

The Effects of Performance Measurement on Community Development Spending Priorities: CDBG meets GPRA

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Abstract

Since 1974 the U.S. Department of Housing and Urban Development (HUD) has administered the Community Development Block Grant (CDBG) program to invest over \$100B dollars in America's low-income communities, through housing, job creation, public services, and other community development projects. Data on CDBG spending by activity type is examined, with the relative stability of spending priorities over the past seven years presented as evidence of the "New Federalism" at maturity: despite the fact that spending decisions are set at the local level by over 1,000 different community development offices, and without the benefit of an overarching federal strategy (or even much of a debate on one), the field has achieved a *de facto* consensus as to national priorities. The data can be further distinguished into an "Urban Entitlement" spending pattern seen in the larger cities (with strong spending for housing, infrastructure, and public services) and a "Statewide Program" profile for smaller communities (prioritizing infrastructure and little else).

At the same time, CDBG's "maturity" has brought with it additional challenges, unanticipated by the framers of the original block grant approach: namely, the creeping tide of performance measurement requirements for federal programs. With the passage of the Government Performance and Results Act (GPRA) in 1993—and the more recent attempts to implement these requirements at HUD in earnest, starting in 2006—CDBG managers are being increasingly pressed to measure and report the results of their spending decisions. While performance measurement is undoubtedly a necessary component of any management scheme and can be an important tool in generating support for public spending, the increased emphasis at HUD may have the effect (unintended or otherwise) of altering the existing mix of activities to encourage more cities to adopt spending strategies closer to those seen in the "Statewide" profile. (An apologetic postscript is also included, to ensure that HUD staff do not feel attacked by the author, who actually has a great deal of admiration and respect for them.)

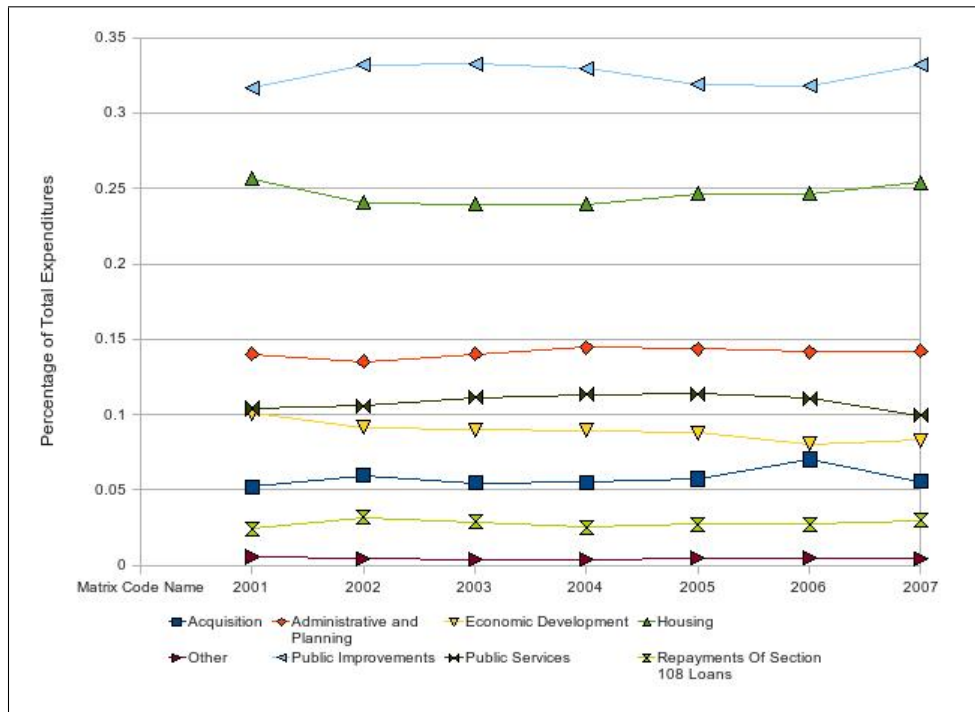


Figure 1. CDBG Spending by Activity Type, Nationwide

Devolution and Stability in CDBG Prioritization

This paper began with a graph—specifically, the graph shown in Figure 1, which shows nationwide expenditures for the Community Development Block Grant program from 2001-2007, grouped by HUD’s basic “Activity Types” (i.e., “housing,” “economic development,” “public services,” and so on). The figures are expressed as a percentage of overall spending in the program for each fiscal year, rather than in absolute terms, so the graph represents the *prioritization* decisions being made in the program between these components.¹ After securing the data from HUD and cleaning it up a bit at my kitchen table, I plotted the graph you see presented.

