

SCORING SUMMARY

LAST YEAR'S FINAL FOUR SHRINK TO THIS YEAR'S TOP THREE

THE DEPARTMENTS OF Transportation, Labor, and Veterans Affairs continue to set the pace, finishing 1st, 2nd, and 3rd respectively for FY 2007. Each of these reports' scores exceeded 50. Transportation set a new record with a top score of 55.

As in past years, there was a large quality gap between the top reports and the rest. The Nuclear Regulatory Commission captured 4th place with a score of just 39—well below the 51 earned by Veterans Affairs, but a noticeable improvement over the 34 the NRC's report received for FY 2006.

Below the top four, there was significant churn in scoring and rankings between 2006 and 2007.

PERSONAL BESTS

SEVERAL AGENCIES' REPORTS achieved substantial improvements that catapulted them to their highest-ever positions in the rankings. Most notable were the Departments of Health & Human Services (HHS) and Homeland Security (DHS). Last year, we said these reports (along with the Office of Personnel Management's) perennially rank "near the bottom and show no signs of improvement." This year, they surprised us.

The HHS report jumped 19 spots in the rankings, moving from last place in FY 2006 to a tie for 5th in FY 2007. Its total score increased by 12 points. As might be expected from such a large jump, this report showed improvements on numerous criteria.

One big factor that helped the HHS report was the adoption of a new strategic plan starting in FY 2007. Goals, objectives, and measures are much more outcome-oriented than in previous years, earning HHS a total of five additional points on the criteria related to these items. This report also earned a 4 for readability in FY 2007, compared to a 2 in FY 2006. Previous HHS performance and accountability reports were lengthy, text-heavy, confusingly paginated, and generally hard to read. For FY 2007, a 47-page highlights document supplemented by several short appendices offers clear and informative discussion of 40 performance measures. This is one report that appears to have benefited from the pilot program's requirement that the department produce a highlights document.

DHS's report showed similar, though slightly less dramatic, progress. DHS's report jumped 16 spots in the ranking, from 21st in FY 2006 to a tie with HHS and Commerce for 5th in FY 2007. The FY 2007 DHS report earned a score seven points higher than in FY 2006.

Like HHS, DHS showed improvement across the board. DHS also adopted new strategic goals and objectives in FY 2007 that are much more outcome-oriented than in previous years. Four points of this report's seven-point increase came on criteria whose scores are affected by the quality of the strategic goals and measures. It is less obvious whether the highlights document produced under the pilot program contributed significantly to the improvement of the department's score, though the readability score did increase by one point. (Further discussion of changes in the HHS and DHS goals and measures can be found in the section on Individual Criteria Highlights, which begins on p.31.)

The Nuclear Regulatory Commission (NRC) showed a more modest five-point improvement in its score and jumped from 13th place in FY 2006 to 4th in FY 2007. This is the highest rank the commission achieved in any year except FY 2001 when its report ranked 4th. Unlike HHS and DHS, the NRC opted to produce a traditional

performance and accountability report rather than participate in the pilot program, and it did not have a new strategic plan for FY 2007. In addition to a concise and readable report, the NRC produced a concise and readable highlights document. Though quite good, the highlights document added little to NRC's score because the full report was already fairly readable. The single biggest thing NRC did to increase its score was improve public accessibility to its report by placing a prominent direct link on its home page that provided access to all of its performance and accountability reports back to FY 2000. Baseline data also improved since many new measures adopted in FY 2006 now have a FY 2006 baseline figure plus a figure for FY 2007.

FALLING STARS

THE BIGGEST AND most surprising drops by far occurred for the reports issued by the Department of State (State) and U.S. Agency for International Development (USAID). State, a perennial presence at the top since FY 2003, plummeted 14 spots in the rankings due to a 19-point drop in its score from FY 2006. USAID, which finished 5th in FY 2006, fell to 14th in FY 2007, based on a 10-point drop in its score.

