

The performance measurement efforts should be integrated with the ongoing required consultations of the Consolidated Plan (see 24 CFR 91.110). The Consolidated Plan requires consultation with other public and private agencies that provide assisted housing and services. In implementing the outcome measurement system, the involvement of the local recipients in the design and implementation process may be part of this ongoing consultation. Some of the Working Group States have already begun to implement performance measures, and use the most recent consultations to introduce the idea of performance measurement and begin to train for the implementation.

> The HUD Consolidated Plan Improvements Initiative (CPII) consisted of numerous efforts to streamline and improve the utility of the Consolidated Plan. It included an effort by the State of Pennsylvania to create a Consolidated Plan that is outcome measurement based. While this effort preceded the Outcome Measurement Working Group and the Notice, it informed those efforts. To date, Pennsylvania's efforts represent one of the most extensive efforts to integrate outcome measurement into the Consolidated Plan. The 2004-2008 Consolidated Plan for the State of Pennsylvania is available for download at http://www.newpa.com/default.aspx?id=225.

Early Experience with Changing Program Design and Procedures

It is not the intent of the CPD Performance Measurement System to dramatically alter program designs and distribution systems. In fact, it was expressly designed to be implemented within existing program frameworks. Nevertheless, the increased emphasis on results reporting creates an opportunity for states to evaluate their program designs and procedures.

States that are members of the Working Group have begun to test a variety of approaches to implementing performance measurement. Most have found that they are not inclined to make dramatic changes to their program designs and procedures, at least during initial implementation. A primary reason is that most states operate housing and

community development programs on a demand-response basis. States typically allow the local government or applicant entity to decide what activities are most beneficial to the local community. In addition, states are sensitive to the fact that too many new administrative requirements might overwhelm local recipients, so many states look for the "simplest way" to implement the measures initially.

Generally, states did not change the allocation method or the selection criteria for award. Most chose instead to focus the changes narrowly on data elements to report. Some chose to not even ask local recipients to designate objectives and outcomes, reserving that as a reporting function to state-level staff. Others chose to let local recipients select the objectives and outcomes. Several states commented that the objectives have been in the program (particularly the CDBG program) all along, so the utilization of this system does not change the focus of activities. However, one state indicated that the increased emphasis on results has caused them to put a bit less emphasis on needs and a bit more emphasis on outcomes and long-term results of local strategies and activities.

Among the members of the CPD Performance Measurement Working Group, the early implementation of performance measures was not extended to selection of projects. At least with initial implementation, the Working Group States chose not to use performance measures in the scoring or rating criteria for CDBG and HOME activities. HOPWA and ESG programs were also unlikely to use the measures as selection criteria because these programs are more likely to emphasize ongoing operations and household assistance programs rather than production.

The Working Group States were more likely to focus on the collection of the necessary data elements in the pre-award and post-award stages rather than the application stage, since they did not want to require data collection efforts from applicants that were unlikely to be funded. For the most part, the states chose to add data elements to existing reports (IDIS set-up and completion reports, and in some cases quarterly reporting already required of local recipients) rather than to impose any new or separate data collection forms.

States may wish to take into account these experiences and opinions of the Working Group when designing changes to programs to implement the outcome system. Elements to consider are:

- **Allocation method**: The distribution method might need to be changed to give greater preference to activities that are likely to yield the selected outcomes.

- **Application materials**: The application (along with related instructions) may need to be changed to require applicants to identify goals/objectives and/or provide data relevant to the outcome measures. Alternately, the state may choose to state the applicable objectives and outcome measures up-front, and select only activities that are able to achieve those outcomes.

- **Activity selection criteria:** The selection criteria might be changed to encourage more productivity and emphasis on measurable outcomes. For example, in a competitive selection process, there might be thresholds, priorities, or points for measurable outcomes that are consistent with the state's desired objectives.

- **Review and selection procedures**: The selection procedures might need to be changed, such as to allow for the examination of past performance or the evaluation of proposed accomplishments, including the provider's performance as it relates to reporting on the required data indicators.

- **Local administrator/recipient grant agreements:** In written agreements with partners, provisions related to data collection and reporting will need to be amended to require the submission of data required for outcome measurement. Progress and final payments should be conditional upon submission of the required data and reports. Time frames for submission of data should be made explicit, and the recordkeeping requirements for such data should be added.

- **Reporting requirements**: Local recipients will need to report additional data, which may be integrated into current reporting or may require additional reporting forms or steps.

- **Monitoring and performance feedback**: In the past, the focus of monitoring has been on regulatory compliance. However, with the increasing emphasis on results, states will need to evaluate and provide feedback on local recipients' performance. This might be integrated into current monitoring efforts – perhaps as an additional section labeled "Performance" in the monitoring letter. However, monitoring may occur too infrequently, and sometimes only occurs at the end of a contract/grant term, and therefore may not be helpful during the current contract or grant. This information could be considered for future awards. States may need to develop a method of reporting back to local recipients at an earlier stage of program implementation. For example, states might want to compile and distribute a quarterly report (similar to the HOME SNAPSHOT) to each local recipient showing the performance data reported into IDIS. This type of feedback on performance can be beneficial in spurring performance.

