

Mandatory Evaluation Components

Report 2020-05: North Carolina Housing Finance Agency Should Improve Performance Management and Reexamine How It Distributes Resources to Localities

Report 2020-06: General Assembly Should Improve Oversight of Housing Finance Agency Funds and Expenditures

Report 2020-07: North Carolina Housing Finance Agency Can Improve the Effectiveness of Its Rental Development Programs

N.C. Gen. § 120-36.14 requires the Program Evaluation Division to include certain components in each of its evaluation reports, unless exempted by the Joint Legislative Program Evaluation Oversight Committee. The table below fulfills this requirement and, when applicable, cross-references where the component is discussed in the report.

N.C. Gen. § 120-36.14 Specific Provision	Component	Program Evaluation Division Determination	Report Page
(b)(1)	Findings concerning the merits of the program or activity based on whether the program or activity		
(b)(1)(a)	Is efficient	The North Carolina Housing Finance Agency (NCHFA) could improve its operating efficiency by eliminating or reducing certain expenditures. In 2017 and 2019, the Special Inspector General for the Troubled Asset Relief Program found waste in NCHFA's administration of the Hardest Hit Fund, raising questions about certain Agency expenditures. As a result, the Program Evaluation Division reviewed NCHFA expenditures and found that although the Agency has made some policy changes intended to prevent waste, areas of concern still exist, including distribution of gift cards to employees, purchase of employee meals when not in travel status, contributions to nonprofit organizations, and additional employee benefits.	Report 2020-06, pp. 8–16
(b)(1)(b)	Is effective	Shortcomings in both strategic planning and performance management prevented the Program Evaluation Division from being able to objectively gauge the success of NCHFA programs. NCHFA does not have defined measurable goals or objectives by which to assess its performance or a performance management system that provides data on programmatic outcomes. Performing proper strategic planning followed by developing an effective performance management system would provide a means for stakeholders such as the General Assembly to assess the effectiveness of NCHFA.	Report 2020-05, pp. 20–23
(b)(1)(c)	Aligns with entity mission	The mission of NCHFA is to create affordable housing opportunities for North Carolinians whose needs are not met by the market. NCHFA's programs generally fit within this mission except for the Construction Training Partnership, a workforce development program partially funded by NCHFA that does not advance the Agency's mission.	Report 2020-05, pp. 3–13 Report 2020-05, pp. 30–32
(b)(1)(d)	Operates in accordance with law	NCHFA generally operates in accordance with the law. However, the Program Evaluation Division determined that NCHFA has spent funds from the Homeownership Assistance Fund on the Construction Training Partnership, which is outside of the Homeownership Assistance Fund's statutory purpose. In addition, it is unclear whether NCHFA should comply with the State Budget Manual—	Report 2020-06, pp. 10–12 Report 2020-06, pp. 16–18

		NCHFA contends that it is exempt. The State Budget Manual, compiled by the Office of State Budget and Management (OSBM), contains standards for acceptable state agency expenditures. OSBM asserts that all state agencies are subject to the State Budget Manual. The Program Evaluation Division recommends the General Assembly clarify that NCHFA is subject to the State Budget Act and direct the Agency to begin complying with the State Budget Manual.	
(b)(1)(e)	Does not duplicate another program or activity	NCHFA programs are not generally duplicative of other state programs. The one exception is the Construction Training Partnership, which is duplicative of construction training programs provided through North Carolina's community colleges. There is overlap among some NCHFA programs, but where overlap exists, the programs serve different populations or utilize different funding sources. For example, the Displacement Prevention Program, Essential Single-Family Rehabilitation Loan Program, and Urgent Repair Program all fund repairs to qualified homeowners, but serve different populations, differ in the amount of funds provided, and in the case of the Essential Single-Family Rehabilitation Loan Pool utilize federal funds rather than state funds.	Report 2020-05, pp. 3–13
(b)(1a)	Quantitative indicators used to determine whether the program or activity		
(b)(1a)(a)	Is efficient	NCHFA's lack of an activity-based cost accounting system means that efficiency measures cannot be calculated.	Report 2020-05, p. 28 footnote
(b)(1a)(b)	Is effective	NCHFA does not track outcomes for its programs. The Program Evaluation Division's report identifies potential quantitative measures NCHFA could begin tracking as part of a performance management system.	Report 2020-05, pp. 20–23
(b)(1b)	Cost of the program or activity broken out by activities performed	NCHFA does not have an activity-based cost accounting system and budgets operations and programs separately and across different time periods. For example, NCHFA budgeted \$153.4 million for programs in calendar year 2019. Separately, NCHFA budgeted roughly \$22.1 million for its operations in Fiscal Year 2019–20.	Report 2020-05, p. 28
(b)(2)	Recommendations for making the program or activity more efficient or effective	The General Assembly should direct NCHFA to examine the funding model for its community partner programs to take into consideration differences in local capacity. NCHFA's scoring criteria for affordable housing projects based on proximity to certain amenities lacks a clear rationale and may prevent developers and municipalities from siting affordable housing in high-opportunity areas. The Program Evaluation Division recommends directing NCHFA to examine modifications to its amenity scoring policy. NCHFA awards Rental Production Program funding outside of its established policy for the program, preventing the Agency from ensuring funds go where they will be most effective. The Program Evaluation Division recommends NCHFA create a process for awarding funds to projects that may not fit the established process.	Report 2020-05, pp. 13–20 Report 2020-07, pp. 10–18 Report 2020-07, pp. 18–20
(b)(2a)	Recommendations for eliminating any duplication	The Construction Training Partnership is a workforce development program which duplicates community college construction education programs. The Program Evaluation Division recommends discontinuing the Construction Training Partnership or transferring the program to the Community College System.	Report 2020-05, pp. 30–32
(b)(4)	Estimated costs or savings from implementing recommendations	Eliminating the Construction Training Partnership would save \$130,000 per year.	Report 2020-05, pp. 30–32