SAME FINAL FOUR—WITH AN UPSET

Reports from four agencies continue to set the pace: Transportation, Veterans Affairs, Labor, and State. These have been the four highest-ranking reports since fiscal 2003. Just three points separated these four reports in fiscal 2006.

For the first time since fiscal 2001, Transportation tops the rankings, earning 53 of a possible 60 points. Labor and Veterans Affairs tied for second place, earning 51 points each. State, the number 2 report last year, remained in the top four with a score of 50.

Fiscal 2006 saw a significant quality gap emerge between the top four and the rest of the pack. The fifth place report, submitted by USAID, earned 42 points. USAID's score improved by 3 points from fiscal 2005. (The biggest single factor was a jump in the score for criterion 8, linkage of results to costs, from 1 in 2005 to 4 in 2006. USAID accomplished this by linking costs with performance goals in the same manner as State.) Below the top four, there was significant churn in scoring and rankings between 2005 and 2006. Both "shooting stars" and "falling stars" abounded.

SHOOTING STARS

Several agencies made significant improvements in their reports for fiscal 2006. A nine-point improvement led GSA to jump 11 spots in the rankings, from 17th in fiscal 2005 to 6th in fiscal 2006. Education vaulted from 17th place in fiscal 2005 to 8th place in fiscal 2006 on the strength of a five-point gain in its score.

GSA made major improvements on criterion 1 (availability) and criterion 8 (linkage of results to costs). Its score on criterion 1 rose from 2 in fiscal 2005 to 5 in fiscal 2006. More impressively, its score on linkage of results to costs rose from 1 in fiscal 2005 to 5 in fiscal 2006. GSA's report includes a table that links projected fiscal year 2006 budget costs to all individual performance goals and, with very few exceptions, to the individual measures for the performance goals. This example of best practice is all the more impressive given that GSA's report for fiscal 2005 had no material linking results to costs.

Education's report improved in less dramatic fashion, with modest one-point gains in several criteria. The biggest improvement to this report was seen in criterion 2, readability. The report is well-organized, covers a reasonable number of measures, and is shorter than most agencies' reports. This is a significant improvement over fiscal 2005, when we noted that the report was difficult for the lay reader to understand.

Other agencies moving up significantly in the rankings, albeit with smaller score increases, were EPA (13th place to 8th), Social Security (21st place to 15th), and Defense (21st place to 16th). More modest improvements came in reports from USAID (8th place to 5th) and NASA (20th place to 16th).

Two of this year's improvers—Social Security and GSA—had steadily fallen in the rankings between 2002 and 2005. Their 2006 scores give hope that they've turned the corner.

Falling Stars

The biggest decline occurred for SBA, which fell from 7th place in fiscal 2005 to 18th in 2006 as its score dropped by nine points. Four points of this drop, however, occurred because SBA did not have its report posted on the Internet by the deadline. Were it not for that glitch, SBA would have tied with Agriculture and Treasury for 11th place.

Several other agencies fell four or more places in the rankings: Treasury (5th to 11th), Interior (13th to 18th), HUD (15th to 21st), Energy (9th to 13th), and OPM (17th to 23rd). Scores for Treasury and Commerce dropped six and five points, respectively, reflecting one-point drops on multiple criteria. Scores for the other agencies fell by only a few points.

Cellar Dwellers

Two reports that have ranked consistently in the bottom half showed noticeable improvement in fiscal 2006:

- Defense: This report's 16th place finish is its best showing since it ranked 18th in 2000. Defense has risen in the rankings for two years in a row.

- NASA: NASA's ranking history may be the most erratic of all the 24 agencies. 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. Whether the rise back to 16th in 2006 is the beginning of a comeback remains to be seen.

Several reports remain near the bottom and show little sign of improvement. These include:

- Health and Human Services: Ranked 24th and has never ranked higher than 20th.

- Office of Personnel Management: Finished 23rd in fiscal 2006, 17th in fiscal 2005, and never finished higher than 12th.

