

NEW FEDERAL STRATEGIES TO STRENGTHEN DATA ANALYTICS CAPACITY OF STATES, LOCALITIES, AND PROVIDERS

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During the Obama administration, we worked at the U.S. Office of Management and Budget, in close collaboration with White House and federal agency leaders, to launch Pay for Success and other innovative grant programs designed to encourage states, localities, and nonprofit providers to use and build evidence to achieve better outcomes for vulnerable populations. These initiatives sparked important conversations and demonstrated how federal grants could incentivize the use of data and evidence. But they did not spur broad systems and culture change in other state and locally administered programs that deliver hundreds of billions of federal dollars annually to low-income individuals and families.

To improve outcomes and address systemic inequities in the delivery of government services, the federal government must do more to help states, localities, and their nonprofit partners break down silos, pursue holistic reforms guided by human-centered design, and create data-driven feedback loops about what is working and what could be improved. To do this, strengthening cross-program data infrastructure and analytics capacity at the state and local level will be essential.

State and local program administrators and service providers can use data and evidence to understand the interactions of health, nutrition, income security, housing, childcare, education, training, and related community supports to meet client needs. The kinds of questions they should be able to routinely answer include:

- Which subgroups are in greatest need of benefits and services, and what are the best channels for reaching them?
- What mix of services and benefits is optimal for different subgroups, and how could their delivery be better coordinated?
- What outcomes are program investments achieving, by subgroup and geographic area, and what gaps must be closed to achieve equitable outcomes for underserved populations?
- What interventions have the greatest impact and cost-effectiveness?
- What upstream prevention strategies produce better outcomes and reduce downstream costs in other programs?
- What operational streamlining would improve the user experience and reduce costs?
- What major sources of improper payments are readily discoverable by merging data across programs?
- What procurement models work best to incent practitioners to achieve the best results and, at the same time, limit gaming and cherry-picking?

Unfortunately, bureaucratic processes—many of which emanate from the federal government’s fragmented program structures—have severely impeded state and community capacity to focus on these questions. In our conversations with leaders of organizations that led the Pay for Success movement at the state and local levels, there is widespread agreement that one of the most significant barriers to outcome-focused innovation is the lack of cross-program data analytics capacity. Specific impediments are lack of *funding* for technology infrastructure and analytics, lack of *access to data*, and lack of *expertise* on how to use data to manage toward outcomes.

Let’s examine what the federal government has done, and what more could be done, to help federal grantees overcome these three hurdles.

MAKING FUNDING AVAILABLE FOR DATA INTEGRATION PLATFORMS AND ANALYSIS

During the G. W. Bush and Obama administrations, several federal initiatives provided funding for states to integrate data across systems. The Education Department gave grants to states to build State Longitudinal Data Systems for student-level data and, under the Obama administration, required state grantees to make progress linking K-12 data to pre-K, postsecondary education, and workforce systems. After passage of the Affordable Care Act, the Obama administration used waivers providing increased federal Medicaid funding to incentivize states to create integrated eligibility and enrollment systems linking client-level data from Medicaid, SCHIP, TANF, and SNAP.¹ HHS provided financial support for modernized Comprehensive Child Welfare Information Systems to encourage interoperability and information exchanges among human services and related agencies, including Medicaid, education, and the courts.

In the first half of 2021, the Biden administration took other steps to encourage states to strengthen capacity to link data across systems serving vulnerable populations, using funds already appropriated by Congress. Treasury Rescue Plan regulations² included explicit authority for states and localities to use some of the \$350 billion in State and Local Fiscal Recovery (SLFR) funds to “build their internal capacity to successfully implement economic relief programs, with investments in data analysis, targeted outreach, technology infrastructure, and impact evaluations.” This created a financing source to enable grantees to meet the bold evidence and evaluation requirements of the regulations. The Office of Management and Budget (OMB) issued updated guidance on Evidence Act implementation³ that defines “evaluation” to include data analysis. This clarification, combined with OMB’s 2020 change to government-wide grant regulations⁴ making evaluation a permissible use of program funds, allows state, local, and nonprofit grantees to finance data infrastructure and analytics capacity with existing federal funding streams. OMB also issued financial management guidance⁵ on Rescue Plan implementation that encouraged agencies to adopt “innovative administrative approaches to increase efficiency and effectiveness across programs (e.g., braiding and blending),” signaling that federal funds can be pooled for data infrastructure and other program improvement activities that support multiple programs.

The Biden administration could spur further progress through widespread adoption of Treasury's two-part SLFR strategy that creates demand for data use as well as clarification that data capacity can be financed with program funds. Every major federal program could: 1) raise the standard for the quantity and quality of evidence building that grantees are expected to carry out; and 2) provide explicit clarification that program funds may be used for data infrastructure, analytics, evaluation, and targeted outreach to improve the effectiveness, efficiency, and equitable outcomes of federal investments.

