

Helping Governments Prepare for Future Crises:

Using Metrics to Address Transformational Events

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**The Business
of Government**

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FOREWORD

On behalf of the IBM Center for The Business of Government, we are pleased to release this new report, *Helping Governments Prepare for Future Crises: Using Metrics to Guide Investments for Transformational Events*, by Karen Kunz, professor at West Virginia University, and Scott Pattison, former executive director of the National Governors' Association and currently a fellow with the National Academy of Public Administration.

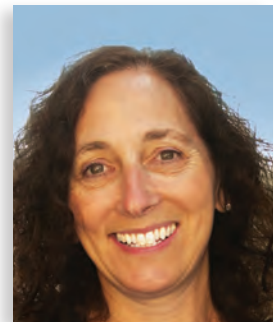
In response to multiple outlays of funds to help address the impact of the pandemic, states have used federal recovery funds for a diverse set of activities, including to replenish lost revenue, address negative economic impacts, and improve program outcomes. This diversity of uses reflects the extraordinary and broad-ranging impacts from COVID-19.

This new report analyzes how a shock to the system of this magnitude has impacted governments' ability to use emergency dollars for public services, and draws on this analysis to develop recommendations for how states can use future recovery funds to help deliver key services during critical times of need. The report brings a broad-scoped analysis together with examination of three state-based cases, to explore how the alignment and effectiveness of funded activities are measured, and to identify lessons to guide states in deploying resources to address future transformational events.

The authors' work complements our Center's ongoing initiative to develop research to help governments in preparing for and responding to "future shocks"—systemic crises including health events as well as cyber incidents, climate changes, supply chain disruptions, and workforce shortages. The future shocks initiative includes [numerous reports and related publications](#), issued in collaboration with the National Academy of Public Administration, IBM Institute for Business Value, and other partners.



DANIEL J. CHENOK



JENNY WODINSKY



This report also continues the Center’s longstanding research and recommendations around using performance information to improve government operations.

We hope that state and federal leaders and stakeholders find this report helpful in developing strategies to address increasingly common transformational crises.

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EXECUTIVE SUMMARY

The COVID-19 pandemic—even more than the 2008-2009 banking, housing and economic crises—demanded an extraordinary and sweeping response, and tranches of subsequent, large-scale emergency appropriations.

Of the numerous bills that distributed funds to individuals, businesses and government entities, only the Coronavirus State and local Recovery Funds (CSLFRF) allocations came with mandated state reporting requirements. The creation and inclusion of performance metrics in required annual reports to the federal government is commendable. However, the limited scope for which metrics were required, and lack of guidance for design of measures, resulted in information that was not sufficiently comprehensive nor comparable.

To address this challenge, this report explores how states distributed CSLFRF allocations and the metrics they developed to measure that spending as reported to the U.S. Treasury in required annual filings. An overview of all 50 states frame a more in-depth examination of three representative states with varied landscapes—Colorado, Florida, and Illinois—as case studies.

This research points to a finding that that without definitive guidance on how to construct and employ performance measures, methods and effectiveness vary widely across states. The report applies common assessment criteria (i.e., administration and distribution of funds, creation of performance measures, determination of effectiveness, and alignment with agency/program objectives) to the three case study states, and explores other ways in which federal funds transfers are tracked and measured.

Finally, the report developed several recommendations for state and federal government to effectively track and integrate spending into annual budget processes, in preparation for future transformational events. These recommendations include:

- Create measures that are *useful* and *used*.
- Integrate metrics and analytics into annual budget process.
- Keep measures simple and connected to goals.
- Build capacity.
- Develop incentives for states.

INTRODUCTION

The Brookings Institution¹ describes the COVID-19 pandemic as “a sweeping crisis that demands what disaster management experts call a ‘whole-of-government and whole-of-society’ response.”

At its peak, between 2020 and 2022, the pandemic was one of the most devastating events of the early 21st century—and a perfect storm for state and local governments, as dramatically reduced revenues and spikes in service demands threatened to decimate budgets. Many states were somewhat prepared, with rainy day funds to cover initial costs of personal protective equipment, child care for emergency workers, and public safety and sanitation, but none were ready for an extended pandemic and the fiscal and economic impacts.

As the pandemic evolved, Congress approved several tranches of funding to provide broad-based, immediate support to emergency responders, individuals and small businesses, corporate and nonprofit entities, and governments at all levels. The U.S. Treasury Department instituted basic performance measurement and reporting requirements for recipients of Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). Despite these requirements, there is little comprehensive information about how states have used their CSFRF dollars.

Prior to the pandemic, the largest allocation of federal recovery funds was directed to the bank bailouts and economic stabilization efforts resulting from the 2008 housing and stock market crash. The Housing & Economic Stabilization Act of 2008² targeted \$700 billion for the Troubled Asset Relief Fund (TARP); through sales of some of the assets purchased with those funds, the Treasury recovered approximately \$442 billion, leaving taxpayers responsible for just \$268 billion. The American Recovery and Reinvestment Act of 2009³ added \$787 billion to recovery efforts. In total, adjusted for inflation, the federal government spent \$1.5 trillion in response to the Great Recession that resulted in over three million home foreclosures and displaced approximately 10 million people. In comparison, the American Rescue Plan Act of 2021 (ARPA) *alone* provided \$1.9 trillion in stimulus dollars. And this was just one of six bills enacted that cumulatively accounted for \$13.26 trillion in recovery funds.⁴

Bailouts and stimulus funds differ significantly, although both are targeted toward economic recovery. Bailouts, while often controversial, are directed to specific industries and companies, (such as banks and subsequently airlines and auto companies in 2008-9). In contrast, the 2019 Economic Recovery Act and the five stimulus bills enacted between 2020 and 2022 in response to the COVID-19 pandemic were intended to provide widespread fiscal support. Funds went to individuals and families, to small businesses and nonprofit organizations, and to state and local governments to provide medical, protective, economic, and social relief services.

1. de Souza Briggs, Xavier, Amy Liu, and Jenny Schuetz. 2020. Federal fiscal aid to cities and states must be massive and immediate. The Brookings Institution, Mar 24. Retrieved from <https://www.brookings.edu/blog/the-avenue/2020/03/24/federal-fiscal-aid-to-cities-and-states-must-be-massive-and-immediate/>.

2. Congress.gov. n.d.. H.R. 3221. The Housing and Economic Recovery Act of 2008. Congress.gov. <https://www.congress.gov/bill/110th-congress/house-bill/3221?q=%7B%22search%22%3A%5B%22The+Emergency+Economic+Stabilization+Act%22%5D%7D&s=8&r=1>.

3. Congress.gov. n.d.. H.R. 1. American Recovery and Reinvestment Act of 2009. Congress.gov. Retrieved from <https://www.congress.gov/bill/111th-congress/house-bill/1?q=%7B%22search%22%3A%5B%22American+recovery+and+reinvestment+act+of+2009%22%5D%7D&s=10&r=1>.

4. The Peter G. Peterson Foundation. 2021. Here's Everything The Federal Government Has Done To Respond To The Coronavirus So Far. Mar 15. Retrieved from <https://www.pgpf.org/blog/2021/03/heres-everything-congress-has-done-to-respond-to-the-coronavirus-so-far>.

Congress allocated more federal funds to the pandemic recovery than any other national emergency. Government officials of both parties and at all levels were both unsure of the extent of the pandemic impacts and very concerned about a potential economic collapse. ARPA, passed in 2021, allocated money to state, local, and tribal governments to mitigate the significant medical and economic impacts of the pandemic. Within that Act, the CSLFRF allocated \$195 billion to be divided among states and the District of Columbia. In addition, counties and municipalities shared \$100.7 billion; tribal governments were eligible for a total of \$20 billion; and territories and non-entitlement units of local government split \$24 billion.⁵

States used these federal recovery funds to replenish lost revenue, address negative economic impacts, and improve program outcomes in the wake of this transformational event. These allocations came with strings attached but did not include substantive enforcement mechanisms. Consequently, despite the provisions, in large part states could spend the money as they choose. They were required, however, to develop and report performance metrics for spending to measured increased jobs and meet other limited criteria.

This report examines the ways in which a shock to the system of this magnitude—a once in one lifetime global pandemic—impacted state governments' ability to use emergency dollars for public services, and the extent of their success in managing the impacts of this extraordinary experience.

The report uses three case studies—Colorado, Florida, and Illinois—to explore the ways in which states allocated their portions of CSLFR Funds.

Knowing the success of CSLFRF spending outcomes will enable states to prepare for the next transformational event and inform decision making.

In this report, examination of the metrics created helps to determine the effectiveness of their spending choices, evaluate the efficacy of measurement designs, compare the metrics used, and address the ability to determine the impacts of outcomes. A scorecard allows consistently assessing the distribution of funds, the creation and implementation of performance measures, the effectiveness of the measures in determining outcomes, and the alignment of the measures with agency and program objectives. Based on these findings, the report concludes with suggestions for best practices in development of metrics that can guide states in their deployment of resources for future transformational events.

5. U.S. Department of Treasury. 2022. Coronavirus Relief Fund, COVID Economic Relief, 2022. Retrieved from <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/coronavirus-relief-fund>.