One major factor that hurt State's and USAID's scores appears to be their new (shared) strategic plan for FY 2007–2012. The plan's goals and measures are less outcome-oriented and specific than those in the previous strategic plan. In FY 2006, for example, the humanitarian response goal was to "Minimize the human costs of displacement, conflicts, and natural disasters," which are clearly outcomes even if sometimes difficult to measure. For FY 2007, the analogous goal is simply expressed as "Providing humanitarian assistance." (Further discussion of State and USAID's goals and measures can be found in the section on Individual Criteria Highlights, which begins on p.31.)

Explanations of how these agencies' actions affected outcomes were also less convincing. Such deficiencies cost the agencies many points on criteria 5, 6, and 7. Because their reports adopted many new measures, there was much less baseline and trend data, which detracted from criterion 4. State's 2007 report also fell short of its 2006 report in explaining how the department's efforts make the country a better place to live (criterion 9) and explaining reasons for performance shortfalls (criterion 10). The former problem might also be related to the new goals and measures since State's outcome-oriented goals and measures in previous performance and accountability reports helped the department make a strong case that it benefited the American public.

Another factor that hurt State's and USAID's scores might have been their participation in the pilot program. Costs are linked only to strategic goals this year; in FY 2006, budget and personnel were also linked to annual performance goals. The pilot program allows agencies to put more detailed cost and performance information in the congressional budget justifications. But if that's where this information is, nothing in the highlights report indicates so or provides any type of link. As far as the general public is concerned, therefore, this information is simply not disclosed.

Two other big drops occurred for the Small Business Administration (SBA) and Department of Defense (Defense), whose reports fell to 23rd and 24th place respectively. Defense's score fell by 15 points, and SBA's fell by 9.

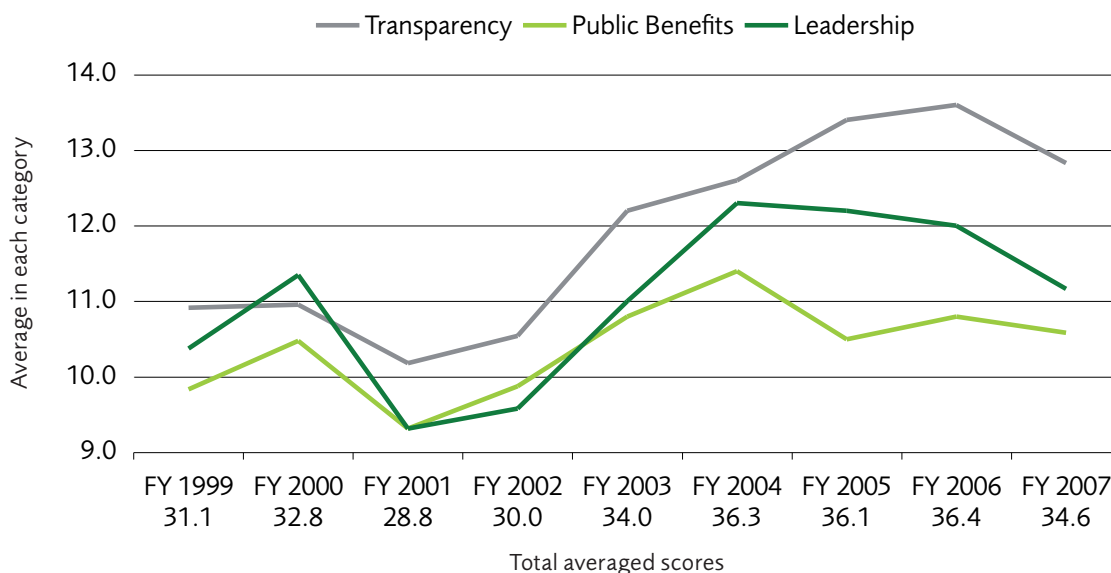
Defense's FY 2007 report received the worst score in the history of the Mercatus Performance Report Scorecard—just 17 points. That score does not necessarily make this the worst GPRA performance report in history, however, since our scoring standards tighten each year to reflect new best practices. Nevertheless, considering that the Defense report earned 32 points and ranked 16th in FY 2006, this year's drop is a disappointing plunge.

