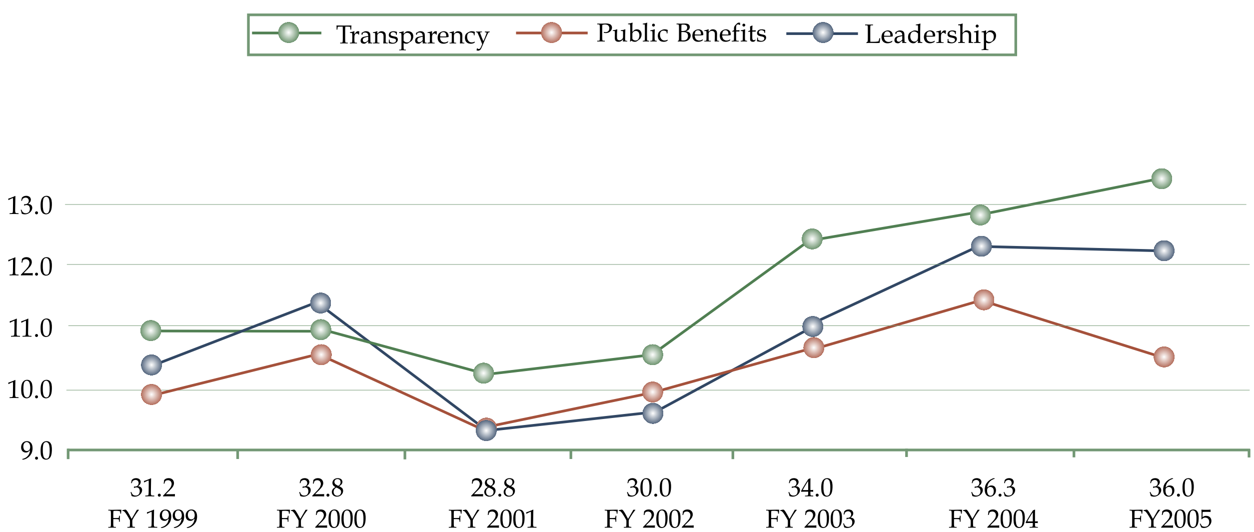
TRENDS AND CHANGES

The average total score of 36 remained essentially unchanged in fiscal 2005, as Figure 5 shows. A six percent increase in the average transparency score was balanced by an eight percent reduction in the average public benefits score. The leadership score changed little.

FIGURE 5: AVERAGES FALL FOR THE TOUGH STUFF



The principal factor driving the improvement in the transparency score was a 20 percent improvement in the average score on criterion 1: accessibility. Fourteen reports scored a 5 on this criterion, reflecting the fact that the report appeared on their web page by our deadline, could be found via a direct link on the home page, could be downloaded as a single document or multiple sections, and was accompanied by contact information for readers having further questions or comments. For years, we have emphasized that these "mechanical" factors should be easy for any agency to execute, and in 2005, more than half of them proved our point. In fiscal 2004, only six reports scored a 5 on criterion 1. Scoring standards will tighten in the future when an agency introduces the next big innovation in transparency, and only reports adopting the new best practice will then receive a 5.

The big drop in the public benefits score occurred mostly because of a 20 percent reduction in the score on criterion 8: linkage of results to costs. Scores on this criterion fell because they failed to keep pace with the research team's rising expectations based on prior years' best practices. In fiscal 2004, most agencies could at least link their costs to strategic goals or objectives. But some found ways to link costs to performance goals or other levels below the strategic goal level. Linkage to some level below strategic goals became the new standard for satisfactory performance, and a report could receive a 4, 3, or 2 depending on how "deep" the cost information went and how much of the agency's costs were broken down in this way. For 2005, a report could not receive better than a 1 unless it broke costs down by more than just strategic goals. Twelve agencies received a 1 on this criterion in fiscal 2005, compared to four in fiscal 2004.