Everyday Catastrophes vs. Extraordinary Events

Prior to the COVID pandemic, catastrophic events were often seen as local, state, or regional in scope. States used a variety of budget measures to plan for or respond to hurricanes, floods, droughts, wildfires, and other natural disasters, and then petition the federal government for assistance—generally provided via the Federal Emergency Management Agency (FEMA)—by declaring the event a national emergency. Each state has its own combination of budget mechanisms that generally fall into one or more of multiple categories: statewide disaster accounts, rainy day funds, state agency budget accounts, supplemental appropriations, transfer authority, and unspent available funds. Florida, for example, has budget mechanisms in place to ensure funds for unforeseen disasters as they happen as well as for those that have occurred in the past.⁶ Going into the pandemic, 46 states had disaster accounts and 35 (not including Colorado or Illinois) had rainy day funds. Colorado and Florida use agency budgets as their first source of disaster funding.⁷

“Everyday” catastrophes, such as wildfires, hurricanes, floods, droughts, and ice storms, have become more frequent. Between 1980 and 2020, there were 285 weather and climate disasters with damage costs topping \$1 billion, with cumulative costs was in excess of \$1.875 trillion.⁸ Between 1980 and 2022, the number of climate disasters throughout the country averaged 8.1 per year; however, between 2018 and 2022 the average number of disasters increased to 18 per year.⁹

Along with the increase in type and frequency, the costs of disaster response and recovery have risen. According to Colin Ford at Pew, this has prompted federal policymakers to call “for states to take increased responsibility for funding disaster preparedness, mitigation, response, and recovery.” At a meeting of the FEMA’s National Advisory Council in November 2019, then-acting FEMA Administrator Peter Gaynor described current federal spending on natural disasters as “unsustainable. . . . The only way we can survive as a nation is to set aside pre-disaster money and build state and local capacity.”¹⁰

6. Sager, Michelle. 2015. Approaches to Budgeting for Disasters in Selected States. GAO-15-424. Government Accountability Office. Retrieved from <https://www.gao.gov/assets/gao-15-424.pdf>.

7. Ford, Colin. 2020. How States Pay for Natural Disasters in an Era of Rising Costs. Pew, May 12. Retrieved from <https://www.pewtrusts.org/en/research-and-analysis/reports/2020/05/how-states-pay-for-natural-disasters-in-an-era-of-rising-costs>.

8. Smith, Adam B. 2021. 2020 U.S. billion-dollar weather and climate disasters in historical context. NORA. Climate.gov, Jan 8. <https://www.climate.gov/disasters2020>.

9. NOAA National Centers for Environmental Information (NCEI). 2023 U.S. Billion-Dollar Weather and Climate Disasters. Retrieved from <https://www.ncei.noaa.gov/access/billions/>, DOI: <https://www.doi.org/10.25921/stkw-7w73>.

10. Ford, Colin. 2020. How States Pay for Natural Disasters in an Era of Rising Costs. Pew Trusts, May 12. Retrieved from <https://www.pewtrusts.org/en/research-and-analysis/reports/2020/05/how-states-pay-for-natural-disasters-in-an-era-of-rising-costs>.

On the whole, however, states do little to plan for what have become everyday catastrophes. In his study of practical approaches to emergency preparedness, J. Christopher Mihm¹¹ notes that “most governments face competing priorities for funding, with insufficient attention given to events considered rare and not entirely predictable—even though it appears they are growing more frequent and more catastrophic.” Mihm is also the author of a relevant and ongoing series of reports from the IBM Center for The Business of Government and National Academy of Public Administration that refers to these increasingly frequent catastrophes as “future shocks.” (For more information, see www.businessofgovernment.org/node/4845.)



‘This is a historic, once-in-a-generation scale of investment.’ . . . The question is how quickly governments not accustomed to this level of funding can respond to the opportunity, and how well they can use it to stand up programs to respond to needs they have not been able to address successfully in the past.

—Carl Smith



Aaron Plewke elaborates on this perspective: “For some reason we have gotten into our bottom-line mindsets that prevention is economically unfeasible. There is no clear dividend on this strange form of ‘speculative’ investment.”¹² Consequently, governments at all levels are no more ready for another housing and economic collapse, or Hurricane Katrina and the subsequent levee failures, or even another pandemic lockdown, despite having experienced them once before.

The federal government responded to the COVID pandemic by quickly appropriating huge amounts of money, which provided desperately needed dollars to states that enabled them build short-term capacity to cope with the crisis. The federal government was concerned that the risk for a painful economic contraction and severe public health infrastructure collapse justified a dramatic federal financial response. Without ways to measure and assess the impacts of the spending, however, there was no way to determine whether those efforts were successful, and if so in what ways and to what degrees. There was little time to prepare for oversight to ensure effective spending outcomes. ARPA attempted to resolve the issue by requiring states to include performance measures for their use of CSLFR Funds in their annual reports to the U.S. Treasury, though as noted previously there remains a paucity of such performance data.

KEY TAKEAWAYS

- Expect more frequent and more extreme “everyday” catastrophes.
- Establish a fiscal reserve for these catastrophies before the next one occurs.
- Use the everyday catastrophe and the COVID experience to develop preparedness plans for extraordinary events.

11. Mihm, J. Christopher. 2022. Partnering for resilience A practical approach to emergency preparedness. IBM Center for The Business of Government. Retrieved from <https://businessofgovernment.org/sites/default/files/Partnering%20for%20Resilience.pdf>.

12. Plewke, Aaron. 2010. The Extraordinary vs. the Everyday Catastrophe: Part 1. *Architect*, Sep. 7. Retrieved from <https://architect.com/features/article/101069/the-extraordinary-vs-the-everyday-catastrophe-part-1>.



Data Matters

Creating, implementing, and interpreting performance measures can be an arduous task. For most agency directors and analysts, identifying what should be measured, and how to do so, can be overwhelming. Continued technological improvements have made the availability, use, and analysis of data easier every year. With much data available, governments have an opportunity to improve use of that data.¹³

Creating metrics using operational data can improve information and increase insight. Identifying the outcomes of resource allocations, and how those outcomes align with the agency mission and program objectives, can help future decision-making—especially when confronted with or in the midst of an extraordinary event.

Yet crafting meaningful performance metrics and defining their intended outcomes can be challenging. The Government Accountability Office (GAO) has been instrumental in guiding federal agencies in how to interpret and implement the Government Performance and Results Act (GPRA) and the subsequent Government Performance and Results Modernization Act (GPRAMA). They offer a holistic perspective:

- Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress toward preestablished goals. It is typically conducted by program or agency management.
- Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), or the results of those products and services (outcomes).¹⁴

Ideally, a “purposeful implementation of performance data can be used to manage programs and employees, identify and solve problems, and determine the effectiveness of existing programs and services.”¹⁵ The metrics and the data gleaned from them should demonstrate an agency’s workload, or how well programs operate; their efficiency, or how well they are serving their citizens; and the outcomes of their efforts, or whether their programs achieve their intended impacts.¹⁶ For example, within a state’s department of transportation, comparing the

13. Smith, Carl. 2022. How Are Governments Using ARPA Funds? So Far, Very Slowly. *Governing*, Jun 21. Retrieved from <https://www.governing.com/finance/how-are-governments-using-arpa-funds-so-far-very-slowly>.

14. Kingsbury, Nancy R. 2011. Performance Measurement and Evaluation: Definitions and Relationships. GAO-05-739SP. Government Accountability Office. Retrieved from <https://www.gao.gov/assets/gao-11-646sp.pdf>.

15. Moynihan, Daniel P. and Alexander Kroll. 2015. Performance Management Routines that Work? An Early Assessment of the GPRA Modernization Act. *PAR*, 76, 2: 314-23.

16. State of Georgia. 2022. Governor’s Office of Planning and Budget. N.d. Agency Performance Measures. Retrieved from <https://opb.georgia.gov/planning-and-evaluation/agency-performance-measures>.

amount of salt ordered and used, the amount of snowfall, and the cost of gas and maintenance for snowplows could help the agency determine efficient budgeting for winter road-clearing needs. That data could then illustrate how effectively tax dollars are being employed. To take it a step further, data can help to assess the impact of one activity on others; for example, the data collected by the department of transportation in the above example could help to determine how keeping streets clear impacts local economic activity.

From an oversight perspective, “performance management is the systematic process of planning work and setting expectations, continually monitoring performance; developing the capacity to perform; periodically rating performance in a summary fashion; and rewarding good performance.”¹⁷ Moynihan and Kroll note that integration and use of performance measures is more likely to be successful if “agency leadership participates, [the] capacity to analyze performance data is created, follow-up mechanisms are put into place, and managers who meet their goals are recognized.”¹⁸

Evidence-based decision making and supporting research based on performance data have become increasingly popular. However, in addition to external challenges of collecting data and creating viable measures, the selection of which data to collect, the ways data is gathered, and the analysis and interpretation of the results, are all subject to (often unconscious) personal and environmental bias on the part of data creators and users, including the public. There is no “one-size-fits-all” approach to developing and using performance measures; creating effective metrics can be deceptively complex and simple solutions do not manifest when it comes to evaluation. Creating standards for use in evaluating performance can also be surprisingly complex. It gives rise to concerns pointed out by Beryl Radin, such as issues of equity and “complicated intergovernmental relationships and fragmentation of powers inherent in government standards.”¹⁹

For the CSLFRF allocations, states are required to include performance measures and results for expenditures that promote job creation and employment in their annual reports. The U.S. Treasury spells out its expectations regarding performance measures in their Compliance and Reporting Guidance²⁰ and Recipient Compliance and Reporting Responsibilities.²¹ The former establishes requirement that states identify “whether and how evidence-based interventions and/or program evaluation are incorporated” into their funding schemes. However, that evidence-based requirement applies to initiatives that are “program or intervention-based,” which leaves out a large portion of projects in some states. Further, each agency must determine if the metrics and data they’ve chosen to measure are worth reporting. In other words, if agencies deem their measures, data, or findings to ultimately be irrelevant, they do not have to report them. As a result, recipients are disincentivized from developing meaningful metrics.

17. OPM.gov. N.d. Policy, Data, Oversight. Retrieved from <https://www.opm.gov/policy-data-oversight/performance-management/reference-materials/more-topics/effective-performance-management-doing-what-comes-naturally/>.

18. Moynihan, Daniel P. and Alexander Kroll. 2015.

19. Radin, Beryl. 2006. *Challenging the Performance Movement*. Georgetown University Press; and Baekgaard, Martin & Soren Serritzlew. 2015. Interpreting Performance Information: Motivated Reasoning or Unbiased Comprehension, *Public Administration Review*, 76:1.

20. U.S. Treasury, 2022e. Compliance and Reporting Guidance. State and Local Fiscal Recovery Funds, Oct. 13. <https://home.treasury.gov/system/files/136/Oct-2022-PE-Report-User-Guide.pdf>; and U.S. Treasury, 2022f. Compliance and Reporting Guidance. State and Local Fiscal Recovery Funds, Sept. 20. <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.

