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FEDERAL PERFORMANCE REPORTING AFTER TEN YEARS: How Does It Measure Up?

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SINCE FISCAL YEAR 1999, the Government Performance and Results Act (GPRA) has required federal agencies to issue annual performance reports that measure the outcomes of federal programs. A research team from the Mercatus Center at George Mason University assesses these reports each year to see how well they inform Congress and the public. During the past decade, the quality of performance reporting has improved substantially. In spite of that improvement, only 7 percent of federal spending is covered by reports rated "very good." This result suggests that the United States is still a long way from attaining full transparency for the outcomes of most federal spending. Without such transparency, accountability cannot be achieved.

Enacted by large bipartisan majorities in both houses of Congress, the Government Performance and Results Act of 1993 (GPRA) requires federal agencies to produce strategic plans, annual performance plans, and annual performance reports. Strategic plans must explain the outcomes agencies seek to produce for citizens and establish measures the agencies will use to track progress. GPRA mandates tracking of outcomes, as well as activities, to ensure that agencies focus on producing end results that citizens value. Annual performance plans (now incorporated into performance budgets) establish annual goals for all of the measures in the strategic plan. Annual performance reports must report on the measures and explain the agency's plans to improve performance in the future.

Congress enacted GPRA in part because "congressional policymaking, spending decisions and program oversight are seriously handicapped by insufficient attention to program performance and results."[1] If agency reports provide solid information about program outcomes, congressional committees can then conduct oversight and make budget decisions based on real evidence of program effectiveness rather than intentions, wishes, or suppositions.

Performance reporting under GPRA started in fiscal year 1999.[2] Also in 1999, the Mercatus Center at George Mason University initiated the annual *Performance Report Scorecard* to assess how well the reports inform Congress and the public.[3]

Each year, our researchers examine the reports produced by the 24 agencies covered under the Chief Financial Officers Act, which account for virtually all federal outlays.[4] The scoring process evaluates (1) how *transparently* an agency discloses its successes and failures, (2) how well an agency documents the tangible *public benefits* it claims to have produced, and (3) whether an agency demonstrates *forward-looking leadership* that uses annual performance information to devise strategies for improvement. An expert team evaluates each report on 12 criteria—four each for transparency, public benefits, and leadership. On each criterion, the report receives a score that can range from 1 (no useful content) to 5 (best practice that other agencies should adopt). The maximum possible score is 60, with a minimum of 12. An average of 3 points on every criterion yields a score of 36, which could be considered "satisfactory."

SUBSTANTIAL IMPROVEMENT IN 10 YEARS

Figure 1 shows that average scores have risen by about 15 percent since FY 1999. However, these score data understate the full extent of improvement because the research team tightens the scoring criteria over time as new best practices emerge.

A re-evaluation of the best four reports from FY 1999 finds that these reports would rank well below average when judged on the same 12 criteria by FY 2008's higher standards. Evaluated by FY 2008 standards, the best FY 1999 report (from USAID) would have ranked just 16th in FY 2008. The three other FY 1999 reports reevaluated under FY 2008 standards were from Transportation, Veterans Affairs, and Education. All would have done worse under FY 2008's tighter standards. Based on these evaluations, we estimate that the average quality of performance reports has improved by about 75 percent since FY 1999.[5]

Qualitative analysis of best practices also reveals substantial improvements since FY 1999. In FY 1999, an agency could receive the highest possible score for accessibility of its report if it simply had the report on its Web page and made it easy to find. Today, that's a minimal requirement; best practices include making the report available on time, downloadable as a single document or in individual sections, with clear information about who to contact with comments or questions. Similarly, in FY 1999, a report received the top score on linkage of results to costs because it broke down costs and personnel by program area. Today, the best reports break costs down by individual performance measure and present the information for multiple years. This is the level of detail Congress and the public need to determine how much public benefit we get for our tax dollars.

CONGRESS AND OMB MAY AFFECT RATE OF PROGRESS

Juxtaposing Scorecard scores with results from Government Accountability Office (GAO) surveys of federal managers yields insights about the role Congress and the White House play in encouraging or discouraging quality performance reporting. Report scores tended to improve more over the last ten years at agencies where lower percentages of managers identify lack of congressional commitment as a barrier to performance management. Similarly, report scores tended to improve more at agencies where lower percentages of managers identify "concern that OMB will micromanage programs" as a hindrance to performance management.[6] These results suggest that congressional and OMB monitoring can affect agencies' performance reporting progress.