“Boy, that’s the most boring graph I’ve ever seen,” remarked my wife, astutely. And she’s right—the graph has no dynamism at all to it: the basic allocation decisions made nationwide under the program have hardly changed at all over these seven fiscal years. Spending on public improvements tops the chart for all the years shown, hovering consistently around 33% of total expenditures; housing is always-a-bridesmaid, flat-lined around 25%; the rank ordering of the eight categories does not vary, and so on. And yet despite this stability, I would argue, the graph is anything but boring.

In order to appreciate the meaningfulness of these eight steady bars, one must first

¹In terms of real per capita spending, CDBG has declined steadily since 1978, from a high of \$48 down to the current figure of \$13 per person (Czerwinski, 2006). One could certainly take this as evidence of a federal “strategy” of sorts (i.e., one of *disinvestment*); the purpose of this paper, however, is rather to look at the patterns of spending that community development managers have prioritized in different settings, even in the face of these declining budgets.

appreciate what they represent, and how these expenditure patterns come to be. As with other block grants, the federal role in administering CDBG has been traditionally limited to allocating funds to grantees (cities and states) through set formulas, and monitoring the use of these funds to ensure compliance with government accounting standards and the broad National Objectives of the program. State and local governments, in turn, are free to set priorities and determine spending within those parameters. Furthermore, as a result of its genesis in the War on Poverty and the aftermath of Urban Renewal, one of the hallmarks of CDBG (event more than other block grants) has been to emphasize the importance of participation at the local level (Nathan & Associates, 1977; Dommel, Nathan, Liebschutz, Wrightson, & Associates, 1978; Sasso & Foley, 2005).²

Some of the stability in the chart can be explained away by the spending caps dictated by HUD regulations—particularly those for public services and administration³—but among the other categories local actors have been essentially free to program funds from year to year to implement whatever community development strategy they devise. Whether to spend more on housing, or less on economic development, is entirely a matter of local preference under CDBG. Similar to bidding on e-Bay or other examples of the “Wisdom of Crowds” phenomenon (Surowiecki, 2004),⁴ the spending patterns shown in the graph represent a sort of consensus-vision of national priorities for housing and community development spending. This aggregation of thousands of local decisions—and not some mammoth federal plan or policy—is what has directed over \$100B since 1974 (roughly \$3.7B/year currently) in government spending (Czerwinski, 2006).

These spending patterns provide an excellent example for the “New Federalism” at maturity, with its characteristic use of block grants to devolve decisions of prioritization and strategy to more local levels of government (Kaufman, 1969; Reagan, 1972; Dommel et al., 1978). Over the 34 years since its inception, CDBG has provided scholars, critics, and proselytizers with an excellent example of the benefits, pitfalls, and tradeoffs inherent in this approach to national policy. Some researchers have evaluated devolution and the use of federal block grants from an equity perspective (Collins & Gerber, 2006); others have looked at efficiency in administration and contracting (Rosenfeld, 1984), or pointed out the unacknowledged burdens it places on local actors to access these funds (Keyes, Schwartz, Vidal, & Bratt, 1996). A major emphasis of the literature has been to compare these local decisions with the stated federal priorities of the CDBG program (Van Horn, 1979; Dommel, 1980; Dommel & Associates, 1982; Brown & Daniels, 1988), which points in turn to closer exploration of exactly *how* these local priorities come to be (Rosenfeld, Reese, Georgeau, & Wamsley, 1995).