21. U.S. Treasury. 2022d. Recipient Compliance and Reporting Responsibilities. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities>.

That said, some categories (such as public health) require mandatory performance indicators to be developed and reported. Those states and agencies that do develop and report performance measures have clear guidance and responsibilities. States must provide a description of “how performance management is incorporated into the SFRF program, including how overarching jurisdictional goals are being tracked and how results are being measured for individual projects; and key performance indicators for each SFRF funded projects (those are included in project inventories).”²²

KEY TAKEAWAYS

Integration and use of performance measures is more likely to be successful if:

- Agency leadership participates
- A mechanism for measuring outcomes exists before the crisis.
- Capacity to analyze performance data is created
- Follow up mechanisms are put into place
- Managers who meet goals receive recognition

22. U.S. Treasury, 2022e.



Measuring Outcomes Is Not New

A strong existing infrastructure in both federal and state government tracks congressional and legislative appropriations to ensure that money goes to the agencies and programs to which it is allocated. To emphasize the importance of evidence-based decision making, the Biden-Harris administration declared 2022 the “Year of Evidence for Action.”²³ Their goal for that year was to:

- Share leading practices from Federal Agencies to generate and use research-backed knowledge to advance better, more equitable outcomes for all of America;
- Strengthen and develop new strategies and structures to promote consistent evidence-based decision-making inside the Federal Government; and
- Increase connection and collaboration among researchers, knowledge producers and decision makers inside and outside of the Federal Government.

This comes on the heels of a long focus on evidence-based governance. Over the years, processes have been developed by government accountants and auditors at various federal agencies like the U.S. Treasury Department, the Office of Management and Budget (OMB) and the Government Accountability Office (GAO). State and local officials, through organizations like the Government Finance Officers Association (GFOA) and the National Association of State Auditors, Comptrollers and Treasurers (NASACT), have been an important part of enabling efficient and effective structures from the state and local perspective. Tracking monies is therefore not the main challenge; in fact, USASpending.gov, initiated by the DATA Act in 2014, provides an extensive database of data from federal agencies and grant award recipients at all levels of government. These mechanisms can help to prevent fraud and inaccurate distributions of funds, but they do not impose ways to account for the *effectiveness, outcomes, and results* of the programs being funded.

Clearly, there is no shortage of available information available to all levels of government about how to create, implement, evaluate, and incorporate performance measures to make more effective and efficient fiscal and policy decisions.

23. The White House. 2022. FACT SHEET: Biden-Harris Administration Launches Year of Evidence for Action to Fortify and Expand Evidence-Based Policymaking. Retrieved from: <https://www.whitehouse.gov/ostp/news-updates/2022/04/07/fact-sheet-biden-harris-administration-launches-year-of-evidence-for-action-to-fortify-and-expand-evidence-based-policymaking/>.

Fortunately, many available sources offer processes and policies that can be implemented to identify, track, and assess performance metrics. Federal circulars provide instructions and guidance about evidence-based performance measures and reporting; the Federal Register's Guidance for Grants and Agreements²⁴ from OMB is an example of this guidance. Agencies themselves have been required to implement performance measures since 1993, with passage of the Government Performance and Results Act (GPRA).²⁵ Expectations and guidance were expanded with the GPRA Modernization Act, passed in 2010, which built "on lessons agencies have learned in setting goals and reporting performance. It also places emphasis on setting priorities, cross-organizational collaboration to achieve shared goals, and the use and analysis of goals and measures to improve outcomes of federally funded programs."²⁶

Today, federal agencies provide annual performance reports that include goals, objectives and metrics illustrating the results of specified measurements. This is exemplified in the USDA's FY2024 Performance Plan and FY2022 Performance Report, which sets benchmarks for next year's performance and details performance metrics for 2022 in the context of goals and measurement data from previous years.²⁷

Recipients of federal funds, whether through grants or transfers, also must comply with federal evidence-based reporting mandates. In their report on aid to state and local governments, OMB explains that "in 2020 the Federal Government spent \$829 billion on aid to State, local, tribal, and territorial governments. Spending on grants was 4 percent of GDP in 2020."²⁸ OMB provides a template for reporting performance metrics for federal discretionary grants that includes report formatting, content and submission requirements.²⁹ Questions to be answered in a final report submission include "What measurable outcomes did you establish for this project and what indicators did you use to measure performance? To what extent did your project achieve the outcomes? What impact do you think this project has had to date? What are the lessons you learned from undertaking this project?"

Numerous think tanks and nonprofit organizations, such as the Pew Charitable Trusts (Pew), The Volcker Alliance, and the Government Finance Resource Center, have sought for years to encourage governments to use performance measures and evidence-based information about government program outcomes. In 2014, for example, the Pew-MacArthur Results Initiative published *Evidence-Based Policymaking: A Guide for Effective Government*, which "outlines the first comprehensive framework that policymakers can follow to build a system of evidence-based governing. By leveraging the power of this approach, governments can reduce wasteful spending, expand innovative programs, and strengthen accountability."³⁰

24. Federal Register. 2020. Guidance for Grants and Agreements. Document Citation 85 FR 49506. Office of Management & Budget (OMB), Aug 13. Retrieved from <https://www.federalregister.gov/documents/2020/08/13/2020-17468/guidance-for-grants-and-agreements>.

25. U.S. Department of Labor. N.d. Government Performance and Results Act (GPRA). Employment & Training Administration (ETA). Retrieved from <https://www.dol.gov/agencies/eta/performance/goals/gpra>; and Substance Abuse and Mental Health Services Administration (SAMSHA). N.d. Government Performance and Results Act (GPRA). from <https://www.samhsa.gov/sites/default/files/gpra-fact-sheet.pdf>.

26. Substance Abuse and Mental Health Services Administration (SAMSHA). 2022. GPRA Modernization Act of 2010. Retrieved from <https://www.samhsa.gov/grants/gpra-measurement-tools>.

27. U.S. Department of Agriculture. USDA 2023. FY2024 Performance Plan, FY2022 Performance Report. Retrieved from <https://www.usda.gov/sites/default/files/documents/fy-2024-annual-performance-plan-fy-2022-annual-performance-report.pdf>.

28. U.S. Office of Management and Budget. 2022. Section 11. AID TO STATE AND LOCAL GOVERNMENTS. Analytical Perspectives. Special Topics. Retrieved from https://www.whitehouse.gov/wp-content/uploads/2021/05/ap_11_state_and_local_fy22.pdf.

29. U.S. Office of Budget & Management. 2019. Guidelines for Preparing Performance Reports for Discretionary Grants Supported by the U.S. Administration for Community Living. Retrieved from <https://read.dukeupress.edu/hope>.

30. Dube, Sara. 2014. Evidence-Based Policymaking: A Guide for Effective Government. Nov 13. Retrieved from <https://www.pewtrusts.org/en/research-and-analysis/reports/2014/11/evidence-based-policymaking-a-guide-for-effective-government>.

Clearly, there is no shortage of available information available to all levels of government about how to create, implement, evaluate, and incorporate performance measures to make more effective and efficient fiscal and policy decisions.

Even with so much available information about how to implement performance measures and focus on outcomes, few governments have consistently imposed them, and few have used the information in actual decision making. Yet, when they do integrate performance measures into their reporting, many states spend all their effort feeding the beast—developing metrics and collecting data—without following through to analysis, particularly in comparing with prior year and collaborative and complementary programs. And in relation to pandemic spending, many states lack motivation to exert extra effort to provide context and analysis for what will ultimately be one-time programs.

U.S. Treasury Spending Requirements for CSLFR Funds

The Treasury provided detailed instructions on the ways in which states could use the funds received from the CSLFRF, noting that while states have substantial discretion, all spending must fit into four specific categories:

1. Projects that respond to public health needs and the negative economic impacts caused by the COVID-19
2. Programs that provide premium pay for essential workers directly
3. Projects that supplement state revenue lost due to the pandemic
4. Projects that invest in water, sewer, or broadband infrastructure¹

The Treasury's instructions went further, restricting payments to cover expenses that:

- Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)
- Have not been accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act), for the State or government
- Were incurred for the period beginning on 3/1/20 and ending on 12/31/21⁵

Finally, accountability drives behavior. If states create metrics and collect data, they are responsible for the outcomes illustrated by the measures, and ultimately, development of data-driven changes to improve results. In that case, the lower the bar—or creation of metrics that are easy to comply with or provide little action information—the better. For many states, the rhetoric belies the activity, with little incentive to change.

Given all of the resources available to them, and the limited scope of projects subject to performance reporting, this report next turns to case studies of activity in three states.