Implementing the CPD Outcome Performance Measurement System

For implementation, consider the following steps:

- Conduct outreach as soon as possible to current local recipients to get them to close out as many projects as possible in IDIS by October 1. HUD is requiring performance reporting for all projects that are not completed beginning October 1, 2006. Previously funded projects were not given the performance reporting requirements in their written agreements and data forms, so the data collection burden for previously funded projects can be substantial. Closing out these projects where possible before October 1 will reduce the burden of requiring data "after the fact."

- Update program procedures manuals to integrate the additional reporting. Ship the changed procedures and forms to current local recipients in advance of October 1 implementation.

- For existing recipients with open projects, it is likely that training will have to be provided outside of the normal funding cycle. Design and conduct training for

local recipients on outcomes, indicators, and data collection instruments. This training should be provided as soon as possible, as the new requirements go into effect on October 1, 2006.

- If the timing works, use the Consolidated Plan consultation and application processes to introduce the new requirements and forms. Provide information at any consultation meetings with non-entitlement local governments, housing providers and service providers. Add this as a topic in pre-application workshops and application packages.

- Include outcome measurement as a topic in the new recipient kickoff meetings or workshops.

Local Recipient Training

States that are participating in the CPD Performance Measurement Working Group stress the importance of training in implementing performance measures. Local recipients need to understand the value of reporting as well as the mechanics of data collection and reporting.

Training might be done at several times:

- During consultations with local recipients;

- During pre-application workshops;

- As part of pre-award briefings and trainings; or

- As stand-alone trainings to help current recipients and new recipients implement the data collection for current projects

The Working Group States indicate they have or will use all of these training opportunities.

The Working Group States also indicated a strong preference for conducting this training separately for the four HUD programs because the activities are too different across the programs to be able to conduct a mixed training.

Training participants should be given:

- The Final Notice of the Outcome Performance Measurement System published in the *Federal Register* on March 7, 2006. This is Appendix 2 of this guidebook.

- The outcome measurement brochure provided by HUD;

- Performance measurements terms and definitions;

- Standardized written agreement language that requires performance reporting;

- Summary of changes in reporting requirements; and
- Data collection forms.

Collecting and Reporting Outcome Data

Data Collection

The data collection and reporting for the CPD performance measurement system is built around the IDIS system. To the extent possible, outcome data collection should occur within IDIS reporting steps.

As noted previously, it is to the state's advantage to collect as much information as possible as early as possible, especially through applications or pre-contract submissions. This is time during which local recipients are likely to be more responsive. In addition, progress and final payments under contracts should be conditional upon submission of required reports and data, i.e., the closeout report.

However, some performance measures relate to the characteristics of the households who occupy the unit, and all units may not be occupied at the time of the completion. Local recipients are not likely to report on the subsequent occupants unless prompted to do so by the state. Create a tickler system for following up with local recipients (perhaps quarterly) after close-out reports that do not include all occupant data, or establish conditions as part of the closeout with local recipients.

To the extent that outcome data can be incorporated into existing forms, the required files and record-keeping should not be expanded dramatically. However, there may be verification documentation to be retained for certain data items.

Uses of the Outcome Data

HUD intends to roll up the performance data on a national scale and use it to report to the Congress and the public on the accomplishments of the Consolidated Plan programs. It may also use the data to report back to recipients about their performance. The HOME SNAPSHOT already provides feedback to Participating Jurisdictions on their performance on eight key factors, and how each jurisdiction ranks against its peers.

States should consider several uses of the outcome data:

- **CAPER:** Obviously, the additional data should be captured in the CAPER. HUD continues to look for ways to utilize IDIS data to streamline and enhance the CAPER, and is likely to make some changes to the reporting format to ensure that this data is captured. However, states should evaluate how this data might be incorporated into their annual HUD reports to provide a better picture of performance and impacts.

- **State level reporting to the Governor's Office and Legislature:** Each state has its own management information tracking and reporting system. Are there periodic reports that must be submitted on agency performance or programs? Would any of the information that is collected for Consolidated Plan outcome

measures also help report on the effectiveness of the agency and its programs to satisfy state reporting requirements?

- **Performance feedback to local recipients:** Since states are now collecting performance information, wouldn't such information also be useful to local recipients? HOME Program SNAPSHOTS measure performance in an absolute sense, but also provides relative standing compared to one's peers. Key items focus on expenditures, completed and occupied units, and household income levels. HOME provides this information quarterly, which serves as a reminder to jurisdictions to maintain a focus on performance. Providing regular feedback to recipients on performance and completions, could spur some recipients to improve their performance.

- **Strategic planning and activity allocations:** As this information becomes available on different activities funded by the four Consolidated Plan programs, could it be used to evaluate the effectiveness of those activities and the consideration of how allocations might be shifted among activities to yield better results?

States in the Working Group indicated that they have used or intend to use some of the data collected through the measurement system in their own reporting to the Governor's Office, Legislature and the public. But this reporting has been at the general level of what programs are intended to accomplish, such as annual agency reports to the Legislature or reports to "tell the public what we are doing with the money" rather than as a report on individual activities. One state indicated that being able to report on assistance to specific groups, such as the elderly, has been helpful in responding to state-level inquiries and state initiatives. Another state indicated that it is using this data to compile reports by legislative district to communicate what has happened in that district in the past year and cumulatively.