As is often true with graphs and data, a little refinement can yield additional results. The figures presented in Figure 1 represent aggregate national numbers, but may hide a great deal of local variation: one location spends more on public services, another prioritizes housing to deal with a regional shortage, and so on. Interestingly, if the data is

²In practice the program only occasionally achieves the lofty ideals of participatory stake-holder involvement (“maximum feasible participation,” in HUD-speak); at a minimum, though, it does include federal deference to locally-elected mayors and their appointed community development officials.

³These two spending categories are capped (respectively) at 15% and 20% of each grant (24 CFR 570.201(e) and 570.200(g)).

⁴Technically, this may only be a “convergence of crowds”—there is no clear evidence from the data alone whether these spending allocations are wise.

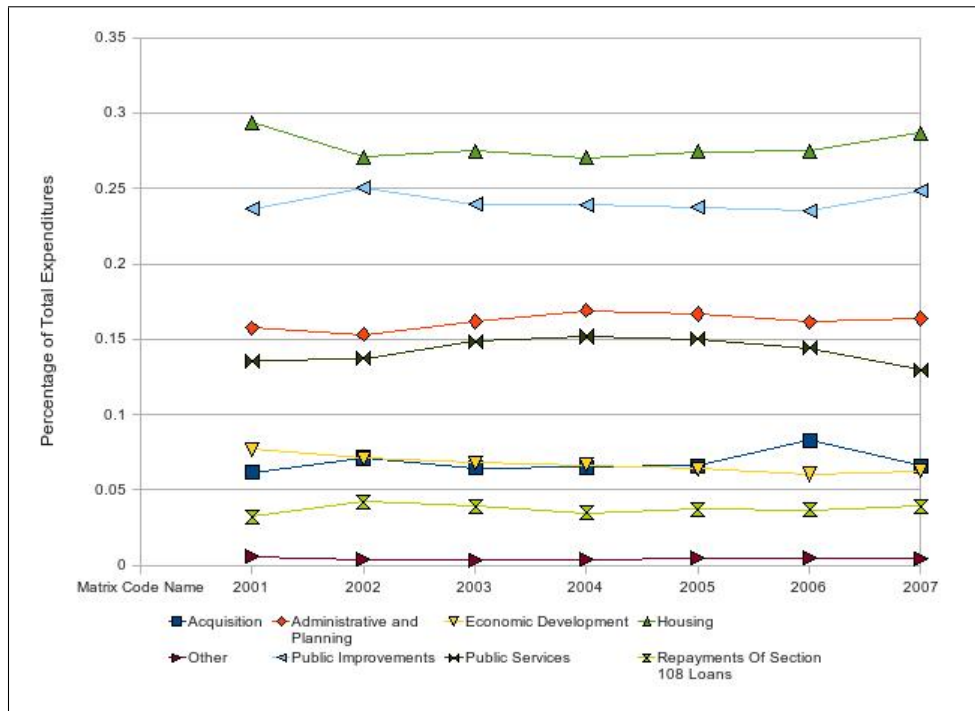


Figure 2. CDBG Spending by Activity Type, Entitlement Communities

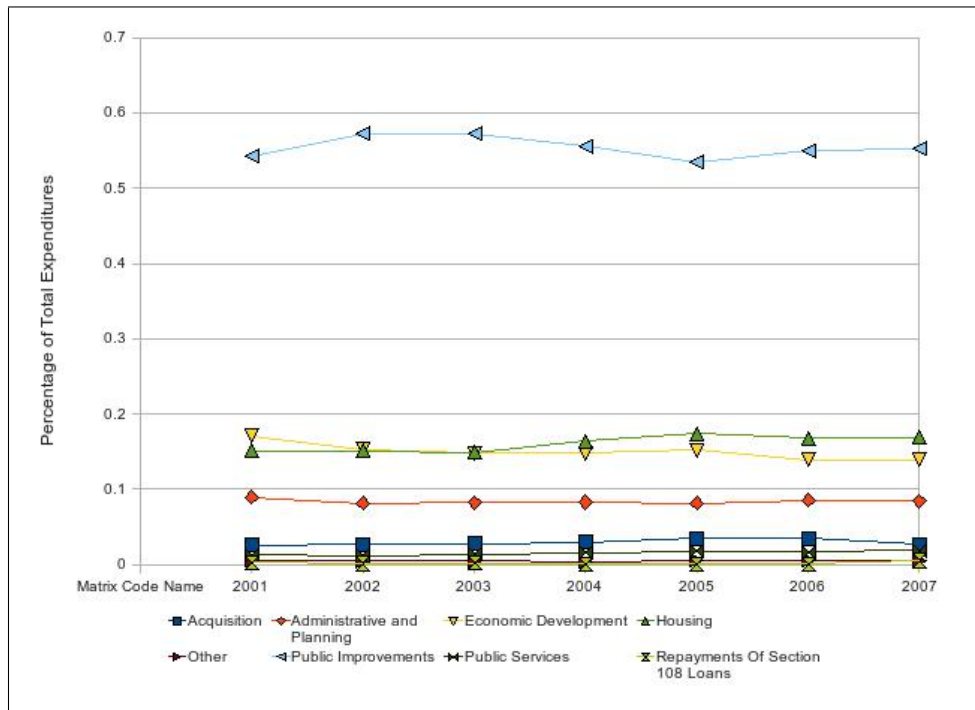


Figure 3. CDBG Spending by Activity Type, State Programs

broken down to distinguish between “Entitlement Grants” (roughly 2/3 of CDBG funding is granted directly to large cities and urban counties—approximately 1,150 of them) and “State Programs” (the balance of the funding, which is sub-granted through state community development programs), we again see consistent patterns over these seven years, but with different priorities being emphasized (Figures 2 and 3).

As one might expect, for the Entitlement Communities we see a more urban-oriented program, with increased emphases on housing and public services. The State Program spending, on the other hand, prioritizes the construction of public facilities (i.e., infrastructure) and little else. Not surprisingly, this distinction is very similar to the shift predicted—and then observed in 1981—when HUD devolved its “Small Cities” program to a statewide block grant (Jennings, Krane, Pattakos, & Reed, 1986; Krane, 1987; Watson, 1992). In both examples, we see a divergence in spending priorities between large urban communities and statewide agencies. This data can certainly be mined and spun in dozens of ways to explore additional questions,⁵ but for the purpose of this paper I will take it as a given that these stabilized patterns represent different spending priorities appropriate to the levels of government and types of communities involved—a distinction that will prove central as we now turn to analyze the potential effects of HUD’s recent steps to implement performance measurement practices.