Similarly, a report could not receive a 5 on criterion 8 unless it actually supplied cost information that corresponded to outcome measures. The last agency to receive a 5 on this criterion was the Small Business Administration, which in fiscal 2002 and 2003 pioneered a set of tables that categorized costs by outcome. SBA developed a great concept, but many of the cost entries were blank, and no agency (including SBA) has comprehensively linked actual cost data with outcome data. Such information is crucial if decisionmakers are to understand how much the government pays per successful outcome. No report received a 5 on this criterion in either fiscal 2004 or 2005.

Despite continual tightening of our criteria, many agencies demonstrated that it was possible to achieve a higher score in fiscal 2005 than in 2004. Reports were evenly split between gainers and losers. Ten reports improved their scores in fiscal 2005 compared to fiscal 2004. Eleven had lower scores, and two were unchanged. Scores for one report, Health and Human Services, cannot be compared because its fiscal 2004 report was not available by our evaluation deadline. Its fiscal 2005 score did exceed its score in fiscal 2003, so this too might constitute an improved report, bringing the total of improved reports to 11.

Figure 5 simply averages the scores from all 24 reports. Figures 6 and 7 offer a potentially different perspective on accountability by showing weighted average scores, using each agency's reported "net cost of operations" as its weight.[5]

Why calculate a weighted average score? The size of agencies varies greatly—from $635 billion for Defense to less than $10 billion for several of the smaller ones. Poor disclosure for a very large agency affects a much larger portion of federal spending than for a small agency. The weighted average score may thus be a better indicator of overall accountability for federal spending. The scores on a report from a large agency have a bigger effect on the weighted average than the scores on a report from a small agency. However, at least for fiscal 2005, Figures 6 and 7 show that changes in the weighted average scores closely paralleled changes in the raw scores.

[5] The figures in each report labeled "net cost of operations" roughly correspond to the agency's net outlays, with a few exceptions. Veterans Affairs, for example, includes the present value of future benefit liabilities in its net cost of operations and adjusts the figure each year. Variations in interest rates can have a big effects on the present value of these liabilities and on Veterans' reported net cost of operations. Therefore, for Veterans we use a figure that excludes the present value of future liabilities. GSA presents a different anomaly; its net cost of operations is usually positive because other agencies pay it for services. For weighting purposes we treat GSA's negative net cost of operations as a positive figure, which has little effect on the results in any event because GSA is relatively small compared to most agencies.

