

TESTIMONY

From

**The Hon. Maurice P. McTigue Q.S.O.
Distinguished Visiting Scholar
Mercatus Center
George Mason University**

For

**Subcommittee on Housing and Transportation
Committee on Banking, Housing and Urban Affairs
United States Senate**

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On

**Management Challenges at the
Department of Housing and Urban Development**

Mr. Chairman, I am honored to present testimony before your committee on this issue. In order to provide meaningful commentary on the department's management challenges, I must rely on current, high quality, accurate information provided by HUD.

Unfortunately, obtaining such information has not proven to be as simple a task as one might expect. Theoretically, Annual Performance Reports required by the Government Performance and Results Act (GPRA) should contain all the information Congress would need to examine the performance of a government organization.

This particular problem is not unique to HUD. My colleagues and I at the Mercatus Center at George Mason University have been concerned for at least the past year about the quality of agencies' performance reporting. Transparent disclosure of public benefits and agency outcomes allows Congress to accurately review performance and make informed decisions about future funding allocations. To help establish standards and expectations for reporting under GPRA, we conducted a study of the FY 1999 documents and published our findings in May of this year. Not surprisingly, in this very first effort, many agencies struggled with the task and the general quality of reporting was mediocre.

Congress' introduction of this reporting requirement has two significant impacts. First there is disclosure of the organization's performance to the public, and the range of possible reactions that invites. Second, but less well recognized, is the internal process of organizational review necessary to produce the performance information for the report. This process is important because it reveals to the organization its own strengths and weaknesses, and provokes strategies to address its shortcomings.

To use a private sector analogy, this process can be compared to preparation of an annual report of a publicly listed company. The administration acts as the board of directors, the department is the company, and you, the legislature, act on behalf of the owners: the American people. This process should not be a game of "hide and seek," as you are entitled to full knowledge and full disclosure of the performance of the organization you own. In fact, you have an obligation to the shareholders, the American people, to assure them that this organization can deliver its outcomes before you reinvest shareholders' money each year.

I will now take HUD's Annual Performance Report and pose some questions, which I hope will highlight strengths and weaknesses in the performance of this organization. In doing this, I am going to take the information provided by HUD literally, and examine the claims and the implications of the report. As this is a theoretical exercise designed to highlight the importance of quality measures of outcomes as a component of responsible disclosure, I have chosen to examine only two of HUD's strategic goals rather than all of them.

Strategic Goal 1

Rate of Homeownership

Measurement: Increase by 0.5% to 66.9%

Question: Of the 600,000 additional people who achieved home ownership this year, how many were assisted by HUD programs designed to achieve this outcome?

Comment: In choosing this outcome (increasing home ownership), and choosing the indicator (growth in the rate of home ownership), the implication is that HUD created all of that growth. However, there is no analysis of how or with which program HUD produced this result. Better quality information would identify each HUD activity targeted at this outcome and show how much impact each had on home ownership. It may well be that HUD had less impact on increasing home ownership this year than last, and that a booming economy produced all of the increase in home ownership.

Note: It is not sufficient to presume that because an agency is active in a particular area that any improvement is a result of their involvement. Agencies now need to prove that there is a causal link between their activity and the improved result.

Strategic Goal 3

Addressing Homelessness

Measurement: Number of Homeless Assistance Grants Awarded

Question: Is the problem of homelessness getting better or worse? By how much have you been able to reduce homelessness during the last year?

Comment: There are a lot of activities designed to assist homeless people. However, there does not seem to be a comprehensive strategy to reduce or eliminate homelessness. The indicators are all measures of process rather than measures of outcome: a reduction in homelessness. The activity meant to affect this outcome is all directed at the consequences (homelessness) and no effort seems to be aimed at eliminating causal factors of homelessness. Among the variety of programs targeted at this outcome, there is no information given that compares the efficacy of one program against another. It requires a stretch of the imagination to conclude that they are all equally effective. Similarly there is no data given to compare costs and benefits.

Note: In this outcome area there is a sharp contrast between the process indicators (number of homeless assistance grants awarded) chosen and the outcome indicators

(increase in rate of home ownership) chosen in Strategic Goal 1. Why the different approach?

Conclusions

The information most useful to Congress is that which informs of the success or failure of an agency in achieving required outcomes. HUD needs to do better in focusing on a particular outcome and choose measures that reflect progress towards that goal. I would be the first to admit this is not easy; particularly where HUD has to work through second and third parties, and in many instances has little control over the outputs produced.

However, that does not excuse its absence from their performance report.

A useful tool in clearly defining the outcome is a very simple process of answering the following questions: What is the evil being eliminated? What is the good being enhanced? How can we measure progress on each of those issues? Good management then makes sure that all programs move that measure in the correct direction. Good congressional oversight ensures that funds are taken away from ineffective programs and are reallocated to those programs that demonstrate progress toward appropriate outcomes.

Testimony prepared by:

Maurice P. McTigue
Distinguished Visiting Scholar
Mercatus Center
George Mason University