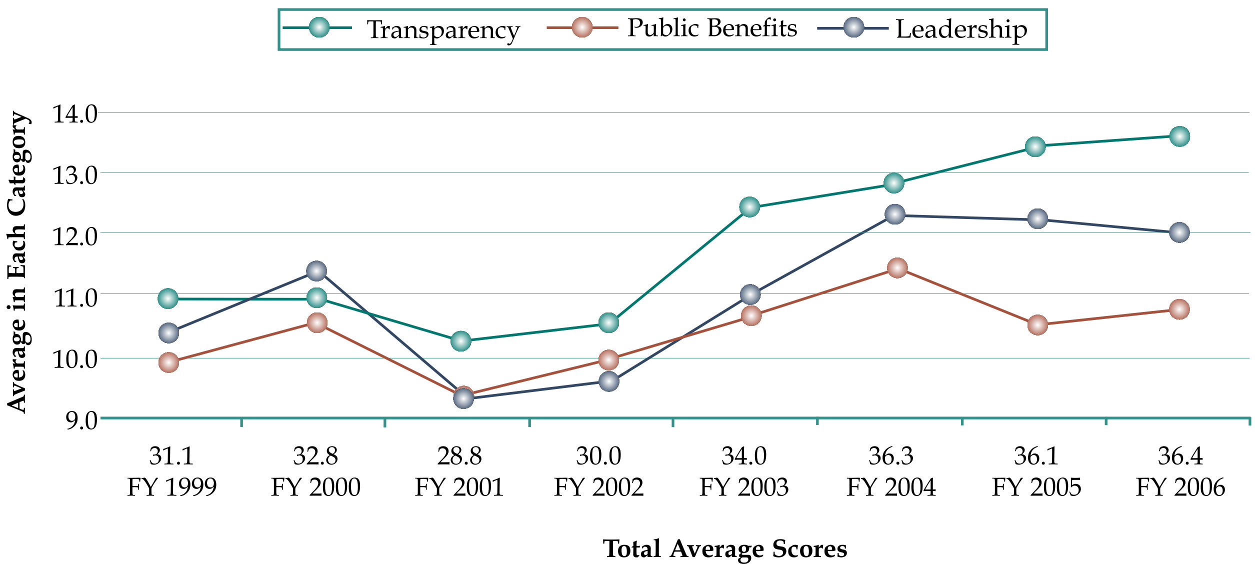
- Homeland Security: Its 21st place finish in fiscal 2006 is the best in its four years of producing a report.

Average Shows Scant Improvement

As Figure 5 shows, the average total score has remained at about 36 since fiscal 2003. The average transparency score rose by one percent, the public benefits score rose by three percent, and the forward-looking leadership score fell by two percent.

Despite continual tightening of Scorecard criteria, many agencies demonstrated that it was possible to achieve a higher score in fiscal 2006 than in 2005. Eleven reports improved their scores in fiscal 2006 compared to 2005. Eleven received lower scores, and two were unchanged.

Figure 5: Uneven Progress



The increase in the public benefits score resulted primarily from a 22 percent increase in the score on criterion 8, linkage of results to costs. This reverses a drop of similar size that occurred between fiscal 2004 and fiscal 2005. In fiscal 2005, scores on this criterion fell because they failed to keep pace with our research team's rising expectations based on the prior year's best practices. In fiscal 2004, some agencies 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. After fiscal 2004, a report could not receive better than a 1 unless it broke costs down by more than just strategic goals. Similarly, a report could not receive a 5 on criterion 8 unless it actually supplied cost information that corresponded to outcome measures. Only a few agencies rose to the challenge in fiscal 2005, but many more did so in fiscal 2006, thus raising the average score on this criterion.

The principal factor driving the improvement in the transparency score was a 6 percent improvement in the average score on criterion 1, accessibility. Seventeen reports scored a 5 on this criterion, reflecting the fact that the report appeared on their Web site 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 fiscal 2005, almost three-quarters 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. After that only reports adopting the new best practice will receive a 5.

The average score on criterion 9 fell by 5 percent. This was the only criterion whose average score fell by more than a few percentage points. Three of the top four reports actually increased their score on this criterion from

4 in 2005 to 5 in 2006. This was more than offset, however, by eight reports that experienced one-point declines on this criterion.