The Dawn of Performance Measurement at HUD

For the past 15 years, federal agencies have become increasingly concerned with questions (and challenges) of performance measurement. As a direct result of 1993’s “Government Performance and Results Act” (GPRA) and a general climate of declining budgets, all departments have been required to set clear and measurable benchmarks for their programs and to monitor and report on progress towards achieving them. Just as the block grant/devolution concept represented a late-1960s/early-1970s fusion of liberal-progressive values (urban revitalization, the war on poverty) and more conservative ones (decentralized authority, market-based approaches), the current emphasis on performance measurement marries the Clinton/Gore concept of “reinventing government” with fiscal conservatism and anti-bureaucratic calls for “smaller government” on the political right. Implicit (and at times explicit) in much of this work has been skepticism towards “fuzzier” goals (“empowerment,” “community development,” “quality of living”) and the ever-present specter of cost/benefit analysis and the budget-cut chopping block.

Despite the broad scope of GPRA, it has taken the better part of a decade for the performance measurement microscope to turn in earnest towards HUD’s programs. Since 2000, however, HUD has found itself under increasing pressure from the Office of Management and Budget and the Government Accountability Office (as well as Congressional Committees) to take these requirements seriously and report on the progress and performance of its programs. Since 2002 the Department has attempted to address its responsibility under the Act through the development of its own “Outcome Performance Measurement System”

⁵For example: “Does the Entitlement spending represent political pressure to dole out more public service funds to local nonprofits?”, “Are the State Programs reluctant to fund more housing out of fear of meddling in local land use decisions?”, “How can small cities capture more funds for housing and public services?”, “Why don’t the priorities change more over time, to reflect economic cycles?”, “Is there additional variety concealed in these aggregates—a ‘declining cities’ profile, a ‘growth center’ profile, and so on?”