Figure 6: Raw vs. dollar-weighted scores

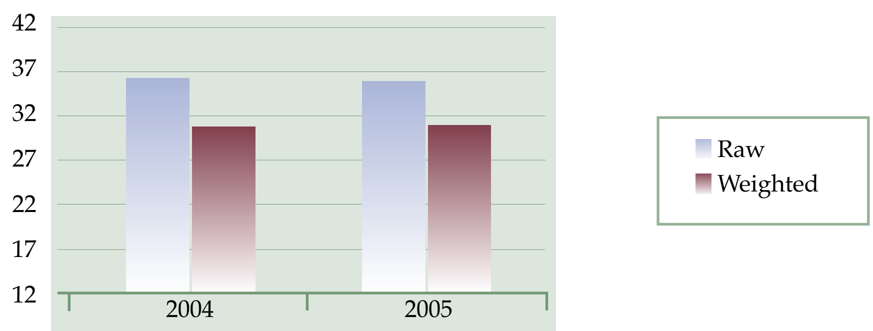


Figure 7: Transparency was principal improvement

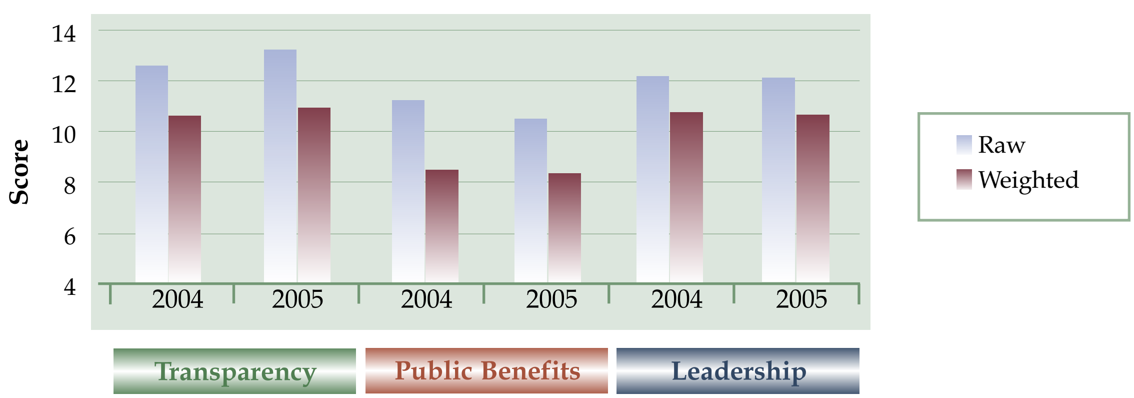


Table 3 confirms a trend that we first noted in last year's Scorecard: many of the largest agencies tend to do poorly. Agencies with total scores below "satisfactory" spent $2.07 trillion in fiscal 2005. At the same time, some mid-sized agencies have consistently shown that size need not be a handicap. The Departments of Labor ($50 billion), Transportation ($57 billion) and Veterans Affairs ($65.6 billion) all qualify as mid-sized departments, and they are perennial leaders in the rankings. Table 3 also reveals that several of the smallest agencies scored poorly, suggesting that small size need not be an advantage either.

Table 3: Agencies Scoring Less than Satisfactory

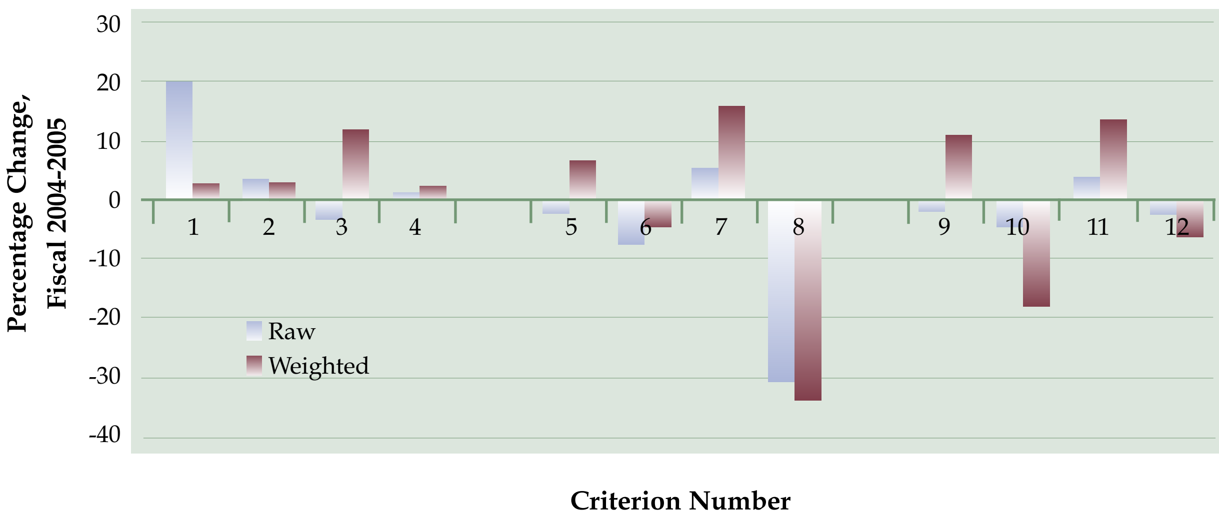
Department	Cost	Total Scor (36=satisfactory)	Public Benefits Score (12=satisfactory)
Nuclear Regulatory Comm	$100 million	35	11
Interior	$13 billion	34	9
EPA	$8 billion	34	10
HUD	$40 billion	33	10
NSF	$5.4 billion	33	9
Education	$75 billion	31	9
OPM	$64 billion	31	9
GSA	($800 million)*	31	9
NASA	$15 billion	30	7
Defense	$635 billion	29	7
Social Security	$568 billion	29	7
Homeland Security	$66 billion	27	8
HHS	$581 billion	25	8
Total	**$2.07 trillion**		

*GSA's net cost of operations is negative because federal agencies pay it for services provided.

