

No. 18
May 2008

MERCATUS ON POLICY

HOW WELL DO FEDERAL PERFORMANCE REPORTS INFORM THE PUBLIC?

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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. GPRA seeks to improve federal management, budgeting, and accountability to the public by requiring agencies to thoughtfully articulate the outcomes they seek to produce for the public and report on their progress toward achieving those results. Armed with 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 1999.¹ Researchers at the Mercatus Center at George Mason University initiated the annual *Performance Report Scorecard* that same year to foster continuous improvement in the quality of disclosure in agencies' annual performance reports. Each year, researchers examine the reports produced by the 24 agencies covered under the Chief Financial Officers Act, which account for virtually all federal outlays.² 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—4 each for transparency, public benefits, and leadership. Each criterion receives a score ranging 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.”

In FY 2007, the Office of Management and Budget (OMB) permitted agencies to use a new “pilot” format to report performance results. The pilot allowed agencies to publish detailed performance information with their congressional budget justifications, required them to produce a separate financial report, and required

them to produce a shorter “highlights” document intended to summarize both the performance and financial results.³ Nine agencies chose the pilot format; 15 agencies chose to produce traditional performance and accountability reports. Of the latter, eight also chose to produce a highlights document, even though OMB did not require them to do so.

EVOLUTION OF FEDERAL PERFORMANCE REPORTING

1990: Chief Financial Officers Act requires most agencies to produce audited annual financial reports.

1993: Government Performance and Results Act requires agencies to produce 5-year strategic plans, set annual performance goals, and produce annual performance reports.

Fiscal 1999: First annual performance reports required. Mercatus initiates *Performance Report Scorecard* to assess the quality of disclosure in the reports.

Fiscal 2002: Reports Consolidation Act allows agencies to combine annual performance report with annual financial report. All 24 agencies covered by the *Scorecard* issue Performance and Accountability Reports.

Fiscal 2007: OMB allows agencies to separate performance from financial information in a “pilot” format that requires production of a brief “highlights” document for use by the general public.

FISCAL YEAR 2007 REPORTS SHOW ROOM FOR IMPROVEMENT

Two-thirds of federal spending received unsatisfactory disclosure scores: About 35 percent of federal spending on items other than interest, or \$916 billion, was covered by reports earning a “satisfactory” score of 36 or better. This is a substantial improvement over FY 2006, when satisfactory reporting covered only 13 percent of spending. Nevertheless, \$1.7 trillion, or 65 percent, of federal agency spending is still covered by reports receiving unsatisfactory disclosure scores in the 2007 *Mercatus Annual Performance Report Scorecard*.

Average score dropped: Between 2001 and 2006, the average score for the 24 agencies’ reports rose steadily. This year, for the first time since FY 2001, the average total score dropped, from 36.4 points in FY 2006 to 34.6 in FY 2007.

Substantial room for improvement: The average scores on 8 of our 12 criteria are still below 3 (out of a possible 5), suggesting there is still substantial room for improvement.

HOW DID INDIVIDUAL AGENCIES RANK?

Final four became top three: The Department of Transportation captured 1st place, scoring a record-high 55 points. The Labor Department captured 2nd with a score of 53, and the Department of Veterans Affairs took 3rd with 51 points. The State Department, long a top contender, plummeted to 18th—largely due to a new strategic plan whose goals and measures

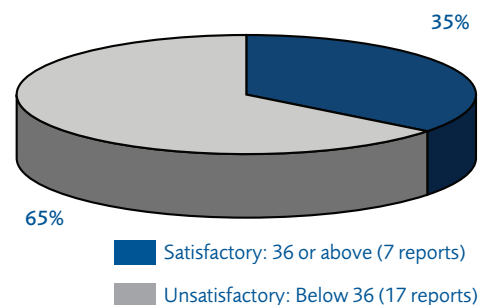
were much less outcome oriented and because of the limited accessible performance information provided under the new pilot format.

Big gap below top: 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 in FY 2006.

Two enormous improvements: Two perennially poor reports—those for the Department of Homeland Security and the Department of Health and Human Services—achieved a double-digit climb in the rankings to tie with the Commerce Department for 5th place. Their biggest improvements stemmed from new strategic plans with more outcome-oriented goals and measures.

Worst score in history: The Department of Defense’s FY 2007 report received the worst score in the history of the *Scorecard*—just 17 points. That score does not necessarily make this the worst GPRA performance report in history, however, since the *Scorecard* standards tighten each year to reflect new best practices. It does, however, represent a substantial drop from the 32 points the Defense report earned in FY 2006. This year, defense’s report received scores of 1 on numerous criteria because its highlights document had little useful information on performance and provided no guidance on how to find this information in other documents.

