

U.S. Department of Housing and Urban Development

Special Attention of:

All CPD Office Directors
All CPD Field Office Directors
All CPD Formula Grantees

NOTICE: CPD – 03-09

Issued September 3, 2003

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Cross References

SUBJECT: Development of State and Local Performance Measurement Systems for Community Planning and Development (CPD) Formula Grant Programs.

PURPOSE:

The purpose of this Notice is to strongly encourage each CPD formula grantee to develop and use a state or local **performance measurement system**. Measuring performance at the state or local level is critical to the flexibility-driven formula programs. Since grantees are given the flexibility to make choices about how to use program funds, it is only logical that grantees be accountable, at the local level, for those choices.

BACKGROUND:

Performance measurement is simply an organized process for gathering information to determine how well programs and projects are meeting needs, and then using that information to improve performance and better target resources. There are two critical components of **performance measurement**: (1) productivity and (2) program impact. In housing and community development agencies, productivity reflects the level of efficiency (quantity, quality, and pace) with which a grantee undertakes its activities. Program impact, on the other hand, reflects the extent to which those activities yield the desired outcomes in the community or in the lives of persons assisted.

As part of the President's Management Agenda, HUD's Office of Community Planning and Development has undertaken an initiative to make the Consolidated Plan more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas. The Consolidated Plan Improvement Initiative (CPII) is currently testing some pilot consolidated plans that will try to link goals with outcomes. It is expected that the results of these pilots will create additional useful approaches to state and local **performance measurement systems**.

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HUD is aware of the need to enhance the capabilities of the Integrated Disbursement and Information System (IDIS) and has begun the process to design and implement significant improvements. Changes will include improved screen navigation and streamlined data entry that will help eliminate errors and facilitate better reporting for CDBG grantees and HOME participating jurisdictions (PJs), as well as ESG and HOPWA grantees. Changes will also include moving the system to a web-based approach. The improved IDIS will make revisions much simpler so that the system can more easily accommodate evolving changes.

An expectation of this Notice is that the self-evaluation section of each Consolidated Annual Performance and Evaluation Report (CAPER), submitted sixty days after the date of this Notice, will include the status of the grantee's efforts toward developing a **performance measurement system**. However, if grantees that currently use **performance measurement systems** could provide such information to HUD before their next scheduled CAPER submission, HUD could begin to identify if a pattern of common indicators exists. The Department would like to be able to evaluate the systems and share sound approaches among grantees, as well as: report which grantees have systems, those that are developing systems, or have not developed a system. By Program Year 2005, HUD anticipates that grantees will have implemented some form of a **performance measurement system** to reflect a way to gauge what constitutes success in each grantee's jurisdiction. States may decide whether to require performance measures from local grantees and how to collect such information. Grantees are reminded that CDBG, HOME, and HOPWA administrative funds may be used to pay costs associated with the development of a state or local **performance measurement system**.

I. LEGAL AND ADMINISTRATIVE REQUIREMENTS FOR PERFORMANCE MEASUREMENT SYSTEMS

There are legislative and administrative directives that reinforce the reasons for such systems to be used. The Housing and Community Development Act of 1974, Section 104(e), and the Government Performance and Results Act (GPRA) of 1993 both provide strong rationales for program accountability.

The Office of Management and Budget (OMB) is now assessing the effectiveness of federal programs using the Program Assessment Rating Tool (PART) for the purpose of scoring each program. The program result section of the PART accounts for 50 percent of the score. For the FY 2004 budget, six HUD programs were evaluated, including HOME. For FY 2005 both CDBG and HOPWA have been reviewed. The results of the PART evaluation influence recommendations on future appropriation levels for CPD programs.

The elements of **performance measurement systems** can be found in existing regulations. The regulations for Consolidated Plan Submissions at 24 CFR Part 91, Subpart C (Local Government) Sections 215(a)(5), 220(c), and 230; Subpart D (States) Sections 315(a)(5), 320(c), and 330; as well as Subpart F (Other General Requirements) Section 520, all provide regulatory direction for measuring performance.

Congressional Conference Reports to HUD Appropriation Acts since 2001 have directed HUD to develop and implement a strategy to ensure that jurisdictions are collecting an array of data on homelessness in order to prevent duplicate counting of homeless persons and analyze their patterns of use of assistance. The Department has been working with jurisdictions to obtain better information on homelessness and the performance of local homeless assistance systems through the funding and development of homeless management information systems (HMIS).