KEY TAKEAWAYS

- There many ways to create, implement, and employ performance measures.
- There are multiple sources for guidance.
- Performance reporting requirements in federal grants are great examples of ‘how-to.’
- States resist doing so for many reasons:
 - Not enough staff or qualified staff
 - Lack of context to interpret data
 - Lack of incentives
 - No capacity for accountability-related responsibilities



How States Fared: A Comparative Case Study

In 2021, ARPA created the CSLFR Fund to provide \$350 billion to assist state, local, and tribal governments with economic recovery efforts in response to the COVID pandemic. By the end of that year, ARPA dollars made their way to almost 1,800 states, territories, and large cities and counties.³¹ Of that, the CSLFRF allocated \$195 billion to the states in two ways: \$25.5 billion split equally between and paid directly to the states, and \$169 billion divided among the states based on the percentage of unemployed workers during October-December 2020. The latter was paid out in two tranches: the first in May 2021 and the second a year later.³² Treasury found that “based on initial Recovery Plan reports, Treasury estimated that by August 31, 2021, a brief time after the program’s launch, states had allocated approximately 45% of their State and Local Fiscal Recovery Funds.”³³

As noted earlier, despite the Treasury reporting requirements, little comprehensive information exists about how states have used CSLFRF dollars. One study noted that in “some instances, the state legislatures have approved appropriations that allocate all available CRF funds to specific budget line-items, while in other states the plans have been less detailed, and Governors have issued only general statements about their plans.”³⁴ Further, at the start of 2022, other research noted that states “had obligated just 28 percent of \$208 billion in the first tranche of SLFRF aid made available to them. . . . [likely in large part because] the final rules on how SLFRF funds could be used did not go into effect until April of this year [2022].”³⁵

Just over a third of the states (39 percent) used the funds to reimburse general revenue for expenses related to the pandemic. Carl Smith observed, “It is not terribly surprising that largest chunk of the money is being devoted to purposes that have very low levels of administrative burden. . . . It’s much more burdensome to use the money to provide relief directly to the kind of people most impacted by COVID.” Revenue replacement makes satisfying the Treasury Department’s accountability mandates easier as well; states are obligated to disclose this use to the Treasury, but that is the extent of the reporting requirements. “Relief programs are a different matter. Reporting to Treasury could include details such as the evidence-based research behind a program, the number of people it will serve, demographic information about them and tracking its impact.”³⁶

31. Smith, Carl. 2022.

32. U.S. Treasury. 2022.

33. Ibid.

34. Kass, Amanda and Issabella Romano. 2020. Slow To Spend? State Approaches To Allocating Federal Coronavirus Relief Funds. Government Finance Research Center, University of Illinois Chicago. Retrieved from <https://gfrc.uic.edu/slow-to-spend-state-approaches-to-allocating-federal-coronavirus-relief-funds/>.

35. Smith, Carl. 2022.

36. Ibid.

In all, state reports to the Treasury include metrics that span the gamut from well-considered and transparent to barely ‘in progress’ of being created. To look more deeply at how states developed and used performance measures to determine the effectiveness of their uses of CSLFR Funds, we compared three states that represented a mix of demographics and ideologies. Colorado, Florida, and Illinois share a mix of urban and rural communities and some policy concerns but have been governed with contrasting goals and priorities in their responses to the pandemic. Table 1 below shows how they compare in various categories.

Table 1. CSLFR funds for Colorado, Florida and Illinois

	Population	diversity (% white)	% broadband access	% collage degree	% poverty	% employed	% Non-farm payroll ⁺	# urban areas*	# counties*	#1 economy driver	political affiliation
Colorado	5,812,069	67%	90%	42%	10%	67%	49%	64	64	areospace	purple
Florida	21,781,000	77%	85%	30%	13%	59%	43%	104	67	tourism	red
Illinois	12,671,469	60%	85%	36%	12%	65%	48%	158	102	agriculture	blue

Sources: U.S. Census, Fast Facts 2020; *US Census data, 2010; ⁺US Bureau of Labor Statistics, June 2022

As illustrated in the table above, all three states contain a mix of diverse, urban and rural communities, with about half of payrolls originating from non-farm entities. The vast majority (85-90 percent) of the population in all three states have access to broadband, and on average a little over one-third have college degrees.³⁷ Aside from the similarities, the states’ political and ideological priorities differ, so it is likely that their spending priorities and methods of measuring allocations of CSLFR Funds will also vary. The three states thus reflect a cross-section of conditions and capabilities as a source of insight for understanding the connection performance measurement with crisis-related spending.

The overarching goal of conducting these case studies was to determine the states’ ability to collect robust data, create clear and effective measurements, and report that data to the public. To ensure consistent comparisons between states, a set of criteria for use in assessing the effectiveness of performance measures was created, specifically for use with allocation of the CSLFR Funds and in compliance with the U.S. Treasury’s reporting requirements. These criteria included: (1) administration and distribution of funds, (2) creation of performance measures, (3) determination of effectiveness, and (4) alignment with agency/program objectives.

Knowing how the funds were spent provided a foundation to identify corresponding performance measures and determine their correlation with spending choices. This assessment posed several questions: Did each metric actually measure some aspect of the specified spending, and did it do so clearly and in the most effective way? And are the metrics informative beyond just that particular spending allocation? For example, to determine the effectiveness of a job retraining program, measuring the number of individuals registered would not be an effective or informative metric. On the other hand, measuring the number of individuals who completed the program, and of those how many became employed, would help to determine the effectiveness of the dollars spent and its potential impact post-pandemic.

37. U.S. Census. Fast Facts, 2020; U.S. Census data 2010; U.S. Bureau of Labor Statistics, June 2022.



Colorado

Colorado revised its existing performance management system into a state-of-the-art structure back in 2013, so it was well equipped to manage the influx of federal dollars and the Treasury's reporting mandate for CSLFRF allocations. The State Measurement for Accountable, Responsive, and Transparent Government Act, known as the SMART Act, enabled the state to create an accountable and transparent state government built on clear, measurable performance-based goals. This was widely used to record and assess agency spending. The searchable dashboard approach provided transparency and public access.

Colorado's budget process is more restricted than in other states. The Taxpayer Bill of Rights (TABOR) passed in 1992 limits spending and tax increases. Amendment 23, passed in 2000, sets a fixed percentage of the state budget for K-12 education. The dashboard created as part of the SMART Act has gone a long way in helping state budget officials and administrators to take these restrictions into consideration when planning spending and revenue projections and plans. While other state legislatures have significantly more flexibility in spending and taxation decisions than that found in Colorado, most do not have the advantage of this type of dashboard and underlying data.³⁸ Similarly, Colorado's SMART Act and its dashboard was already in use when the pandemic hit, which gave the state a significant advantage; agencies (and the public) could compare annual budget allocations to those from federal emergency funds to gauge how the pandemic impacted demand for and spending on public services.

State administration of funds. Disbursements were overseen by the state's comptroller and aided by the governor's office through their development and implementation of a webpage and dashboard specifically to provide the public with information about the amounts and status of the CSLFRF allotments. Officials created the Colorado Resiliency Office to work with state agencies and the federal government on ways to share resources and seek recovery from the pandemic.³⁹ Further, priority setting—determinations of how to best allocate the funds was an inclusive, statewide endeavor. The governor, treasurer, and state legislative leaders "convened a series of public meetings to hear directly from Coloradans from across the State's diverse communities, industries, and areas of interest."⁴⁰

These public meetings, billed as a "listening and learning" tour, enabled officials to target CSLFRF disbursements to individuals and small businesses most impacted by the pandemic. As a result, 75 percent of the funds received (\$3.4 billion) went to programs within social services, including education, housing, human services, public health, and unemployment. Just 15 percent of the funds were applied to economic recovery programs, such as access to justice, and economic/workforce development, and approximately 12 percent (\$555 million) of the funds were invested in capital projects, including \$75 million for broadband and another \$75 million for water infrastructure projects.

Creation of performance measures. Numerous performance measures were developed specifically for each program and project funded by CSLFRF dollars. That included detailed markers chosen to gather the information necessary to determine impacts and outcomes. That is evidenced in the State's 2022 Performance Report to the Treasury, which provides detailed metrics that include measurements and outcomes for funding choices and identifies specific

38. Colorado State Legislature. N.d. TABOR. Retrieved from <https://leg.colorado.gov/agencies/legislative-council-staff/tabor>.

39. Colorado Resiliency Office. 2022. COVID-19 Recovery. Department of Local Affairs. Retrieved from <https://www.coresiliency.com/co-recovery-resources-covid-19>.

40. State of Colorado. 2022. State and Local Fiscal Recovery Fund: Performance Report, Jul 31. Retrieved from <https://drive.google.com/file/d/1VjAloGCQbo25WUno8B9MidsKZek3zjP/view>.

initiatives that pertain to the funding streams.⁴¹ For example, the need for affordable housing had become a point of concern, so the state dedicated \$341.5 million of the CSLFR Funds to projects that pertained to affordable housing and housing the state’s homeless population. In their report, the state succinctly describes the practical and quantifiable measurements used and determinants of success for the even programs designed to ameliorate the affordable housing crisis:

The primary outcome of interest for our affordable housing major program is a reduction in the average housing burden of Coloradans, broken down by geography, with intermediate outcomes being a reduction in the number of evictions and the number of housing units per-capita in a given geographic area. The outputs of this major program will be the number and geographic distribution of affordable housing units constructed, and the number and distribution of households who receive housing aid.

OUTPUTS	OUTCOMES
• Affordable Housing Units Added	• <i>Primary</i> : Reduction in Housing Burden
• Households receiving assistance (ERA)	• <i>Intermediate</i> : Eviction Rate Reduction
	• <i>Intermediate</i> : Increased housing units per capita

Effectiveness of measures. As noted earlier, creating comprehensive, well-formed performance measures has challenges. Clearly, Colorado made superlative efforts to design informative measures that allow for comprehensive assessment of program efficacy. In this instance, knowing the number of people and families in need who did not receive or were awaiting affordable housing would help to determine the extent of initiative’s success. Additional metrics of success would also be helpful: For example, how many new homes or sheltered families would be considered a success, and how close did the initiative come to meeting those benchmarks? To take it a step further, what impact did the initiative have on other service delivery goals? Questions to ask might center on changes in Medicaid and unemployment claims, or the percentage of change in K-12 enrollments in districts containing the new housing.

Alignment/impact of metrics on outcomes. Integrating the CSLFRF metrics with the state’s existing management system provided a comprehensive view of state spending during the pandemic and aligned with the SMART Act’s accountability and transparency requirements. The governor’s dashboard (<https://dashboard.colorado.gov/>) connects and extends these efforts.

The measures and assessments of outcomes illustrated in the state’s report to the Treasury demonstrates the commitment to and use of evidence-based decision making. The dashboard (and SMART Act) holds lawmakers accountable to continue this practice beyond the use of recovery funds and into annual budgeting and spending decisions.

41. Ibid.



Florida

Florida did not have a robust performance management structure across state government to rely on when it received CSLFR Funds.⁴² Interestingly, the state did have a nationally recognized performance measurement program in the 1990s. A report stated then that “Florida is ahead of other states and the federal government in funding programs based on results. The Legislature has incorporated performance data into the budget process to improve accountability. The Legislature has also used the process to provide both budget flexibility and incentive funding.”⁴³ This program was discontinued.