Defense got off to a bad start by losing four points on criterion 1 because the department's report was not even posted on the Web site two weeks after the due date specified in OMB Circular A-136. Only two pages of the 24-page highlights document present performance information, and in fact, the transmittal letter (signed, as usual, by the deputy secretary rather than the secretary) characterizes the document as the department's financial report. The report receives scores of 1 on numerous criteria because it simply has no performance-related content relevant to many of the criteria we have used to evaluate these reports since FY 1999. Nor does the highlights document even indicate where else the reader might look to find performance information.

In contrast to the Defense report, we are more confident that the Small Business Administration has more detailed performance information and documentation than appears in its highlights document. The highlights document says more detailed performance information and documentation are available on an accompanying compact disc. However, it fails to provide links or explain how or where to find the information on the disc, which appears to embed performance data in the agency's detailed budget justifications, thereby essentially making this information unusable by the general public. As a result, the agency lost many points in FY 2007 compared to FY 2006 because relevant content that may have been on the disc was not effectively available to the public. The numerous 1s this report received for absence of relevant content in FY 2007 cost it seven points compared to FY 2006. This accounts for four-fifths of SBA's seven point drop in FY 2007.

Despite these shortcomings, SBA's report also provides one good example of how to make information in other documents available via the highlights document. The highlights document explicitly states that its inspector general's discussion of major management challenges is available on the disc and in the agency's financial report; the inspector general's presentation appears in the table of contents and is viewable as a separate file. Because the inspector general's discussion is quite good and readily accessible from the highlights document, the SBA report received a score of 4 on criterion 11 (discussion of major management challenges), the same score it received in FY 2006. This report would have earned a substantially higher score if it had consistently

Figure 3: A Year of Retrenchment



followed this transparency-enhancing practice, so that the general public (and the Mercatus research team) could easily find relevant information that is supposed to be available in GPRA performance reports.

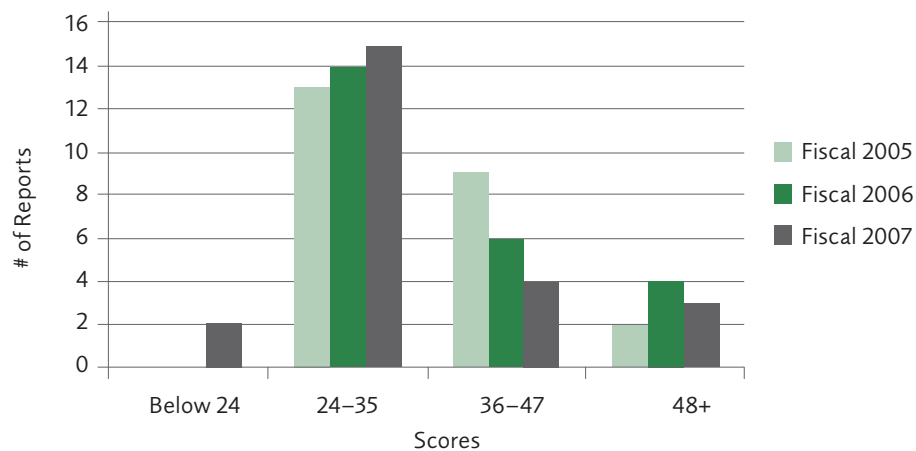
AVERAGE SCORES DROP

REVERSING SEVERAL YEARS of progress, average scores dipped in FY 2007, as Figure 3 shows. Between FY 2004 and FY 2006, the average total score remained at about 36. It fell by almost 2 points, to 34.6, in FY 2007. This represents a 5 percent drop—the biggest since FY 2001. Average transparency and forward-looking leadership scores each fell by eight-tenths of a point in FY 2007, and average public benefits scores fell by two-tenths of a point.