II. IMPORTANCE TO CPD FORMULA GRANT PROGRAMS

Program performance reporting is not new to grantees. Grantees regularly monitor their outputs and report them. These accomplishments are often measured in terms of how much money is spent and show what is produced, (i.e. housing units, jobs created, loans processed). The CAPER that grantees submit annually fulfills the reporting requirements for the formula grant programs. However, some grantees do not consistently examine the relationships between their accomplishments and the resources invested in them. Without an analysis of these relationships, it is impossible to know if programs are operating at the most efficient and effective level.

Grantees that use **performance measurement** as a tool can benefit in other ways, as shown below:

- Performance measurement can help stretch a program's dollars further. While CPD funds are significant, they are not sufficient to meet all of the grantee's housing and community development needs. Increasing grantee capacity to use funds more effectively will make it possible to stretch program dollars to assist more activities.
- Performance measurement can help inform program design, implementation, and reporting. A systematic approach to reviewing program performance will allow for better-informed long-range planning, and may generate data that will simplify the preparation of Consolidated, Annual Action Plans, and CAPERs. Measuring performance productivity can also help a program detect and address problems that can otherwise be costly and frustrating.
- Performance measurement can help build more motivated and effective teams. Performance measurement will create a system of accountability that allows project managers to delegate work more effectively and allows staff to take more initiative. Measuring performance facilitates both identifying and rewarding success and helps balance workloads. In addition, understanding the impact of a program can motivate staff and foster pride in the program.
- Performance measurement can help communicate accomplishments and build support for a program. Congressional appropriations committees use information on production achievements each year when deciding how much money to

appropriate for CPD's programs. Also, private sector funds are more likely to be invested in projects when success is documented. At a local level, it is easier to gain support for a project that can be shown to be effective and existing funds can go further when money is invested strategically.

III. PERFORMANCE MEASUREMENT SYSTEMS COMPONENTS

Because the CPD formula block grant programs promote maximum flexibility in program design and since the use of these funds is driven by local choice, HUD believes that performance based measurement systems should be developed at the state and local level. For broad-based formula grant programs, this offers new opportunities to integrate grantees' program evaluation responsibilities, program flexibility, and the need to nationally evaluate program performance in addressing broad national goals and issues.

The steps involved in developing a performance measurement system are shown in *Appendix A "Program Outcome Model,"* which demonstrates the relationship between goals, inputs, activities, outputs, and outcomes. These concepts are defined below. Although this model uses housing rehabilitation as the example, the same process can be applied to any activity to measure performance.

- Goals are the proposed solutions to problems or needs identified by the grantee during the consolidated planning process.
- Inputs include resources dedicated to or consumed by the program such as money, staff, equipment, and supplies.
- Activities are what the program does with inputs to fulfill its mission. Activities include the strategies, techniques, and types of treatment that comprise the program's production process or service methodology.
- Outputs are the direct products of a program's activities. They are usually measured in terms of the volume of work accomplished, such as number of low-income households served, number of loan applications processed, number of units constructed or rehabilitated, linear feet of curbs and gutters installed, or numbers of jobs created or retained.
- Outcomes are benefits that result from a program. Outcomes typically relate to a change in conditions, status, attitudes, skills, knowledge, or behavior. Common outcomes could include improved quality of life for program participants, improved quality of local housing stock, or revitalization of a neighborhood.

Most grantees monitor their inputs and outputs, but may not examine the relationship between the two. It is only through the assessment of inputs relative to outputs that a grantee can know if its program is operating efficiently or if activities need to be modified. However, counting program outputs is not enough for it does not indicate

whether resources are being targeted towards the right activities or whether the intended goals are being met. As a result, grantees also need to measure outcomes.

IV. MEASURING OUTCOMES

To measure outcomes, grantees should select indicators that relate to the local goals established in their Consolidated Plans. Below is a list of common indicators that can be used to measure performance. Grantees are encouraged to develop performance measurement systems that contain at least one of these indicators. However, grantees are not restricted to using only the indicators listed. Grantees may prefer to also show the results of other activities that are important to them.