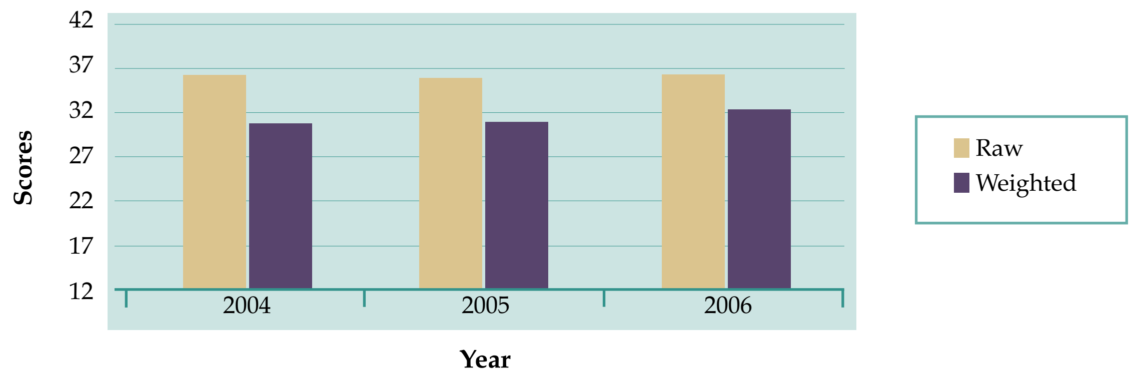
Improved best practices, and consequent tightening of scoring standards, also explain this drop. Criterion 9 gives agencies an opportunity to offer a broad vision of their value to the American people. The best reports integrate performance information with narratives that show how the agency's actions affect real people. Anecdotes, however, are not a substitute for meaty performance information. To earn a high score on this criterion, a report must combine lofty vision with solid performance metrics.

Weighted Average Shows More Improvement

Figure 5 simply displays the averages of 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.[10]

Why calculate a weighted average score? The sizes of the agencies' budgets vary greatly—from more than $500 billion for Defense, Social Security, and HHS to less than $10 billion for each of the six smallest. The quality of

Figure 6: Raw vs. Dollar-Weighted Scores



[10] 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 effect 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 reverse the sign on GSA's net cost of operations since we are just using the figure as a measure of GSA's size.

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 of a large agency's report have a bigger effect on the weighted average than the scores of a small agency's report.

Figure 7: Raw vs. Weighted Score Change

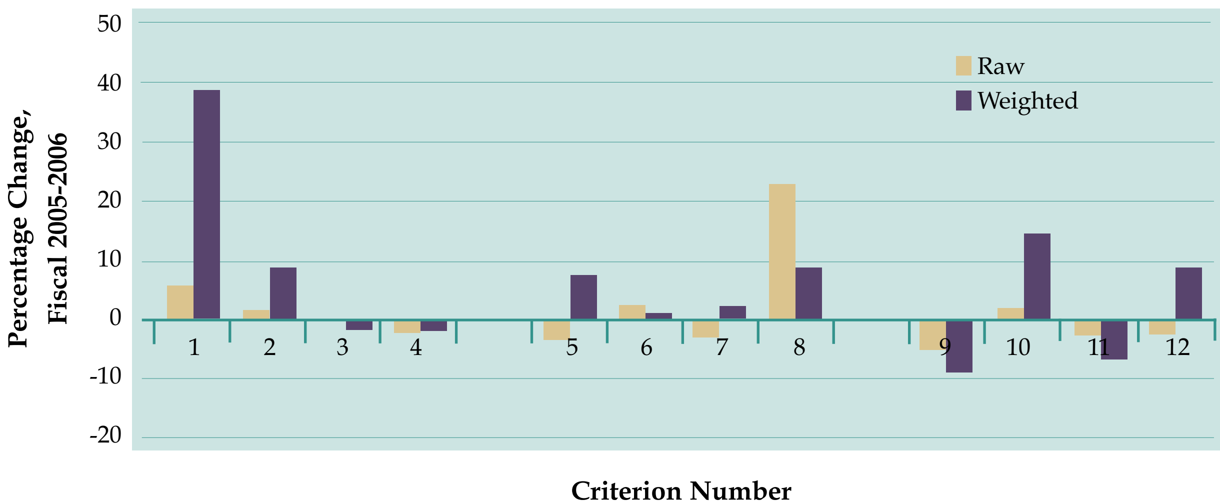


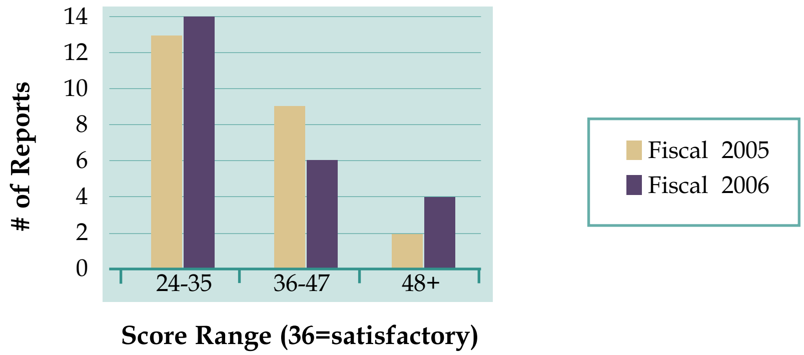
Figure 6 shows that the weighted average score improved at a somewhat faster rate than the raw average in fiscal 2006 after stagnating in fiscal 2005. Figure 7, which graphs scores for individual criteria, also shows that the weighted average improved much more than the raw average on several individual criteria. These numbers reflect the fact that some of the larger agencies demonstrated improvement in fiscal 2006 reports. In other words, the raw average masks some improvement in reports covering large amounts of the budget. These include a three-point increase for Defense ($581 billion), a three-point increase for Social Security ($588 billion), and a five-point increase for Education ($97 billion).