Figure 8 graphs both the raw and the weighted average scores on each criterion. In most cases, the change in the weighted average score is simply a magnified version of the change in the raw score.

Criterion 7, showing that the agency's actions caused the observed improvement in outcomes, earned a slightly higher average score and a much higher weighted average score for fiscal 2005. The raw score increased by an average of five percent, and the weighted average score increased by 16 percent. One possible explanation is that this was one of the lowest-scoring criteria in fiscal 2004, with a raw score averaging 2.7 and a weighted average score of just 1.9. Clearly, there was room to improve. In addition, this improvement comes on the heels of improvements on the two preceding criteria in fiscal 2004. It's possible that improvement on criteria 5 and 6 the previous year set some reports up for an improvement on criterion 7 in fiscal 2005.

Figure 8: Raw vs. Weighted Score Change



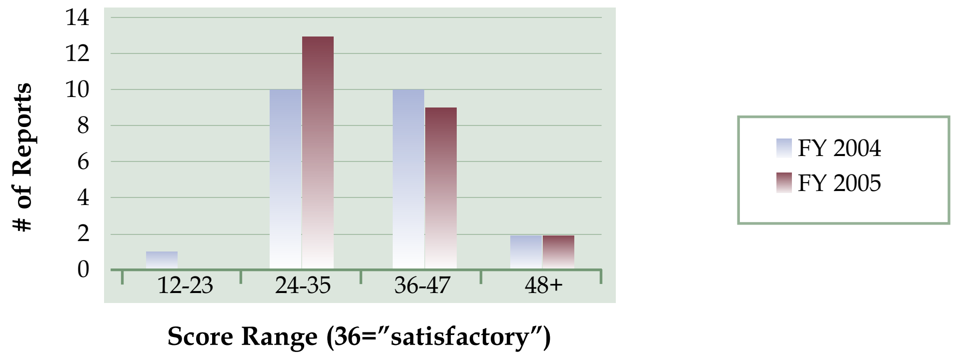
In a few cases, such as criteria 3, 5, and 9, the weighted average suggests improvement where the raw average indicated a small decline. In other cases, the weighted average improves by more than the raw average. Typically, that indicates a situation where one or more large departments improved their scores, which tended to have a larger effect on the weighted average than on the raw average. On criteria 3, 7, and 9, for example, Defense improved its score. On criterion 11, Social Security, which accounts for 23 percent of non-interest expenditures, improved its score. The relatively larger drops in the weighted average scores for criteria 10 and 12, meanwhile, are explained by the fact that the report from Health and Human Services received a 1 on criterion 10 and a 2 on criterion 12. The report from this department, which accounted for 22 percent of non-interest expenditures, was not evaluated in fiscal 2004; inclusion of its scores in 2005 pulled down the average.

Report Quality

Figure 9 reveals that a little more than half the fiscal 2005 reports (13, to be exact) achieved scores below the "satisfactory" average of 36. This is similar to what occurred for fiscal 2004. As with the average score statistics, Figure 9 suggests that not much changed from fiscal 2004 to 2005.

One of the below-satisfactory reports in fiscal 2005, from Health and Human Services, was not evaluated in fiscal 2004. Given that the HHS report has always scored relatively low, it is misleading to count this as an increase in below-satisfactory reports from fiscal 2004 to fiscal 2005.