FIGURE 1: SUBSTANTIAL IMPROVEMENT IN TEN YEARS

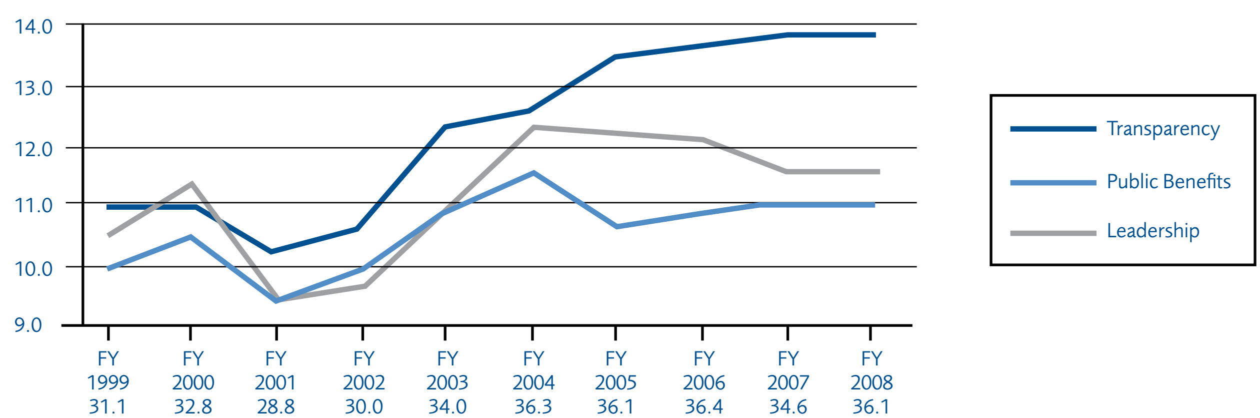
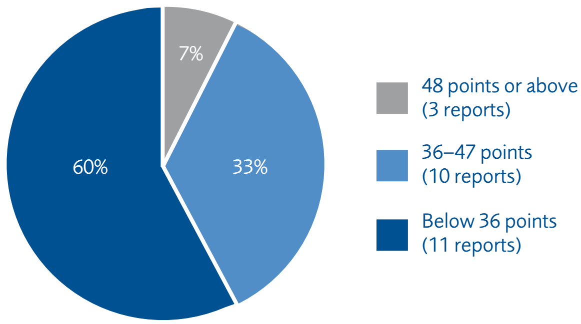


FIGURE 2: FISCAL 2008 SPENDING BY QUALITY OF DISCLOSURE



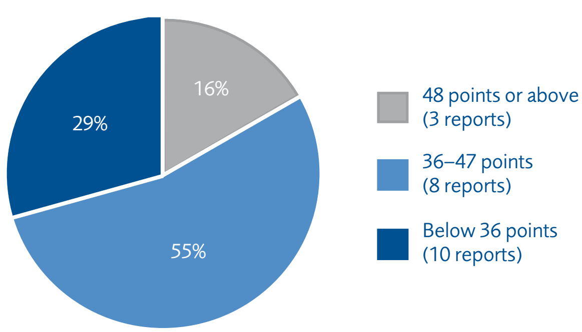
TRANSPARENCY NOT SATISFACTORY FOR A MAJORITY OF SPENDING

Despite ten years of progress, figure 2 shows that 60 percent of federal spending was covered by reports scoring below satisfactory in FY 2008—a slight drop from 65 percent in FY 2007. Only 7 percent of federal spending (in the Departments of Labor, Veterans Affairs, and Transportation) was covered by reports rated "very good."

The federal government has pledged that new spending approved under the Recovery Act will be undertaken with "full transparency and accountability."[7] Guidance from the Office of Management and Budget (OMB) instructs agencies to account for results of Recovery Act spending using their GPRA performance measures to the maximum extent possible.[8] Figure 3 classifies the Recovery Act's $334 billion in appropriations (listed in "Division A" of the legislation) according to the scores each agency received on the Scorecard for FY 2008.

Reports with scores in the "very good" range (48+ points) would come the closest to providing "full transparency and accountability." But as figure 3 shows, only 16 percent of the appropriations in the Recovery Act go to agencies whose reports met this standard in FY 2008.[9] Furthermore, it is not clear whether agencies will use their GPRA measures to evaluate spending in "Division B" of the Recovery Act, and no GPRA performance measures exist to assess the effects of the tax cuts in the legislation. Many GPRA measures and reports still need improvement before they can fulfill the promise of full transparency and accountability.

FIGURE 3: RECOVERY ACT APPROPRIATIONS BY QUALITY OF DISCLOSURE



FISCAL YEAR 2008 SCORES & RANKINGS COMPARISON TO FISCAL YEAR 1999

Highest Rank = 1; Lowest = 24. Maximum Possible Score = 60; Minimum = 12.