Despite continual tightening of our criteria and the declining average scores, many agencies demonstrated that it was possible to achieve a higher score in FY 2007 than in 2006. Eight reports improved their scores in FY 2007 compared to 2006, 11 had lower scores, and 5 were unchanged. Since the scoring criteria tighten each year, these figures suggest that about half the agencies improved their reports in FY 2007. Since scores for the other half deteriorated at an even faster clip, average scores fell. No average score on any individual criterion increased by more than 1 or 2 percent.

The drop in the transparency score reflects a 7–12 percent reduction in scores on three of the four criteria in this category. Only on one criterion, readability, did the average score improve and then only by 2 percent. This modest increase probably stems from an improvement in readability attributable to the production of highlights documents, both by agencies that volunteered for the pilot program and by agencies that produced highlights as a supplement to traditional performance and accountability reports. The 7 percent drop on criterion 1, accessibility, occurred mostly because numerous agencies neglected to do small things they had done in the past that made their reports easier to find or download via the Web. Defense lost 4 points because its report was unavailable on the Web two weeks after OMB’s deadline for submission of the reports. Average scores on criterion 3 (verification and validation) and 4 (baseline and trend data) fell by 8 and 12 percent respectively, mostly because agencies reporting in the pilot format made less of this kind of information available.

Figure 4: Slouching Toward Mediocrity



The drop in the public benefits score mostly reflects a 7 percent deterioration of the average score on criterion 8, linkage of results to costs. However, reports from most agencies received the same score on this criterion in FY 2007 as in FY 2006. Five reports even improved by 1 point. Reports from just two agencies, State and USAID, account for most of the drop in the average score for linkage of results to costs. Both of these reports lost 3 points on this criterion because their highlights documents provided no explanation of how to find information linking costs to performance below the level of strategic goals.

The drop in the forward-looking leadership score is due to a large reduction—15 percent—in the score on criterion 12 (explanation of plans to do better) and a more modest reduction—eight percent—in criterion 9 (explanation of how the agency makes this country a better place to live). In both cases the pilot agencies accounted for the majority of this drop, because they simply provided less information on these topics than in the past.

REPORT QUALITY

FIGURE 4 REVEALS that 17 reports received scores below the “satisfactory” average of 36, three more than in FY 2006 and four more than in FY 2005. Three agencies whose reports scored below “satisfactory” in 2006 improved their scores to 36 or above in 2007: NRC, DHS, and HHS. Reports from four additional agencies joined the below-satisfactory group for FY 2007: Justice, GSA, EPA, USAID, Education, and State. In fairness, it’s worth noting that the scores of Justice, EPA, Education, and Energy fell by only a few points.

Figures 1 and 2 in the introduction to this year’s Scorecard show that two-thirds of the dollars in the budget are covered by below “satisfactory” reporting and only seven percent are covered by “very good” reporting. Figure 5 sheds additional light on this issue. The percentage of the budget covered by reports scoring in the middle of the range (24–35) declined substantially for two reasons. First, two agencies (Defense and SBA) saw their scores fall below 24 for the first time since 2004. Second, HHS improved its score from 25 to 37, and Homeland Security improved its score from 30 to 37. Since Defense spent \$623 billion, and Homeland Security spent \$56

Figure 5: Disappearing “Middle Class”