Once HUD has feedback on which indicators grantees use most consistently to measure outcomes, HUD will attempt to develop a list of indicators and outcomes that can be aggregated nationally. The development of performance measurement systems will continue to be an evolving process, in which HUD intends to work with grantees to identify if there are common parameters for activities that can be aggregated at a national level.

Suitable Living Environment / Neighborhood Revitalization

- Increase in property values, or home sales prices as a result of a series of coordinated neighborhood activities
- Reduction in derelict properties and other blighting influences as a result of code enforcement, acquisition, demolition or rehabilitation
- Decrease in numbers of children with elevated blood lead levels
- Increase in the supply of potable water or adequate wastewater management systems due to infrastructure installation or upgrades
- Increase in emergency vehicle access because of infrastructure improvements
- Number and/or percent of housing units assisted that have eliminated at least one significant health and safety deficiency as a result of housing rehabilitation, defined by local codes

Affordable Housing

- Percent increase in the homeownership rate in targeted neighborhoods or in the community overall
- Dollar increase in property values as a result of housing rehabilitation
- Number of unit years of affordability in rental projects, based on the investment of HOME dollars
- Percent of reduction of energy use or energy costs as a result of housing rehabilitation using ENERGY STAR building standards

Economic Revitalization/Economic Opportunities

- Increase in numbers of jobs and/or the number of “living wage” jobs
- Decrease in abandoned or non-revenue producing properties
- Increased annual income as a result of employment or job training
- Increased business sales volume in revitalized neighborhoods
- Increased number of small business loans in targeted neighborhood

Ending Chronic Homelessness

- Decrease in the number of chronically homeless individuals in the community, by not less than 50%, by FY 2008

Housing Opportunities for Persons With AIDS

- Increase in the percentage of HOPWA clients who are able to maintain housing stability, avoid homelessness, and access care*

If an activity uses multiple funding sources, it will be necessary to show the outputs resulting from HUD funding separately. However, outcomes resulting from HUD sources need not be shown separately because, depending on local program design, the outcomes may be affected by many other factors.

V. HELP IS AVAILABLE

Many grantees have already developed and use state and local **performance measurement systems** and can demonstrate the benefits of measuring performance. There is no need for grantees to develop new systems if an existing method is adequate, according to this Notice, and works for them.

Electronic links to many such grantees can be found on the CPII website listed in *Appendix B “Resources”* of this Notice. Other websites listed in that appendix provide links to governments, organizations and universities that feature examples and information regarding the development of **performance measurement systems**. These resources are provided for information only and are not intended to be an endorsement by HUD for any products or services that may be offered. Also the training session, *“Measuring Up: A Practical Approach to Measuring Productivity and Performance in HOME Programs,”* which is listed as a resource, provides two days of information on how to measure performance. Grantees are encouraged to review existing systems for ideas that might be of use to them and to take advantage of training opportunities.

There are additional Department resources that focus on program performance. These include the CDBG Timeliness Guidance and reports, as well as the HOME Program SNAPSHOTS that rank PJs on eight performance factors in relationship to all other PJs. The Office of Special Needs Assistance Programs (SNAPs) has invested considerable resources in homeless management information systems to facilitate the collection of an

array of data on the homeless by states and local governments, which will be critical to performance measurement.