Report Quality

Figure 8 reveals that 14 reports received scores below the satisfactory average of 36—one more than in 2005. Three agencies whose reports scored below satisfactory in 2005 improved their scores to 36 or above in 2006: Education, EPA, and GSA. Reports from four additional agencies joined the below-satisfactory group for fiscal 2006: Agriculture, Energy, Treasury, and SBA. In fairness, it's worth noting that Agriculture and Energy's scores fell by only a few points.

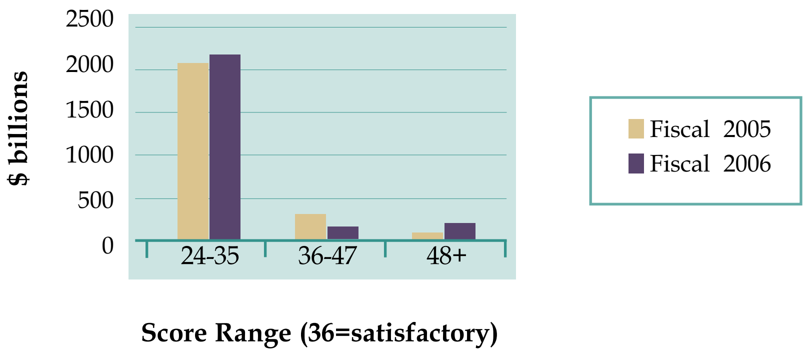
The graph does, however, show that more reports scored 48 or better—making it to the very good range. Only two reports scored 48 or better in fiscal 2005. For fiscal 2006, all of the top four reports scored above 48.

Figure 8: Fourteen Reports Are Below Satisfactory



The figures in the introduction to this year's Scorecard (Figures 1-4) show a very large percentage of the dollars in the budget are covered by below-satisfactory reporting and a very small percentage are covered by very good reporting. Figure 9 sheds additional light on this issue. There are two principal changes in 2006 compared to 2005: more spending is covered by reports that scored very good, and slightly more spending is covered by reports scoring less than satisfactory. As a result, the amount of spending covered by reports in the middle, satisfactory range declined.

Figure 9: Less of Budget in Middle Scoring Range



For several years, we have noted that reports from many of the larger agencies tend to score poorly. As Table 3 indicates this trend continues in fiscal 2006. Agencies with reports scoring below satisfactory spent $2.18 trillion in fiscal 2006. Reports from all three agencies with the largest budgets scored below 36. However, two of them—Defense and Social Security—are approaching satisfactory scores on their reports, earning 32 and 33 respectively.

Table 3: Reports Scoring Less than Satisfactory

Department	Cost	Total Score (36=satisfactory)	Public Benefits Score (12=satisfactory)
Agriculture	$95.4 billion	35	11
Treasury	$14 billion	35	9
Energy	$63.9 billion	34	10
NRC	$100 billion	34	11
Social Security	$588 billion	33	7
Defense	$581 billion	32	8
NASA	$17.6 billion	32	7
Interior	$13.4 billion	31	8
NSF	$5.6 billion	31	8
SBA	$1.5 billion	31	9
HUD	$39.6 billion	30	10
DHS	$54.3 billion	30	8
OPM	$81.4 billion	28	7
HHS	$624 billion	25	8
Total	**$2.18 trillion**		

Opportunities for Progress

Despite this year's improvements, there is still substantial room for progress. Figure 10 demonstrates that average scores in six categories are below 3. This is true regardless of whether one considers raw averages or weighted averages. The criteria with scores below 3 (in order of severity of the problem) are the following:

- Criterion 8: linkage of results to costs (average score: 2.29)
- Criterion 6: articulation of outcome-oriented measures that accurately reflect the agency's impact on its goals (average score: 2.67)
- 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: 2.75)
- Criterion 10: explanation of failures to achieve goals (average score: 2.79)
- Criterion 11: discussion of major management challenges (average score: 2.79)

Scores for these six criteria have averaged below 3 since fiscal 2004.

Figure 10: Six Criteria Remain Below Satisfactory