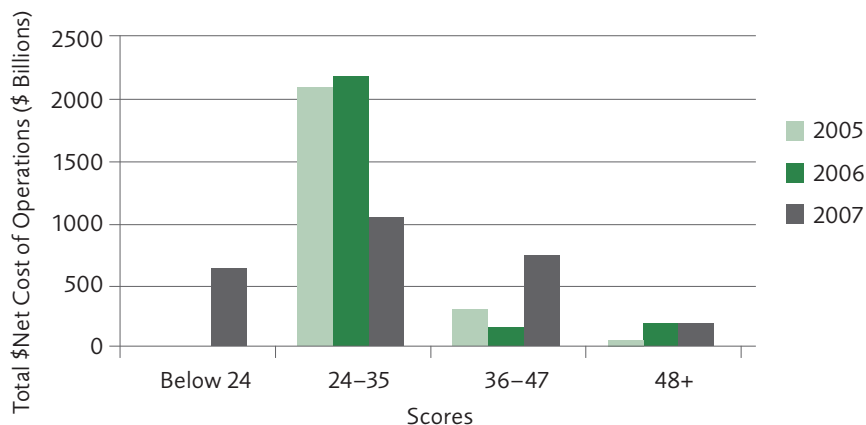
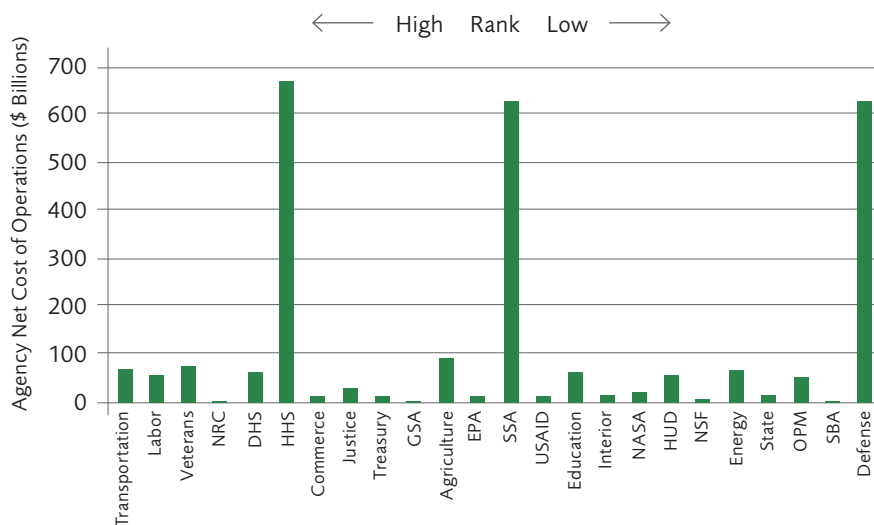


Figure 6: Rank Uncorrelated with Agency Size

billion, the changes in their scores generated substantial changes in the proportion of the federal budget covered by reports scoring in the middle range.

In several previous Scorecards, we found that reports from many of the larger departments tended to score poorly. Figure 6 shows that this pattern does not hold for FY 2007. Agencies of all sizes are spread relatively evenly across the rankings. Agencies whose reports scored below “satisfactory” spent \$1.667 trillion in FY 2007.

OPPORTUNITIES FOR PROGRESS

THERE IS STILL substantial room for progress. Table 4 reveals that average scores in eight categories are below 3. For four criteria, average scores fell by more than five percent between FY 2006 and FY 2007. Scores on six of these have averaged below 3 since FY 2004. Scores on criteria 4 and 12 exceeded 3 in FY 2006, but fell substantially below 3 in FY 2007.

Table 4: Eight Criteria Below Satisfactory

CRITERION	FY 2006	FY 2007	CHANGE 2006-07	% CHANGE 2006-07
1. Accessibility	4.38	4.08	-0.3	-7
2. Readability	3.54	3.63	0.09	2
3. Verification & Validation	2.67	2.46	-0.21	-8
4. Baseline/Trend Data	3.04	2.67	-0.37	-12
5. Outcome-oriented Goals	3.08	3.13	0.05	1
6. Outcome Measures	2.67	2.67	0.00	0
7. Agency Affected Outcomes	2.75	2.67	-0.08	-3
8. Linkage to Costs	2.29	2.13	-0.16	-7
9. Vision	3.25	3.00	-0.25	-8
10. Explain Failures	2.79	2.67	-0.12	-4
11. Management Challenges	2.79	2.83	0.04	1
12. Improvement Plans	3.13	2.67	-0.46	-15

Scores below 3 in FY 2007