The administration also could strongly encourage states, localities, and nonprofits to build efficient, enterprise-wide data analytics capacity that supports coordinated, human-centered program delivery and meets the analytical needs of multiple programs. The administration could provide technical assistance to help grantees learn ways to pool funds for cross-program data infrastructure while satisfying financial management and auditing requirements, similar to this HHS-USDA cost-allocation toolkit⁶ for human services IT systems.

IMPROVING ACCESS TO DATA

State, local, and nonprofit grantees often lack access to one or more data sets that, if linked, can answer performance-related questions. This is the result of both real and perceived barriers to sharing data that largely can be overcome through the use of new technology and privacy-protecting methods for linking data held in different systems. Leading jurisdictions have created replicable models for data-linkage to support evidence-based decision making. For example, Washington,⁷ South Carolina,⁸ Ohio,⁹ and Allegheny County, Pennsylvania,¹⁰ have built internal capacity to securely link and analyze data across programs, systems, and sectors. California recently launched CalData,¹¹ a state data strategy that will integrate early childhood, K-12, financial aid, higher ed, and health and human services data. A number of states have partnered with universities to allow government data to be held in secure environments managed by universities. These include the California Policy Lab,¹² the Colorado Evaluation and Action Lab,¹³ and the Coleridge Initiative, which is helping over forty states learn how to use merged cross-state and cross-agency data in the Administrative Data Research Facility¹⁴ to analyze and improve education and workforce development strategies.

Innovative state and local governments also are building capacity to merge government data with data held by community-based organizations to improve child and family services, especially for marginalized populations. North Carolina supports NCCARE360,¹⁵ a shared technology platform to unite healthcare and human services organizations to deliver coordinated, human-centered services and report outcomes. The Camden Coalition's¹⁶ Health Information Exchange links healthcare and other records across southern New Jersey to better identify and serve individuals with unmet needs.

Not surprisingly, even in jurisdictions with the capacity to merge data across their systems, data gaps remain. One of the most significant examples is employment and earnings data, a critical indicator of the effectiveness of education, training, and other programs to improve economic security. Unless client-level data for people living, working, and getting services in different states can be merged, state and local decision makers will lack a comprehensive picture of how their programs are performing.

The federal government has a unique capacity to dramatically improve state and local capacity to access and link data for cross-program analytics. First, it can provide technical assistance and use cases—drawing on the examples above—about privacy-protecting methods that enable states, localities, and providers to share data while complying with an array of confusing federal privacy laws. As federal agencies implement the Foundations for Evidence-Based Policymaking Act, they are learning new ways to share *federally* held data with each other using privacy-protecting tools. Going forward, federal agencies can equip federal *grantees* with the same tools and knowledge.

Second, the federal government can provide access, with privacy protections, to comprehensive, reliable federal datasets, such as employment and earnings data held by IRS (annual income), the Administration on Children and Families' National Directory of New Hires (quarterly earnings), and the Census Bureau. Exploratory conversations have begun between federal agencies, researchers, and state and local governments about creating scorecards, modeled on the Education Department's College Scorecard,¹⁷ which would link state and local government or provider data with federally held data to produce aggregate outcome statistics for education and training programs. The unit of analysis could be a grant program, an intervention, a training provider, a jurisdiction, or a subset of program participants (for example, based on demographic characteristics). This innovation could be

a game changer if it leads to efficient, scalable processes for linking federal, state, and locally held data. In addition to generating reliable outcome data, it could significantly reduce grantee reporting burden and enable quicker, lower cost, higher quality evaluations.

BUILDING STAFF CAPACITY TO USE DATA TO IMPROVE OUTCOMES

The federal government's focus on compliance with program-specific requirements—without an equal emphasis on achieving better outcomes through cross-program integration—has perpetuated program silos and administrative inefficiency at the state and local levels. Scarce grantee staff resources are devoted to documenting compliance rather than using data to learn more effective ways to serve populations in need.

Over the past decade, philanthropy has invested in organizations that offer states, localities, and nonprofit providers outcome-focused technical assistance to improve the lives of underserved and marginalized individuals and families. This new technical assistance model helps grantees learn how to harness data and evidence to understand client needs, target outreach and services to improve impact and equity, develop innovative procurement and payment models that incentivize better outcomes, develop and evaluate more effective service delivery models, and create routine feedback loops to measure performance and adjust approaches. Some of the organizations using this model were early pioneers of the Pay for Success movement, such as Harvard's Government Performance Lab,¹⁸ Third Sector,¹⁹ and Project Evident.²⁰ States and communities that have received this new type of technical assistance have created proof points for systems reforms and strategic partnerships that are achieving measurably better outcomes for at-risk populations. For example, the Government Performance Lab helped the city of Denver design and implement a supportive housing Pay for Success project²¹ that resulted in significant improvements in housing stability, reduced police interactions, and reduced emergency room visits according to a rigorous randomized controlled trial by the Urban Institute. The city is now using its own general fund resources to continue this cost-effective intervention.