FIGURE 1: FISCAL 2007 SPENDING (\$BILLIONS) COVERED BY “SATISFACTORY” DISCLOSURE



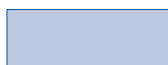
HOW DID THE PILOT REPORTING FORMAT AFFECT DISCLOSURE?

Pilot format reduced the quality of disclosure: For FY 2007, average scores for the 9 reports using the pilot format were 24 percent lower than the scores of the 15 agencies producing traditional performance and accountability reports. Scores for reports using the traditional format were about the same in

FISCAL YEAR 2007 SCORES & RANKINGS COMPARISON TO FISCAL YEAR 2006

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

	Fiscal Year 2007		Fiscal Year 2006		CHANGE IN SCORE	CHANGE IN RANKING
	TOTAL SCORE	RANK	TOTAL SCORE	RANK		
Transportation	55	1	53	1	2	0
Labor	53	2	51	2	2	0
Veterans	51	3	51	2	0	-1
NRC	39	4	34	13	5	9
Commerce	37	5	36	8	1	3
HHS	37	5	25	24	12	19
DHS	37	5	30	21	7	16
Justice	35	8	37	7	-2	-1
Treasury	35	8	35	11	0	3
GSA	34	10	40	6	-6	-4
Agriculture	33	11	35	11	-2	0
EPA	33	11	36	8	-3	-3
Social Security	33	11	33	15	0	4
USAID	32	14	42	5	-10	-9
Education	32	14	36	8	-4	-6
Interior	32	14	31	18	1	4
NASA	32	14	32	16	0	2
Energy	31	18	34	13	-3	-5
HUD	31	18	30	21	1	3
NSF	31	18	31	18	0	0
State	31	18	50	4	-19	-14
OPM	27	22	28	23	-1	1
SBA	22	23	31	18	-9	-5
Defense	17	24	32	16	-15	-8
Average	34.58		36.38		-1.79	
Median	33.00		34.50		-1.50	



Pilot Agencies

FY 2007 as in FY 2006. Average scores for reports using the pilot format fell by about 12 percent in FY 2007, compared to the scores on their traditional performance and accountability reports in FY 2006.

Pilot format yields longer wait with little additional information: The pilot format made the public wait almost three additional months to get performance data since the release of the information was timed with the release of annual congressional budget justifications in February 2008 instead of being incorporated into a performance and accountability report released in November 2007. Yet, the wait yielded little or no improvement in the percentage of performance measures with complete data and produced no significant new information that could not have been provided in November.

Highlights feature of pilot format adds substantial value: The principal benefit for the public of the pilot format is its emphasis on the shorter highlights document. However, the agencies producing traditional performance and accountability reports tended to produce the best highlights documents, even though OMB did not require them to do so.

Best overall reporting format would incorporate traditional reporting elements as well as a highlights document: Based on the FY 2007 evaluation, we believe the best reporting format for communicating with the general public is a traditional performance and accountability report accompanied by a highlights document. Three of the top four reports used this format in 2007. Two other reports that ranked in the top five—Health and Human Services and Homeland Security—used the pilot format and produced highlights documents that clearly guided readers to supplemental material available elsewhere.

Another possible improvement in the reporting process: For the first time ever, the new pilot format allowed agencies to publish performance information as part of their annual congressional budget justifications. Combining performance and financial information could better facilitate performance-based budgeting in Congress if the performance and financial information are furnished at an appropriate level of detail and juxtaposed so that legislators can see how much outcome each appropriation buys.

Would Congress make use of timely and relevant performance data? Since the *Scorecard* focuses on the quality of disclosure to the general public, we have not analyzed the usefulness of the performance data provided by federal agencies to Congress in the 2008 budget justifications. The ultimate test will be if Congress chooses make extensive use of the newly provided performance information.

FOOTNOTES

1. 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, 2006), 21-22, available at http://www.mercatus.org/publications/pubid.2265/pub_detail.asp.
2. The principal parts of government not included in these 24 agencies are the judiciary, the legislative branch, the executive office of the president, and the independent agencies not among the 24 CFO Act agencies. See *Budget of the United States Government, Fiscal Year 2009, Historical Tables*, Table 4.1, available at <http://www.gpoaccess.gov/usbudget/fy09/hist.html>. Outlays for these agencies actually exceed the "total outlays" figure, but they total 96 percent of total outlays minus undistributed offsetting receipts.
3. OMB Circular A-136, available at http://www.whitehouse.gov/omb/circulars/a136/a136_revised_2007.pdf, 11-12.

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