VI. ACTION

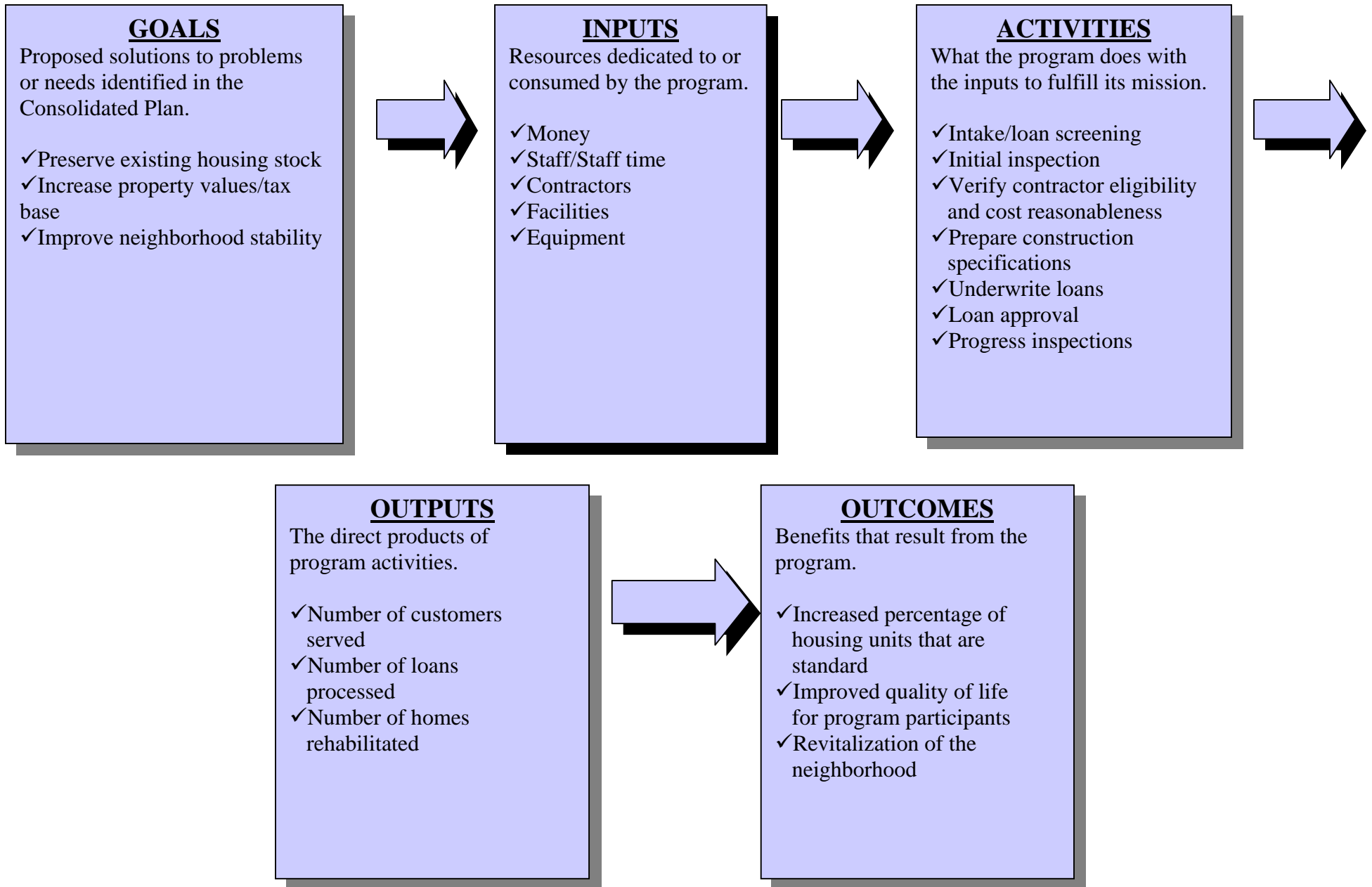
Grantees that currently have and use a state or local **performance measurement system** that contains the criteria shown in the *Checklist "Appendix C"* are asked to: (1) describe, in their next Consolidated Plan or Annual Action Plan, the method they use to measure the outputs and outcomes of their CPD formula grant programs, or (2) provide a description of their system in the self-evaluation component of the next CAPER submitted sixty days after the date of this Notice. In such cases, grantees may simply submit a copy of the report from their system.

Grantees that do not yet use a **performance measurement system** as a management tool are asked to describe, in the self-evaluation component of the next CAPER submitted sixty days after the date of this Notice: (1) how and when a system that contains the criteria shown in the *Checklist "Appendix C"* would be developed and implemented, or (2) state that they do not have plans to develop such a system.

Essentially grantees should be able to describe a system that includes: goals; planned and actual short-term and long-term outputs for almost all activities by program; and at least one proposed and one actual outcome. Using the checklist in *Appendix C* as a guide, HUD will evaluate these submissions and report nationally on which grantees:

1. are currently using local performance measurement systems that meet at least the expectations in Section IV of this Notice;
2. are developing or have recently developed and are beginning to use such a system; or,
3. have not yet developed a system.

Field offices should submit their assessments, using the checklist shown in *Appendix C* to the Office of Field Management no later than thirty days after their review of the CAPER.



Appendix A: Program Outcome Model for an Owner Occupied Rehabilitation Program

APPENDIX B – RESOURCES

These resources are provided as a reference and are not intended to be an endorsement by HUD of any products or services listed.