The federal government can use its policy levers to increase both the demand for and the supply of outcome-focused technical assistance to states, communities, and nonprofits across the country. It can increase demand by giving priority in grant competitions to applicants that will

employ outcome-focused, data-driven approaches that can be institutionalized and reused in the future. It can also provide waivers in discretionary and mandatory programs that increase grantee flexibility and reduce compliance reporting if grantees adopt innovative program designs whose results can be reliably measured. (This waiver authority was established in 2014 OMB grant regulations.²²) To increase supply, federal agencies can work with the General Services Administration to create “schedules” of pre-approved, high quality TA providers and make it easy for federal agencies and grantees to procure their services.

PUTTING THE PIECES TOGETHER

The building blocks are in place for federal, state, and local governments—working with outcome-focused service providers—to create a shared vision and coordinated implementation strategy for using integrated data, analytics, and evidence to improve decisions that lead to better, more equitable outcomes for vulnerable populations. Exemplary state and local practices could be widely replicated in other jurisdictions if the federal government provided the needed leadership, coordination, and incentives.

While new legislation and funding from Congress might be helpful, much of what needs to be done at the federal level could be done under existing law through administrative actions. Stitching these actions together into a coherent, high-impact strategy will require White House, OMB, and federal agency leaders to prioritize, and share responsibility for, collaborating with state, local, and nonprofit grantees to strengthen their capacity to use data and evidence. Because of fragmented congressional committee jurisdictions that are mirrored in the Executive Branch, it is currently no one’s job in the federal government to provide coordinated leadership to do this. As two former executives of the Office of Management and Budget who led evidence-based policy initiatives involving states, localities, and nonprofit providers, we are confident that OMB could do the job.

NOTES

1. “Guidance on Funding and Cost Allocation for Health and Human Services Systems,” Administration for Children & Families, podcast, April 30, 2013, www.acf.hhs.gov/cost-allocation.

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3. OMB, M-21-27, "Evidence-Based Policymaking: Learning Agendas and Annual Evaluation Plans," White House, June 20, 2021, www.whitehouse.gov/wp-content/uploads/2021/06/M-21-27.pdf.

4. "Guidance for Grants and Agreements," Federal Register, August 13, 2020, www.federalregister.gov/documents/2020/08/13/2020-17468/guidance-for-grants-and-agreements.

5. Ibid.

6. "Cost Allocation Methodologies (CAM) Toolkit," Office of the Administration for Children & Families, January 15, 2015, www.acf.hhs.gov/css/training-technical-assistance/cost-allocation-methodologies-cam-toolkit.

7. Results for America, Data Policies Agreements State Standard of Excellence, Washington, 2020, <https://2020state.results4america.org/state-standard-of-excellence/data-policies--agreements.html#washington>.

8. Ibid., South Carolina, <https://2020state.results4america.org/state-standard-of-excellence/data-use.html#south-carolina>.

9. Ibid., Ohio, <https://2020state.results4america.org/state-standard-of-excellence/data-policies--agreements.html#leading-example>.

10. See Allegheny County DHS Data Warehouse website, <https://www.alleghenycounty.us/human-services/news-events/accomplishments/dhs-data-warehouse.aspx>.

11. See CalData page in Cal Gove Ops website, www.govops.ca.gov/caldata/.

12. See Featured News and Updates page on California Policy Lab website, govops.ca.gov/caldata/.

13. See Colorado Evaluation and Action Lab page at University of Denver website, <https://coloradolab.org/>.

14. "Cloud Enables Platform to Help State and Local Governments become More Data-Driven," Technology, December 23, 2020, www.govtech.com/local/cloud-enables-platform-to-help-state-573468231.html.

15. See About page on NCCARE 360 website, <https://nccare360.org/about/>.

16. See "Using Data to Identify and Engage Patients with Complex Health and Social Needs Is the Foundation of Our Work," Hotspot Blog page at Camden Coalition, <https://camdenhealth.org/connecting-data/>.

17. See Home page of College Scorecard website, U.S. Department of Education, <https://collegescorecard.ed.gov/>.

18. See Harvard Kennedy School: Government Performance Lab website at <https://govlab.hks.harvard.edu/>.

19. See Third Sector website at www.thirdsectorcap.org/.

20. See Project Evident website at <https://www.projectevident.org/>.

21. “Denver’s Supportive Housing Social Impact Bond a ‘Remarkable Success,’” Denver: The Mile High City, July 15, 2021, www.denvergov.org/Government/Agencies-Departments-Offices/Agencies-Departments-Offices-Directory/Department-of-Finance/News/2021/Independent-Evaluation-Finds-Denvers-Supportive-Housing-Social-Impact-a-success.