for CDBG, HOME, and other programs, which are only now being implemented. (Coincident with this, in 2006 CDBG and a number of other HUD initiatives were embarrassingly identified as among the 3% of federal programs found to be “Ineffective” by the Bush administration’s new “ExpectMore.gov” site.⁶)

Given the decentralized CDBG decision-making process, the implementation of performance measurement presents HUD with a conundrum: what is the purpose of the agency measuring results when it has devolved the power to set priorities and program funds? Furthermore, devolution creates an additional complication for performance measurement: should performance be measured against the stated goals of each local Consolidated Plan, or should it somehow relate to the objectives of the entire federal program as a whole? A number of authors have addressed these issues, as did thousands of local and state community development professionals through the development of the Outcome Performance Measurement System, with a general consensus being that performance measurement can be useful (and GPRA is probably not going away), but that there is no “one-size-fits-all,” single-purpose tool to measuring results. Different programs, different goals, and even different evaluation questions may require different techniques and data collection to assess their effectiveness (Kravchuk & Schack, 1996; Behn, 2003; Holzer & Yang, 2004; Nicholson-Crotty, Theobald, & Nicholson-Crotty, 2006).

Despite this awareness on all sides, it is clear that HUD nonetheless *does* intend to use aggregate data—in essence, just such a “one-size-fits-all” tool—to somehow improve management of CDBG funds from a federal level, or at the very least to stave off criticism and budget cuts with an arsenal of hard numbers. Without going into the mind-numbing details that are the daily grind of community development officers,⁷ suffice to say that the new system is based on a “ticker” approach, whereby each dollar spent is associated with one (and only one) quantifiable objective: either “Creating Suitable Living Environment,” “Providing Decent Housing,” or “Creating Economic Opportunities” (the “units” of progress towards these goals are hard-coded into HUD’s Integrated Disbursement and Information System, or IDIS); as outcomes are entered into the system, HUD can easily aggregate them to report out “results”: in their own words, “The use of a single standardized set of data, regardless of variation in local program design, means that HUD can readily ‘roll up’ the results reported by grantees from across the country into a set of overall national results by program” (U.S. Department of Housing and Urban Development, 2006, 2-2). What is less clear is whether all this data will result in any improvements to the practice of community development at the local level, or what other effects this system may have.

⁶According to the site, “Programs receiving the Ineffective rating are not using your tax dollars effectively. Ineffective programs have been unable to achieve results due to a lack of clarity regarding the program’s purpose or goals, poor management, or some other significant weakness.” See <http://www.whitehouse.gov/omb/expectmore/index.html> for more on these rankings. Fans of the Bush administration will enjoy seeing projects such as the Defense Contract Management Agency and the Customs and Border Protection receiving triple-star “Effective” ratings.

⁷For the full 13-chapter guidebook (plus three appendices) and a power-point training, see <http://www.hud.gov/offices/cpd/about/performance/training/index.cfm>.

Possible Effects, Intended and Otherwise

Based on comments by participants *and* presenters in the HUD workshops surrounding the new Outcome Measurement strategy, it seems that all parties have resigned to the fact that some sort of performance measurement is necessary to meet HUD's obligations under GPRA, and that the system that has been developed may serve some purpose at the federal level. Equally apparent is the fact that the system as developed will *not* provide the multiple and "disparate" measures needed for true performance *management* (and not simply "measurement") for local offices (Behn, 2003; Nicholson-Crotty et al., 2006); it would seem that, at least as far as GPRA is concerned, Marx's characterization of a tiered bureaucracy is an apt one:

Bureaucracy is a circle no one can leave. Its hierarchy is a *hierarchy of information*. The top entrusts the lower circles with an insight into details, while the lower circles entrust the top with an insight into what is universal, and thus they mutually deceive each other. (Marx, 1843, 20)

Fortunately for the sake of those managers *actually* concerned about improving performance (and not simply complying with GPRA), HUD's guidance repeatedly encourages local offices to develop their own parallel systems for this purpose (U.S. Department of Housing and Urban Development, 2006)—and fortunately, much of the scholarship on the topic shows that this is already happening (Poister & Streib, 1999; Holzer & Yang, 2004; Lindblad, 2006).