There are many publications, guidebooks, training material, universities, organizations, and websites that provide information on performance measurements. Several resources for this information are provided below:

- The Consolidated Plan Improvement Initiative website “library” provides links to some states and local governments, as well as organizations, studies, and **performance measurement systems** used by other federal agencies. This site also provides examples of information that may be helpful in making consolidated plans more useful and results-oriented.
www.hud.gov/offices/cpd/about/conplanimprovement/library/index.cfm
- “*Measuring Up: A Practical Approach to Measuring Productivity and Performance in HOME Programs*” prepared by ICF Consulting for HOME Training, details found at: www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/MeasuringUpDesc.html, is a two-day training program that provides valuable information for developing performance measurement systems. It is also anticipated that the training manual will soon be posted on the HOME program website.
- The Government Performance Project, www.maxwell.syr.edu/gpp/grade/index.asp, focuses on public-sector management and assesses the management capacity of all 50 states, 40 large counties, and the 35 largest cities.
- The Government Accounting Standards Board *Performance Measurement for Government* www.accounting.rutgers.edu/raw/seagov/pmg/perfmeasures/index.html, links to local, state, and federal websites and provides performance indicators, information, and measures.
- The Sustainable Measures website, www.sustainablemeasures.com, provides information to develop indicators that measure progress toward a sustainable economy, society, and environment.
- “*Measuring the Impact of HOME and Other Housing Programs*”, a report prepared by the Council of State Community Development Agencies and The National Affordable Housing Training Institute, www.coscda.org.
- The Rensselaerville Institute, www.rinstitute.org/, assists governments and organizations to set and reach targets for improving performance.
- Oregon Progress Board, www.econ.state.or.us/opb/index.htm. Features a 2003 Benchmark Performance Report that shows an analysis of 90 indicators for well being.

- Development Leadership Network, <http://www.developmentleadership.net>, in partnership with the McAuley Institute, <http://www.mcauley.org>, have initiated the Success Measures Project to develop practice-based measures for community development programs.
- The HOME Program website located at www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm offers publications and links to order materials and technical assistance literature about the HOME Program.
- HOME Production reports such as: the Deadline Compliance Status Reports, National Ranking Reports and National Production Reports are located at www.hud.gov/offices/cpd/affordablehousing/reports/index.cfm.
- Each participating jurisdiction's HOME Performance Snapshot is available through their field office. After July 2003, the Snapshots will be posted on the HOME Program website located at www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.
- Appendix E.5 HOME Reports in the IDIS Reference Manual is located at www.hud.gov/offices/cpd/systems/idis/resources/reference_manual.cfm. The section of the appendix describes the reports available through the IDIS system to track performance.
- Participating jurisdictions can download the following reports in IDIS through the Reports Menu Option – E on the C04MM01 Main Menu:
 - PR15 Cost Per HOME-Assisted Unit/Family
 - PR16 HOME Lower Income Benefit – All Years
 - PR 22 Status of HOME Activities
 - PR 25 Status of CHDO Funds by Fiscal Year
 - PR 27 Status of HOME Grants
 - PR 33 HOME Matching Liability Report
 - PR 34 Status of OE Funds by Fiscal Year
- The HOPWA homepage with summaries of area projects with annual CAPER summary data is found at www.hud.gov/offices/cpd/aidshousing/index.cfm and for reporting at www.hud.gov/offices/cpd/aidshousing/reporting/index.cfm.
- The HOPWA national technical assistance provided website for AIDS Housing of Washington is located at www.aidshousing.org.
- HOPWA project summaries and performance information are available at www.hud.gov/offices/cpd/aidshousing/reporting/execsummary/index.cfm.

APPENDIX C – CHECKLIST

The performance measurement system should include or describe the following items:

- long-term (multi-year) goals/objectives
- short-term (annual) goals/objectives
- expected units of accomplishments upon completion of project/activity
- actual units of accomplishment upon completion of project/activity
- expected units of accomplishment during each program year of the project/activity
- actual units of accomplishment during each program year of the project/activity
- aggregation of actual units of program year accomplishments to short-term and long-term numeric goals/objectives
- outputs resulting from HUD funding are shown separately
- one or more proposed outcome(s) Yes No

If so, which indicator is used?

- one or more actual outcome(s) Yes No

If so, which indicator is used?