More recently, the state reported, “Implementation of the SFRF program began with the Governor signing the Florida Leads budget into law on June 2, 2021, which represented Florida’s focus on recovery and built on prior initiatives that were primarily focused on response. Implementation continued with the Freedom First budget, signed into law [the following year].”⁴⁴ The state was awarded \$8,816,340 in CSLFR Funds; however, in his 2022 report to the Treasury, the state’s chief financial officer notes that they actually received slightly less, just \$8.4 billion. Of that, \$5.86 billion was deposited into the state’s treasury as general revenue. In addition, approximately \$2.47 billion was paid directly by the U.S. Treasury to 12 of the largest counties within the state.⁴⁵ It is unclear where and how those funds were allocated and spent.

State administration of funds. Disbursement of the CSLRF Funds were overseen by the state’s Office of Policy and Budget, which allocated dollars to projects within categories ranging from art, tourism, education, and human services to broadband and infrastructure, with a focus on infrastructure improvements. In their report to the Treasury, the comptroller noted, “The *Freedom First* budget builds on Florida’s recovery effort by expanding the successful initiatives established to preserve prosperity for Floridians and continuing the focus on infrastructure and our environment.”⁴⁶ There were no allocations to agencies or programs pertaining to health, housing, or social support services, and relatively little was dispensed to economic relief (\$355 million) or workforce development (\$465 million).

Within the other allocation categories, a large portion of funds also went to infrastructure projects. For example, of the \$1.9 billion given to K-12 and higher education projects, \$1.8 billion went to capital projects, rather than student education or teacher support. All in all, 90 percent of the state’s CSLFR Funds went to capital improvements. This deviates from the national averages, in which CSLFR Funds were primarily directed to general revenue accounts; on average, top funding categories water infrastructure, unemployment support, and public health rounded out the top choices, on average.

Creation of performance measures. In their performance report to the Treasury, the state affirmed that the “DEP will continue to follow state laws for preferences and the Davis Bacon Act, as well as any guidelines required by the award terms and conditions, federal authorizing statute, SLFRF implementing regulatory and statutory requirements, including the Uniform

42. Van Landingham, Gary. 2021. Evidence-Based Policymaking Can Improve Florida’s Outcomes. LeRoy Collins Institute, Florida Atlantic University.

43. Office of Program Policy Analysis and Government Accountability (OPPAGA). 1997. Performance-Based Program Budgeting in Florida: Current Status and Next Steps. Report 96-77B, April.

44. State of Florida. 2022. State of Florida Recovery Plan. State and Local Recovery Funds. 2022 Report; and State of Florida Recovery Plan. State and Local Recovery Funds. 2021 Report.

45. Patronis, Jimmy. N.d. State of Florida, Chief Financial Officer, Coronavirus Relief Fund. Retrieved Sept 2022 from <https://myfloridacfo.com/caresact/> <https://myfloridacfo.com/caresact/>.

46. State of Florida. 2022. State of Florida Recovery Plan. State and Local Recovery Funds. 2022 Report.

Guidance.”⁴⁷ The report noted that as the requirement for performance measures applies only to initiatives that are program or intervention based, “the criteria are not applicable to the majority of Florida’s initiatives.” The report includes evidence-based measures for just two initiatives—the Florida Job Growth Grant Initiative (EC 2.10, the Job Training project only) and the New Worlds Reading Initiative (EC 2.25).

Effectiveness of measures and alignment/impact of metrics on outcomes. Little evidence-based measurement of projects appears to exist. The measurements created for the Job Training program do not provide information beyond the number of participants. There is also little context in which to evaluate that data—no comparison of prior years, or indication of how many of those who attended the program completed it or succeeded in finding a job, or the cost of training each participant. There is also no data for the Addressing Educational Disparities initiative, and no indication when such data will be available. The state notes in its 2022 Report to the Treasury that reporting on performance is a priority.⁴⁸ But with no substantive measures or data, and only two programs to evaluate, it is not possible to determine the effectiveness of the measures, whether the spending aligns with program or state objectives, or whether the outcomes are significant.



Illinois

Illinois received \$8.127 billion from the Coronavirus State Fiscal Recovery Fund. The legislature appropriated the funds as part of the budget process, with large portions of the CSFR Fund being directed to state administrative purposes. The governor’s budget department is heavily involved in monitoring spending along with the comptroller. The state’s report to the U.S. Treasury states that “the enacted Fiscal Year 2023 budget has essentially fully allocated Illinois CSFRF funds with the expectation that the funds will expend over multiple years.”⁴⁹

The state’s FY2022 budget supplemented CSLFRF spending with \$2.8 billion from the State Coronavirus Urgent Remediation (CURE) Fund. Of the FY2022 CSLFRF dollars, \$254 million went to the Coronavirus Capital Projects Fund. In addition, \$2.7 billion was directed to the general revenue fund as partial repayment for advances of the Unemployment Insurance Trust Fund. For fiscal year 2023, the state’s budget included \$1.36 billion in appropriations of CSLFR Funds, as well as an additional \$1.5 billion CSFRF allocation to “revenue replacement for government services purposes as allowed under the revenue replacement guidance to cover Fiscal Year 2022 services.”⁵⁰

State administration of funds. The state focused on using CSLFRF dollars in ways that “reach out, engage, and serve citizens, small businesses, and communities.” For example, the Office of Minority Economic Empowerment (OMEE) conducted radio and television interviews in both English and Spanish seeking to inform small businesses of available funding. The state’s economic development arm, the Department of Commerce and Economic Opportunity (DCEO), established “frontline teams” to engage with small business owners with both virtual and in person meetings reaching over 4,000 business owners. The Department hosted a number of technical assistance events in cities across the state. The Economic Development Department used the existing infrastructure of their Small Business Development Centers (SBDCs) to con-

47. State of Florida. 2022. State of Florida Recovery Plan. State and Local Recovery Funds. 2022 Report. p. 29.

48. Ibid.

49. State of Illinois. 2022. Recovery Plan. State and Local Fiscal Recovery. Jun 30. Retrieved from <https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/arpa/IL%20Recovery%20Plan%20Performance%20Report%202022.pdf>.

50. Ibid.

duct outreach. The Back to Business Grant Program included virtual trainings to 686 participants and one-on-one technical assistance sessions for 3,190 small business attendees.⁵¹

The state goal for distribution of CSFRF dollars was “to facilitate a strong and equitable recovery from the COVID-19 pandemic and economic downturn” by:

- Mitigating negative economic impacts from the COVID-19 pandemic
- Providing services to disproportionately impacted communities
- Completing infrastructure projects

The state planned to accomplish this “strong and equitable recovery” by identifying funding priorities. For example, spending on health urgencies included “much needed and ongoing financial support to hospitals, long-term care facilities, and other healthcare providers,” including statewide critical infrastructure projects related to water, sewer and broadband. Projects “addressing long-term housing security and affordable housing, supporting household assistance food programs, and providing grants to serve small businesses and impacted industries experiencing financial losses and/or business interruption” were planned to mitigate economic impacts of the pandemic.⁵²

Despite their intent, the state allocated just 12 percent of the CSLFR Funds to programs designed to reach their reported goals. Approximately one-third (32 percent) of the monies reimbursed the unemployment trust fund, 15 percent went to capital projects, and the remainder (46 percent) was devoted to state revenue replacement and operating expenses.

Creation of performance measures. In comparison, Illinois falls in between Colorado and Florida in its development and use of performance measures. Specific detailed metrics are often lacking; however, the state has worked closely with agencies to encourage the development of performance measures. In addition, and importantly, the state has a centralized administrative infrastructure for robust performance measurement should it seek to use this for ARPA recovery funds. Their biggest challenge, however, has been whether management of the dashboard would be centralized within the state OMB or devolved to the agencies; it appears to currently be a combination of the two.

The Budgeting for Results Commission was established by statute several years ago. Commission members, appointed by the governor, are charged with “provid[ing] advice in setting statewide outcomes and goals, and best practices in program performance evaluation and benefit-cost analysis.”⁵³ In addition, a division in the state OMB was created to analyze, refine, and also implement a comprehensive methodology to evaluate state program performance. The goal of the Budgeting for Results section/unit (not to be confused with the commission) is to be able to quantify the impacts and effectiveness of state programs and keep officials informed as to the results of these programs. The Commission and the unit within the budget office have developed three frameworks:

51. State of Illinois. 2022. Recovery Plan. State and Local Fiscal Recovery. Jun 30. Retrieved from <https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/arpa/IL%20Recovery%20Plan%20Performance%20Report%202022.pdf>.

52. State of Illinois. 2022. Recovery Plan. State and Local Fiscal Recovery. Jun 30.

53. Budgeting for Results (BFR) Commission. 2002. Budgeting for Results 12th Annual Commission Report. State of Illinois. Retrieved from <https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/budgeting-for-results/2022%20BFR%20annual%20commission%20report%20Final%2010.31.22.pdf>.

- *The Illinois Performance Reporting System (IPRS)*, the state's web-based database for collecting program performance data from over 400 state agency programs
- *A benefit-cost model*, which includes clearinghouses on hundreds of evidence-based programs and national best practices in state-level programming, and which analyzes program performance to assign overall program ratings that allow policymakers to compare programs within and across statewide result areas
- *Increased analytics, based on the infrastructure created by implantation of the reporting system and cost-benefit model*. This infrastructure has significantly enhanced the state's ability to perform program analytics. To the extent these analytics can be utilized for assessing the effectiveness of the ARPA spending, this can be a significant step in providing performance information.

In addition, Illinois has a dashboard that contains performance reports. The Interactive Performance Dashboard⁵⁴ contains five-year metrics for various measures within most programs and agencies within state government. The searchable dashboard comes with instructions for use and contact information. The adjacent program assessment page provides customizable reports. This enables creating comprehensive, interactive performance metrics for CSFRF distributions; however, that level of comprehensive measurement is not apparent in the state's annual reports to the Treasury.