	Fiscal Year 2008		Fiscal Year 1999			
	Total Score	Rank	Total Score	Rank	Change in Score	Change in Ranking
Labor	56	1	36	5	+20	+4
Veterans	54	2	48	3	+6	+1
Transportation	53	3	51	2	+2	-1
DHS*	40	4	27	22	+13	+18
NRC	40	4	25	17	+15	+13
Education	37	6	37	4	0	-2
Interior	37	6	31	11	+6	+5
State	37	6	25	17	+12	+11
Treasury	37	6	36	5	+1	-1
Energy	36	10	27	14	+9	+4
EPA	36	10	31	11	+5	+1
HHS	36	10	24	20	+12	+10
USAID	36	10	52	1	-16	-9
Commerce	35	14	22	22	+13	+8
Justice	34	15	23	21	+11	+6
Agriculture	33	16	22	22	+11	+6
GSA	32	17	32	9	0	-8
NSF	32	17	21	24	+11	+7
Social Security	32	17	33	8	-1	-9
NASA	31	20	27	14	+4	-6
OPM	28	21	27	14	+1	-7
HUD	27	22	28	13	-1	-9
Defense	26	23	34	7	-8	-16
SBA	22	24	32	9	-10	-15
Average	36.13		31.29		4.84	
Median	36.00		29.50		6.50	
Average for reports that improved					8.94	

Pilot agencies

* Since DHS did not exist in 1999, the chart shows its score and rank from fiscal 2004, the first year its report was included in the Scorecard.

HOW DID INDIVIDUAL AGENCIES FARE?

The top three reports—Labor, Veterans Affairs, and Transportation—finished in that order, within three points of each other. Labor's report received a 56 out of 60 possible points, the highest score ever awarded. Reports from Homeland Security and the Nuclear Regulatory Commission tied for 4th place, each earning 40 points.

Five agencies made meaningful improvements in the content of their reports that led to higher scores in FY 2008 than in FY 2007. These were State (+6 points), Energy (+5 points), Interior (+5 points), Education (+4 points) and USAID (+4 points). The first four leapt by 8–12 places in the rankings, and USAID rose four places.

For FY 2008, nine agencies again opted for a "pilot" format that allowed them to publish performance information separately from financial information and produce a shorter "citizens' report" to provide a summary. Average scores for agencies using the pilot reporting format increased by 9 percent in FY 2008, almost completely reversing their drop in FY 2007. This suggests that the pilot format is a workable approach that has overcome many of the difficulties experienced in its first year.

ENDNOTES

1. GPRA sec. 2(a)

2. For a brief account of the evolution of federal performance reporting and the laws that influenced it, see Maurice McTigue, Henry Wray, and Jerry Ellig, *7th Annual Performance Report Scorecard: Which Federal Agencies Best Inform the Public?* (Arlington, VA: Mercatus Center at George Mason University, 2006), 21–22, http://www.mercatus.org/PublicationDetails.aspx?id=17780.

3. Maurice McTigue, Henry Wray, and Jerry Ellig, *10th Annual Performance Report Scorecard: Which Federal Agencies Best Inform the Public?* (Arlington, VA: Mercatus Center at George Mason University, 2009).

4. The principal parts of government not included in these 24 agencies are the judiciary, the legislature, the executive office of the president, and the independent agencies not among the 24 CFO Act agencies.

5. Details underlying this calculation are in McTigue, Wray and Ellig, *10th Annual Performance Report Scorecard*, 11.

6. For further explanation and analysis, see *10th Annual Performance Report Scorecard*, 31.

7. See www.recovery.gov.

8. Office of Management and Budget, "Memorandum for the Heads of Departments and Agencies." February 18, 2009, http://www.recovery.gov/files/Initial%20Recovery%20Act%20Implementing%20Guidance.pdf.

9. About 71 percent of appropriations go to agencies whose reports received a "satisfactory" score of 36 or better in FY 2008. This looks like a significant improvement compared to the percentage reported in a March 2009 Mercatus on Policy brief, which found that 74 percent of spending went to agencies whose reports scored below satisfactory in the FY 2007 Scorecard. (See Christina Forsberg and Stefanie Haeffele-Balch, "Accountability and Transparency in the American Recovery and Reinvestment Act," *Mercatus on Policy* 38 (March 2009), 3, http://www.mercatus.org/PublicationDetails.aspx?id=26482). Most of the difference occurs because two agencies receiving large amounts of stimulus money improved their scores by several points in FY 2008. Education's score rose from 32 to 37, and Energy's rose from 31 to 36.

The Mercatus Center at George Mason University is a research, education, and outreach organization that works with scholars, policy experts, and government officials to connect academic learning and real-world practice.

The mission of Mercatus is to promote sound interdisciplinary research and application in the humane sciences that integrates theory and practice to produce solutions that advance in a sustainable way a free, prosperous, and civil society.

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