Despite HUD's best efforts to simplify the reporting process, the Outcome Measurement System introduces additional administrative steps and management requirements into a program that was heretofore characterized by its relative lack of "red tape" (Rosenfeld, 1984; Sasso & Foley, 2005). If they are to learn these new and constantly changing systems and report "outcomes" and "outputs" in these new standard fields, local community development offices must spend additional resources and mental energy *away* from the local participatory processes that devolution relies upon; one suspects a gradual slide towards the condition that caused the ever-quotable James Q. Wilson to ponder that, "given the constraints on the managers of public agencies, it is a wonder that there is any management at all" (Wilson, 1989, 154). The more involved these requirements become (and the more weight given to their results), the less likely officials will be to generate and observe their own appropriate local measures. It is perhaps ironic that GPRA's call to improve performance at the *federal* level may actually be creating a great deal of unproductive busy-work for local community development offices, while diverting attention away from the more local performance measurement practices that we see evolving.

However, beyond these additional administrative burdens and the attention they demand, HUD's Outcome Measurement System also threatens to alter the process by which CDBG funds are *programmed* at the local level. As mentioned in the first section of this paper, entitlement communities tend to expend a greater percentage of their CDBG funds on public services and housing than do the statewide programs—an essential funding stream for inner-city non-profit service providers and housing developers. Looking over the guidance HUD has provided from the perspective of a local community development director

under pressure to show results,⁸ one perceives a “read between the lines” suggestion to simplify reporting: infrastructure and public facilities projects are *far* easier to monitor and report progress on than are either housing or public service projects (both of which require tracking of individual beneficiaries), and will generally yield higher numbers on HUD’s “ticker.” Thus, for example, reporting the “outcomes” involved in constructing a new park, bridge, or sewer line in a low-income neighborhood can be done in a few minutes by a single staffer with access to census records, and will show “benefits” to thousands of low-income individuals; reporting the same for a grant to a food pantry, an ESL class, or a homeless shelter would take weeks of data gathering and cleanup, with smaller numbers to show for it.

Similar to what was observed in 1981 when the HUD Small Cities program transitioned into a state block grant, here we can expect that additional administrative requirements, steadily decreasing funding,⁹ and a significant differential in ease-of-reporting for different types of activities will create very real incentives for local actors to shift from the Urban Entitlement spending profile (Figure 2) towards something more akin to the Statewide pattern (Figure 3). This shift may in fact be one of the tacit objectives behind HUD’s measurement scheme (the studies and arguments found in the “ExpectMore.gov” critique, for example, suggest such infrastructure-heavy strategies as being more “effective”), or it may simply be an unintended consequence of the act of measurement, similar to the “observer bias” found in other areas of social science research (Schwartz & Schwartz, 1955). Whether this results in better community development, or simply easier and more impressive reporting, remains to be seen.

Postscript

Looking back over this article, I am concerned that it may be viewed as too critical of staff at HUD, or taken to suggest that they have no place in monitoring or improving the practice of community development at the local level; this was not my intention. In my work as a practicing planner I have always enjoyed and benefited from the oversight, technical assistance, and even camaraderie of my HUD contacts in both Washington and the local field office. These individuals are some of the best planners I know, with the most thankless jobs in the business. My concern is rather with the process by which performance measurement under GPRA is poisoning this once-productive relationship, turning partnerships into the agreement to “mutually deceive each other” for the purposes of simply getting through an absurd set of requirements. This, in the end, may be the most significant unintended consequence, a cost that no benefit could out-weigh.

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⁸Until 2007 the author served as Director of Community Development for the City of Lawrence, Massachusetts, an entitlement community with an annual grant of approximately \$1.5M.

⁹Note also that due to caps on administrative spending, smaller block grants necessarily equate with diminished staffing.

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