Effectiveness of measures. Performance metrics related directly to the CSFRF funding in Illinois appear to be developed by individual agencies rather than created centrally by the state's OMB. For example, the Illinois Department of Human Services (DHS) attempted to measure specific spending for a program that invests in youth employment, stating generally that programs need to be “designed to ensure that every youth served in the program is prepared for job placement and is supported as necessary to ensure they develop the capacity to maintain that employment.” In its report to U.S. Treasury, the state touted this decentralized process by listing some examples of how agencies have “utilized its ARPA allocation to invest in evidence-based solutions.”⁵⁵ The state's lack of clarity about a centralized or decentralized process is evident, from the use of differing descriptions to the roles of agencies and their OMB.

Alignment/Impact of Metrics on Outcomes. Despite Treasury guidance that requires annual reports to contain performance measures for projects funded with CSFRF spending allocations, there are none in the Illinois 2022 report. The report stipulates:



The Governor's Office of Management and Budget (GOMB) oversees, monitors, and advises State agencies on the development and incorporation of performance measures for each funded project. GOMB developed and rolled out the Coronavirus Performance Reporting System (CPRS) as a performance management tool. CPRS collects, stores and tracks all required programmatic data along with project goals, activities, outputs, outcomes, key performance indicators and if the project is evidence based. The GOMB Budgeting for Results team monitors and advises agencies on performance management to comply with program requirements and communicate the impact and success of funded projects and initiatives.⁵⁶



54. State of Illinois. 2022a. Interactive Performance Dashboard. Office of Management and Budget. Retrieved Dec 2022 from [Interactive Performance Dashboard \(illinois.gov\)](https://www.omb.state.il.gov/interactive-performance-dashboard).

55. State of Illinois. 2022. Recovery Plan. State and Local Fiscal Recovery. Jun 30.

56. Ibid.

The report provides an “inventory of current projects, adopted budgets, expenditures categories and descriptions”; however, the descriptions of the projects listed do not contain specific performance measures.

The state has more work to do before the measures of and information about performance can allow for alignment of metrics and actual outcomes with stated goals and objectives. Some groups in Illinois have been advocating for information about the success of CSLFRF spending. In its analysis of FY2022 budgets for Chicago⁵⁷ and Cook County,⁵⁸ the Civic Federation urged governments to produce performance reports with sufficient detail to help the public understand how the funds are being spent to achieve goals, and to evaluate whether the programs have been successful.⁵⁹

Comparing the Cases

The ways in which the three states determined recovery funding priorities, distributed allocations, and monitored spending results differed markedly. Illinois and Colorado used a considerable portion of their CSLFRF allotment to shore up unemployment trust funds, whereas Florida focused more on education and infrastructure. Florida was on par with the national average (as illustrated in Appendix A and B) in its choice to fund broadband expansion, economic development, and water infrastructure. Colorado and Illinois were outliers in that their priorities (apart from housing in Colorado) differed vastly from the averages.

Similarly, the states’ approaches to determining priorities differed. Colorado used a participatory approach, engaging citizens in discussions and planning, whereas Florida used a top-down method. Illinois implemented a combination of decentralized and top-down efforts in which agencies and the governor, oftentimes collaboratively, chose where to allocate funds.

These differences were also reflected in the extent to which they employed performance measures and metrics, and the extent to which citizens were engaged in seeing the end results of the CSLFRF spending. Colorado led the way in developing clear measurements and data collection methods; they had already developed and implemented a similar structure for their annual budget which made it easy for state agencies and leaders to track CSLFRF allocations, as well as measure the success of outcomes and the impact on general revenues and spending. Their use of an online dashboard for annual budget metrics was expanded to include uses of CSLFR Funds, enabling the public to easily see where and how those dollars were spent and the outcomes, as well as their integration into annual spending. In this way the public could engage according to their preferences.

Florida was on the opposite end of the spectrum. Very few of the state’s allocations were subject to the Treasury’s performance measurement reporting requirements, and a number of the reported allocations included notations that metrics were still being developed. Looking online for information about CSLFRF allotments received and spent and connections to the state’s fiscal condition can be challenging, making public access to CSLFRF and other general budget documents and data difficult.

57. The Civic Federation. 2021. City of Chicago Fy2022 Proposed Budget: Analysis and Recommendations. Retrieved from <https://www.civicfed.org/ChicagoFY2022>.

58. The Civic Federation. 2021. Cook County FY2022 Executive Budget Recommendation: Analysis and Recommendations. Retrieved from <https://www.civicfed.org/CookCountyFY2022>.

59. The Civic Federation, The. 2022. Performance Measurements in the American Rescue Plan Act. Retrieved Dec 2022 from <https://www.civicfed.org/civic-federation/blog/performance-measurements-american-rescue-plan-act#:~:text=Treasury%20specified%20that%20there%20should%20be%20performance%20measures,for%20ARPA%20funds%20include%20Cook%20County%20and%20Chicago>.

In Illinois, the greatest challenge to implementation and use of performance measures is the inconsistency of its decentralized structure. Some agencies proved more adept at developing measurements and collecting data, whereas other information had to be reported directly to the governor's office. This makes it difficult to develop holistic understandings of the uses and impacts of CSLFR Funds, and their impact and integration into general revenues and annual budgets. The consistency of information available to and accessible by the public is diminished as a result.

The CSLFR Funds were distributed to the states with the requirement that allocations to programs and projects that met specific criteria, as defined by the U.S. Treasury, were subject to development and implementation of performance measures. Those measures were then required to be included in annual reports to Treasury. The three case studies here illustrate the advantages and challenges resulting from the varied scope of use subject to measurement, and the variation in instructions on how to measure or report the impacts of how the funds were used. States (such as Florida) could spend the majority of CSLFRF dollars on projects that fell outside of the required scope, and then create basic measures for the few that did fall within the parameters, and still remain in complete compliance with the reporting structure. Other states (Colorado and Illinois) used the funds to support more expansive job creation projects, subjecting them to development and reporting of more, although not more comprehensive, performance metrics.

The variation across states suggests a missed opportunity for some states to develop integrated measurement systems that could inform future budgets and spending choices, and guide preparation for future crises. The federal government also missed an opportunity to collect structured, comparative data that could inform how best to target assistance in future crises.

In sum, the three states case studies demonstrate different interpretations of and responses to the Treasury reporting requirements; the three different approaches were used to varying degrees by other states.

- Colorado was successful in the ability to collect robust data, create clear and effective measurements, and report that data to the public, largely due to the prior existence of supporting data gathering and reporting infrastructure.
- Illinois had a varied approach creating measurements, collecting data and assessing outcomes via a system that was both centralized or decentralized.
- Florida devoted less investment to determining outcomes of extraordinary or budgeted spending.

In all three cases, there was no clear separation of the appropriations; funds were added to general revenue funds to reimburse the states for prior pandemic-related distributions, such as unemployment benefits and public health programs, and comingled with existing spending for budgeted programs, including infrastructure, education, and housing needs.



Lessons Learned

The pandemic spending experience did not represent the first occasion in which states have received federal supplemental funds in response to a transformational event, nor will it be the last. President Obama responded to the 2008 stock market and housing crisis with the American Recovery and Reinvestment Act (ARRA). Like the CSLFR Funds, the ARRA funds came with strings attached; they contained registration and reporting requirements for all “shovel-ready” projects funded by the Act.⁶⁰ Yet, state systems designed to measure the outcomes of extraordinary spending are not common, and annual spending measurement capability varies as well.

Academics and practitioners have weighed in on how states might reconsider public budgeting to prepare for and respond to future transformational events—“future shocks,” as the IBM Center for The Business of Government has termed them.⁶¹ A range of research reveals interesting findings in this point. Anessi-Pessina et al. recommend that existing reporting procedures be revised and new competencies developed to anticipate and cope with governments’ exposure to shocks and support resilience. Emphasis here is on citizen involvement, planning, and transparency and accountability, with an emphasis on data collection and performance metrics.⁶² Farvaque, Iqbal, and Ooghe are concerned about the largely unsuccessful (and at times partisan) efforts to enshrine balanced budgets and budget stabilization policies; they argue that fiscal rules may result in trade-offs between public health and public finance, especially during a crisis.⁶³ Finally, Lazere and Hinh emphasize the opportunity for states to ensure that recovery funds support equitable recovery. Colorado, for example, has pledged a substantial portion of their recovery funds to affordable housing, and Illinois supports “alternatives to policing, particularly by supporting expansion of violence interruption services.”⁶⁴

60. U.S. Department of Health and Human Services. 2009. Standard Terms and Conditions American Recovery and Reinvestment Act of 2009 Division A Funds. Recipient Reporting: Reporting and Registration Requirements under Section 1512 of the American Recovery and Reinvestment Act of 2009, Public Law 111-5. Retrieved from https://grants.nih.gov/grants/policy/NIH_HHS_ARRA_Award_Terms.pdf.

61. IBM Center for The Business of Government. <https://www.businessofgovernment.org/node/4845>.

62. Anessi-Pessina, E., C. Barbera, C. Langella, F. Manes-Rossi, A. Sancino, M. Sicilia and I. Steccolini. 2020. Reconsidering public budgeting after the COVID-19 outbreak; key lessons and future challenges. *Journal of Public Budgeting, Accounting & Financial Management*, 32.5: 957-965. <https://doi.org/10.1108/JPBAFM-07-2020-0115>.

63. Farvaque, Etienne, H. Iqbal and Nicolas Ooghe. 2020. Health politics? Determinants of U.S. states’ reactions to COVID-19. *Journal of Public Finance and Public Choice*, 37:1 p.55-94.

64. Lazere, Ed and Iris Hinh. 2022. Center on Budget & Policy Priorities. How States Can Best Use Federal Fiscal Recovery Funds: Lessons From State Choices So Far, Apr 22. Retrieved from <https://www.cbpp.org/sites/default/files/11-29-21sfp.pdf>.