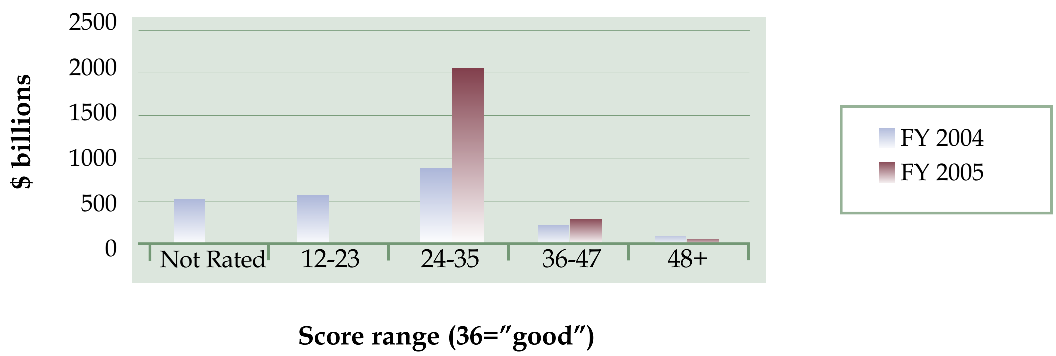
Figure 9: Half the reports are below satisfactory



The pie charts in the introduction to this year's Scorecard (Figures 1-4) show that a very large percentage of the dollars in the budget are covered by below-satisfactory reporting, and a very small percentage is covered by very good reporting. Figure 10 sheds additional light on this issue. It confirms what the pie charts suggest: reports covering much of the budget scored below 36.

At the same time, Figure 10 provides some cause for optimism. Compared to fiscal 2004, a larger percentage of the budget was covered by satisfactory reporting in fiscal 2005. The amount of spending covered by satisfactory or better reporting rose by 40 percent, from $268 billion in fiscal 2004 to $374 billion in fiscal 2005. The

Figure 10: More of budget covered by good reporting



principal reason for this increase is the improvement in the Department of Agriculture's score from just below satisfactory in fiscal 2004 (35) to just above it in fiscal 2005 (37). Agriculture's $91 billion in expenditures made for a significant swing.

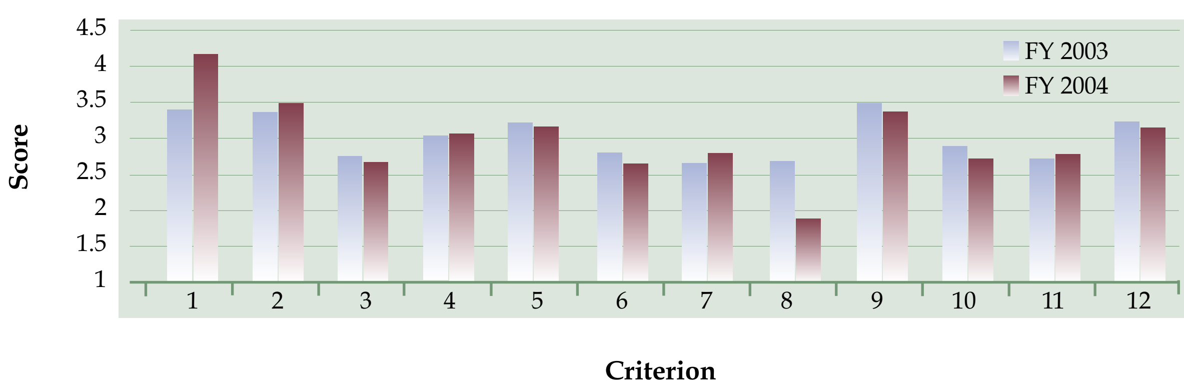
No report scored below 24 in fiscal 2005, and no report went unevaluated due to missed deadlines. The slight reduction in the amount of expenditure covered by very good reporting merely reflects the fact that the combined net cost of operations for the departments with the two best reports in both years—Labor and State—fell from $67 billion in fiscal 2004 to $62 billion in fiscal 2005.