Some have questioned the use of CSLFR Funds as revenue replacement, or for unrelated expenditures. In their study of lessons learned by states from deployment of federal recovery funds, Lazere & Hinh describe this issue:



It makes sense that states have used FRF to replace lost revenue. State revenues fell dramatically in 2020, and while they have recovered since then (in large part due to federal relief efforts that kept residents and businesses afloat), that recovery was gradual, was far from complete when the FRF became available. . . . At the same time, using FRF to replace lost revenue typically means that funds are being used for services that existed prior to the pandemic, up to the level of need projected before the pandemic hit.⁶⁵



Lazere & Hinh consider other challenges, including the use of CSLFR Funds to rebuild unemployment insurance trust funds without expanding benefits or improving systems (the case in half the states), and efforts to reduce taxes based on budget surpluses (via dollars received from recovery funds). In addition, allocations may not have alleviated the impact of unexpected economic and health impacts of the pandemic on marginalized residents, and in fact may exacerbate racial and economic inequality “in certain communities.”⁶⁶

Addressing these challenges might take multiple forms. Increased diligence, regulatory requirements for the implementation, or assessment of performance metrics might mitigate these issues by drawing attention to spending choices, using data and analytics to demonstrate the impacts of current and reconsidered choices, and assessing the effectiveness of changes to funds allocation.

KEY TAKEAWAYS

- Requirements to measure outcomes of extraordinary event stimulus funding were part of ARRA funding in 2009.
- That didn't “stick”—no incentives for states to make performance metrics a consistent part of everyday reporting.
- Ways to add metrics include incorporating them into annual budget procedures, promoting citizen engagement, and use of outcome data to promote equity and equality.

65. Ibid.

66. Lazere, Ed and Iris Hinh. 2022.



Summary: Planning For The Future

State governments can plan ahead by adopting new metrics, especially as pandemic supplemental funding ends, financial resources tighten, and the public demands results and transparency from government.

When looking at CSLFRF distributions and other federal COVID recovery and economic assistance efforts, in Phase 1 Treasury did not focus on providing a solid and enforceable measurement and reporting structure for state, local, and tribal government recipients. For years, federal agencies have required state agencies and executive officers to track and submit data and analysis in reports to support their use of grant funds. Often, grant program criteria are the same for all recipients, making it possible for the granting agency to compare uses and results across state grantees. That data could be made more accessible to the public (including other states) through improved collection, reported on sites such as SpendingUSA.gov, Grants.gov, or granting agency websites. Those same criteria could be adopted for use when distributing aid in response to future catastrophic events, and subsequent analyses could be made available online.

Standardizing reporting structures in line with grant reporting, and providing specific and detailed information about measurement and reporting requirements, would give state, local, and tribal governments the flexibility to determine whether to comply via a decentralized system, in which agencies collect and analyze data and report to the executive, or to maintain a centralized structure for data collection, analysis and reporting. The result would enable comparative analysis across states to inform better tailoring for distribution of federal recovery aid. For example, if the vast majority of the states spend 25-30 percent of their allocations on infrastructure, perhaps providing additional recovery funds to the Army Corp of Engineers would enable them to assist government efforts, freeing up state programs and dollars for other support efforts.

States could create consistent measurements that would allow for comparative analysis of recovery aid uses across agencies and programs. This would enable integrating that data and outcomes within annual budget and spending processes, and sharing findings with the public to engender engagement and participation. Given that approximately 30-50 percent of states' annual revenue comes from federal transfers⁶⁷—most of which require detailed data reporting requirements—surprising inconsistency exists across states to create and implement informa-

67. Meynard, Melissa. 2023. Where States Get Their Money. Retrived from <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2023/where-states-get-their-money-fy-2021>.

tive performance measures. Perhaps state and local governments could work with organizations like the Government Accounting Standards Board (GASB) or Government Finance Officers Association (GFOA) to develop and add comparative metrics to existing state financial reporting guidance and requirements.

Several recommendations to inform effectively designing and using performance metrics emerge from the research.

1 Performance measures and data should be useful and be used to inform and improve decision making.

In their study of local governments' use of performance measures, Melkers & Willoughby assert that "performance measurement is useless unless it is used to find ways to improve. It is imperative to identify who needs performance information (i.e., data, analysis, evaluations) to make better decisions and take smarter actions. Another critical step is making sure key users get the performance information they need in a format that they can use."⁶⁸ Clear, concise measures and comprehensive data drive effective decision making. Moreover, having the capacity to collect and analyze outcomes is key, which includes enough well-trained staff with skills in assessment and interpretation. Being able to situate the data in context, and knowing how the data and outcomes interact with and impact other programs, is imperative as well. For example, knowing the number of affordable housing units added, in relation to outstanding demand and completion costs, could inform changes in demand and resource allocations for Medicaid and K-12 education. This would shift the emphasis of performance reporting to outcomes and results.

Punishing agencies or staff for not meeting goals should be avoided. Considerable incentives already exist for agencies to *minimize* use of performance measures or outcomes for fear this will lead to future budget cuts. Leaders can act to prevent reluctance and reward performance. In fact, agencies not meeting these goals may actually need more funding and more qualified staff to meet capacity needs.

2 Performance metrics and analysis should be integrated into annual budget processes and spending considerations.

Including performance measures and long-term data in the budget process enables analysts and leaders to make effective decisions about resource allocations. This is true for all levels of government. Once again, Melkers & Willoughby note that "research findings indicate the consistent, active integration of measures throughout the budget process is important in determining real budget and communication effects in local governments."⁶⁹ Having performance measurement plans and analytics in place and knowing how to create the best outcomes in normal times and through everyday crises offer a solid foundation for planning and response preparation for extraordinary events.

68. Metzenbaum, Shelley H. 2014. Without Users, Performance Measurement Is Useless; Getting meaningful metrics to the right people drives improvements, *Government Executive*, Sept 14. <https://www.govexec.com/management/2014/09/without-users-performance-measurement-useless/94097/>.

69. Melkers, Julia and Katherine Willoughby. 2011. Models of Performance-Measurement Use in Local Governments: Understanding Budgeting, Communication, and Lasting Effects. *Public Administration Review*, 65: 2: 180-190. Retrieved from <https://onlinelibrary.wiley.com/doi/10.1111/j.1540-6210.2005.00443.x>.

Governments can also enhance ways to engage citizens and knowledgeable experts. Receiving feedback in different forms could help for senior state leadership to understand what outcomes and results are desired and expected by state residents.

3 Performance measures should be clear, and align and inform strategic goals.

In their study for the National Academy of Public Administration (NAPA) & The Volker Alliance,⁷⁰ Metzenbaum & Shea note that “there is a wealth of experience available to create clear, dynamic performance metrics—we can build on the lessons of the past [and learn from existing practices] rather than start anew.”⁷¹ Government circulars, reports such as OMB’s management circulars; GAO reports on GPRA, GPRAMA and the DATA Act; federal and non-profit grant guidance; academic and practitioner field reports; best practice guides—all are available via a simple internet search. Metzenbaum & Shea describe one disincentive for states in that creating measurements seems complicated, making staff and analysts more reticent to use them.

Rather, clearly defined questions, in plain language, allow for creation of distinct measures that can be stacked or layered to the data gleaned in context. The data can then be assessed with information from other programs, projects, or agencies to compare outcomes and impacts. States can learn from other states that are already doing this successfully. Doing so will enable them to establish dashboards to provide public access to outcome information, and create avenues for citizen engagement to provide feedback to align outcome measures with agency and program goals.

4 The capacity necessary to integrate performance measures should be built into resource allocation.

As noted above, many states lack sufficient capacity to create and integrate performance measures. Capacity includes not just personnel, but planning, equipment, and commitment. Metzenbaum & Shea find the lack of trained personnel as a main hindrance for most agencies.

To address this finding, a strong leader dedicated to evidence-driven decision making can make a major impact. That individual can then hire and train staff, including analysts and IT specialists, and ensure they have continuous support and clearly delineated roles and responsibilities. Other components of successful capacity building include cross-agency learning and collaboration to share data that informs and impacts cross-agency programs; development and support of the technology needed to attain and maintain the ability to collect, retain and sort data, and run data analytics and projections; and established standards of success. Metzenbaum & Shea describe a desired future state:

70. OpenGov. 2022. Measure What Matters: 5 Best Practices from Performance Management Leaders. Retrieved from <https://opengov.com/article/measure-what-matters-5-best-practices-from-performance-management-leaders/>.

71. Metzenbaum, Shelly H. and Robert Shea. 2016. Performance, Accountability, Evidence, and Improvement: Reflections and Recommendations to the Next Administration. Working Paper. National Academy of Public Administration & The Volker Alliance. Retrieved from <https://napawash.org/academy-studies/performance-accountability-evidence-and-improvement-reflections-and-recommen>.



Ensure every department has a robust evaluation and data analytics capacity that works with agency leadership and program offices to implement a strategic, rigorous retrospective and prospective evaluation program, and program design, including futures analysis, scenario testing, role-playing, and epidemiology-like incident analyses.⁷²



5 Carrots and sticks should be used to incentivize states.

To help state and other government entities successfully create and use performance measures, federal entities (including the Treasury Department and grantmaking departments and agencies with grantmaking authority) should design reporting structures for the uses of extraordinary stimulus funds, along the lines of those used with other federal grants, that include comprehensive and clear agreements, terms and conditions, and reporting requirements and penalties. In addition, designating a federal program office and leader to administer the funding programs would provide a centralized collection point for coordination of data and metrics, promote public transparency and accountability, and allow states to compare efforts and outcomes.

Federal departments and agencies could also incentivize states to adopt robust performance metrics and analytics, and to develop the capacity to maintain them, by including requirements that recovery funds be used for programs that are evidence-based, results-oriented, and integrated into annual budget and reporting activities. Treasury and state and local governments should work together to determine ways in which performance measures and standards can be encouraged and even required as part of reporting requirements. A central entity, some have suggested the GASB, could be used to establish norms and guidance for state and local government compliance. Another incentive would be to include reporting of several specific metrics (i.e., percent of affordable housing, percent of budget allocated to infrastructure, etc.) within the Census Department's Annual Survey of State and Local Government Finances; this would also facilitate cross-state comparisons, similar to the revenues and expenditures currently offered.