Despite this year's improvements, there is still substantial room for progress. Figure 11 reveals that average scores in six categories are below 3. This is true regardless of whether one considers raw averages or weighted averages. The areas with scores below 3 (in order of severity of the problem) are:

- Criterion 8: linkage of results to costs (average score: 1.88)
- Criterion 6: articulation of outcome-oriented measures that accurately reflect the agency's impact on its goals (average score: 2.63)
- Criterion 3: ensuring reliability and timeliness of data (average score: 2.67)
- Criterion 7: demonstration that the agency's efforts actually affected achievement of outcomes (average score: 2.79)
- Criterion 10: explanation of failures to achieve goals (average score: 2.75), and
- Criterion 11: discussion of major management challenges (average score: 2.83).

These are the same six criteria where scores averaged below 3 in fiscal 2004.

Figure 11: Six criteria remain below satisfactory



Top Reports

The top four reports for fiscal 2005 were the same that occupied the top four places in fiscal 2004, in roughly the same order.

The Department of Labor's report earned the top ranking again in fiscal 2005, scoring a record-high of 51 out of 60 possible points. Labor has demonstrated steady improvement in its reporting through the years, moving up from 5th for fiscal 1999 to first, capturing the top ranking in fiscal 2002. Labor has kept the leading position since then.

Similarly, the State Department's report continued to rank 2nd. State's report ranked 20th in fiscal 1999 but has risen in the rankings every year.

Transportation and Veterans ranked 3rd and 4th respectively. These two reports tied in fiscal 2004, but Transportation pulled ahead by one point in fiscal 2005. Only five points separated the 1st from the 4th place report, suggesting a continued cluster of quality near the top. We encourage other agencies to learn from best practices and incorporate those approaches that have been successful at these agencies.

Ups and Downs

Two agencies made significant improvements in their reports for fiscal 2005: Treasury and Defense. Treasury's score jumped from 32 to 41, moving it from 16th to a tie for 5th. Defense improved its score from 21 to 29, moving up two positions in the ranking to 21st.

Four reports fell significantly in the rankings—Justice, NSF, NASA, and Social Security. Justice fell from 6th place to 11th, NSF fell from 10th place to 15th, NASA fell from 16th place to 20th, and Social Security fell from 16th place to 21st. With the exception of Justice, all had scores in the lower ranges. Moreover, all of these reports also had lower scores in fiscal 2004 than in fiscal 2003.

Falling Stars

Two reports achieved respectable rankings in several previous years but appear to be on a disturbing downward trend:

- Though it ranked as high as 8th in fiscal 1999 and 9th in fiscal 2002, Social Security's report has steadily deteriorated, finishing 16th in fiscal 2004 and 21st in fiscal 2005.
- GSA shows a similar pattern, achieving mid-level rankings thru fiscal 2003, but falling to 16th in fiscal 2004 and 17th in fiscal 2005.

CELLAR DWELLERS

Several reports have consistently ranked in the bottom half for most of the past six years:

- Defense's report ranked 7th in fiscal 1999, fell to 18th in fiscal 2000, and has never ranked higher than 21st since then. Whether its fiscal 2005 improvement signals a change in this status remains to be seen.
- The Office of Personnel Management's report has never finished higher than the middle of the pack; its best ranking was 12th in fiscal 2002. It ranked 16th in fiscal 2004 and 17th in fiscal 2005.
- NASA's report has had a similar, though even more erratic, experience. Its ranking went from 14th in fiscal 1999 to 23rd in fiscal 2000, rebounded over two years to 12th in fiscal 2002, plummeted to 20th in fiscal 2003, rose to 16th in fiscal 2004, then fell back to 20th in fiscal 2005.
- The Department of Health and Human Services ranked 24th in fiscal 2005 and has never ranked higher than 20th.
- The Department of Homeland Security has only existed for three years. Its report remains close to the bottom, finishing 23rd in fiscal 2005. It ranked 24th in fiscal 2003 and 22nd in fiscal 2004.