KEY TAKEAWAYS

- Create measures that are useful and used.
- Integrate metrics and analytics into annual budget process.
- Keep measures simple and connected to goals.
- Build capacity.
- Develop incentives for states.

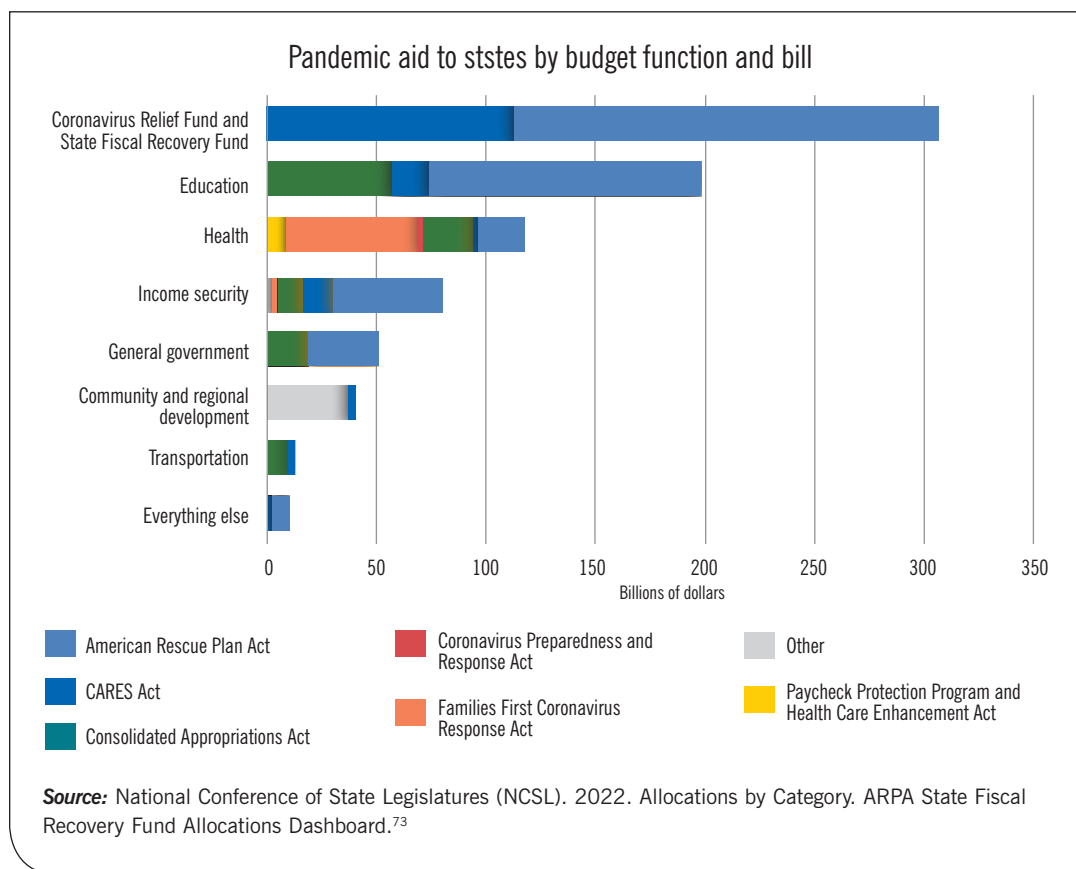
72. Metzenbaum, Shelley H. and Robert Shea. 2016.

APPENDICES

Appendix A: Where Did the States Spend Their COVID Relief Dollars?

Where did most states direct their ARPA spending? Most states (46) spent their allocations on public health concerns and state operations. Thirty-six states directed funds to education and human services, meaning that 14 states allocated zero funding to these two areas. Just half the states (24) directed additional dollars to unemployment benefits.

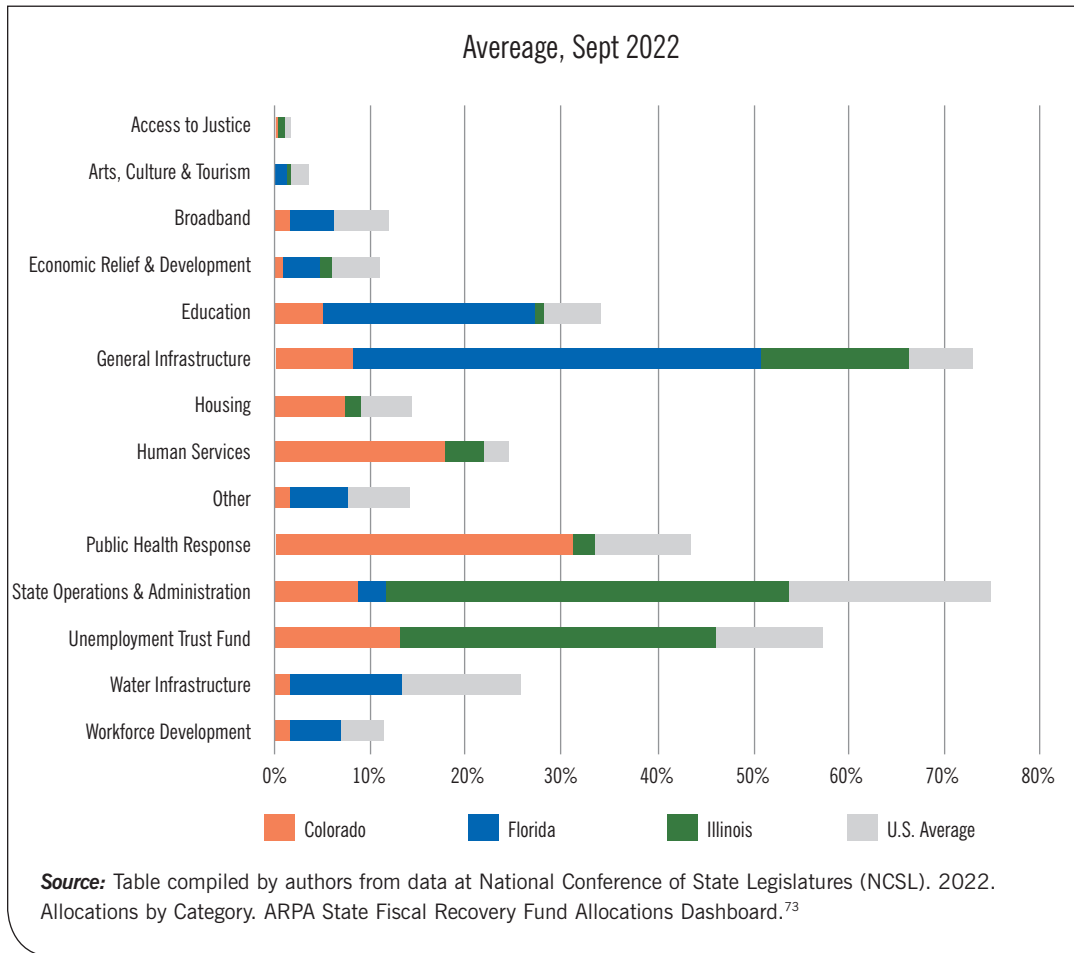
Of the CSLFR Funds distributed directly to the states, 21 percent of the total dollars went directly to general revenue funds. Of the remaining aid, 12.6 percent was spent on water infrastructure, 11.4 percent to the Unemployment Trust Fund; 10 percent to health and medical needs; 6.7 percent to general infrastructure; 6.1 percent to education, 5.7 percent to broadband; 5.5 percent to housing; and 6.5 percent to miscellaneous concerns, such as arts, culture and tourism, economic and workforce development, and access to justice.⁷³ In addition, states received a one-time 10 percent increase to the federal medical assistance percentage (FMAP) for certain Medicaid expenditures. Totalling approximately \$12.7 billion, this was a significant addition for the states.⁷⁴ They also received indirect relief through a deduction in the Medicaid match requirement for eligible residents.



73. National Conference of State Legislatures (NCSL). 2022. Allocations by Category, ARPA State Fiscal Recovery Fund Allocations Dashboard. Retrieved July 2022 from <https://app.powerbi.com/view?r=eyJrIjoIMmQ2NDRlNDYtN2NkZC00OTE2LThjYzQtYjAzNTE2ZDRjZWFliliwidCI6IjM4MmZiOGIwLTRkYzMtNDUwNy04MGJkLTM1OTViMjQzMmZhZSIsImMiOjZ9.>

74. Medicaid.gov. 2022. Strengthening and Investing in Home and Community Based Services for Medicaid Beneficiaries: American Rescue Plan Act of 2021 Section 9817. Retrieved from <https://www.medicaid.gov/medicaid/home-community-based-services/guidance/strengthening-and-investing-home-and-community-based-services-for-medicaid-beneficiaries-american-rescue-plan-act-of-2021-section-9817/index.html#:~:text=Section%209817%20of%20the%20ARP,and%20ending%20March%2031%2C%202022.>

Appendix B: CSLRF Dollars Distributions by State



As diverse as they are demographically, our case study states were equally unique in the ways they prioritized and allocated their CSLFR Funds. As the graph illustrates, Illinois and Colorado used a considerable portion of their allotment to shore up their unemployment trust funds, whereas Florida focused more on education and infrastructure. Florida was on par with the national average in its choice to fund broadband expansion, economic development, and water infrastructure. Colorado and Illinois were outliers in that their priorities (apart from housing in Colorado) were vastly different from the averages.

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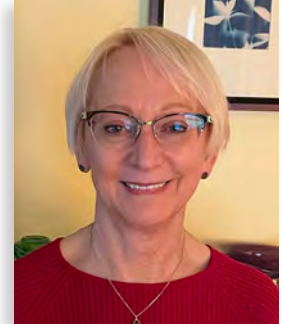
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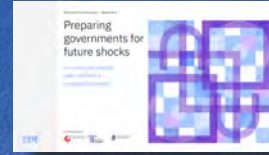
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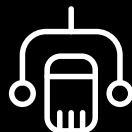
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