H.R. 2521, THE STATISTICAL CONSOLIDATION ACT OF 1995

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

ON

H.R. 2521

TO ESTABLISH A FEDERAL STATISTICAL SERVICE

MARCH 22, 1996

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H.R. 2521, THE STATISTICAL CONSOLIDATION ACT OF 1995

FRIDAY, MARCH 22, 1996

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn, (chairman of the subcommittee) presiding.

Present: Representatives Horn and Davis.

Staff present: J. Russell George, staff director and counsel; Council Nedd, and Anna Miller, professional staff members; Andrew G. Richardson, clerk; David McMillen, and Mark Stephenson, minority professional staff members.

Mr. HORN. The Subcommittee on Government Management, Information, and Technology will come to order. The legislation before us, H.R. 2521, the Statistical Consolidation Act of 1995, will consolidate the three primary economic statistics agencies of the Federal Government—the Bureau of the Census, the Bureau of Statistics, and the Bureau of Economic Analysis—into a new Federal Statistical Service.

The economic statistics gathered and analyzed by the Federal Government are integral to the public and private decisionmaking. The financial markets rise and fall based on the data produced by these agencies determined and distributed using this information. Businesses make a variety of decisions, ranging from developing new products to the opening and closing a factory. Although sound statistics and analysis do not automatically produce sound public policy, they do provide a necessary foundation from which to identify problems, to evaluate options, and to monitor results.

Historically, most Federal statistical programs were established to serve the information needs of the particular department or agency in which they were based. However, the increasingly connected nature of major economic and social issues far exceeds the bounds of any single agency's work program. The information needs of Congress and the President transcend the data and statistics compiled by any single statistical agency.

An inimitable principle of this Republican majority is that Government is too big and spends too much. Economies should be sought wherever they may be achieved while not compromising good statistical practices. H.R. 2521 meets both of these criteria,

and goes further by fostering more efficient and effective Government.

The new Federal Statistical Service would streamline and improve the quality and efficiency of the key production of economic data. The three principal economic statistical agencies affected by this legislation cannot continue to operate in independent and unrelated vacuums.

Duplication of effort happens the collection, limits the usefulness of statistical data. The Heritage Foundation reported in "Rolling Back Government" that the Bureau of Labor Statistics and the Census Bureau both collect data on the Nation's small businesses, the results of which are many times inconsistent and in some cases contradictory. Public and private sector planning relies heavily on the accuracy of these statistics which are collected through an assortment of sources. By eliminating duplicative functions and combining the three existing agencies into one, the pool of resources will provide better data collection and planning for the end users of the information and equally important lower costs for the taxpayers. Additionally, the independence of a consolidated Federal Statistical Service will ensure freedom from partisan influences. I cannot emphasize enough the need to protect the veracity of the data during the collection and interpretation stages of the process.

The Director of the Census and the Commissioner of Labor Statistics must demonstrate an absolute commitment to the integrity of the statistics and be willing to take decisive action if he or she believes the statistics are not being protected from external political pressures.

Confidentiality issues must also be addressed. The uniform confidentiality standard that permits the sharing of data for statistical purposes with Federal and State agencies is integral to the success of the consolidation. Title 13 of the United States Code has strict provisions that relate to the use and dissemination of information collected by the Census Bureau. While the proposal before us does not address this, it is my intention to do so in a future proposal or amendment.

As for those concerned that in the current atmosphere of reducing Government size and cost, this bill creates more Government, we anticipate that the bill once enacted into law will result in significant savings due to the streamlining of personnel, field and procurement offices.

H.R. 2521 will take existing resources and reallocate them to meet future statistical needs, while also improving the accuracy of existing statistical measures. As Maurine Haver, one of today's witnesses recently noted, "Statistical agencies must better utilize their resources through increased use of technology and by reducing redundancies."

The time has long since passed to bridge the chasm between the responsibilities given the statistical agencies and their capabilities. H.R. 2521 is a long-awaited logical extension of decades old collaborative relationship between these three agencies.

Fortunately, we have an impressive assortment of witnesses to help us consider this important measure. I appreciate each one of you who has come here to join with us on this. We look forward to your testimony.

[The prepared statement of Hon. Carolyn Maloney and the text of H.R. 2521 follows:]

CAROLYN B. MALONEY
14TH DISTRICT, NEW YORK
1504 LONGWORTH BUILDING
WASHINGTON, DC 20515-3214
(202) 225-7944
COMMITTEE ON BANKING AND FINANCIAL SERVICES
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

DISTRICT OFFICES:
110 EAST 59TH STREET
2ND FLOOR
NEW YORK, NY 10022
(212) 832-6531
28-11 ASTORIA BLVD.
ASTORIA, NY 11102
(718) 932-1604
519 LORIMER STREET
BROOKLYN, NY 11211
(718) 349-1260

Congress of the United States
House of Representatives
Washington, DC 20515–3214

STATEMENT OF THE HONORABLE CAROLYN MALONEY
HEARING ON H.R. 2521, THE STATISTICAL CONSOLIDATION ACT

MARCH 22, 1996

Thank you Mr. Chairman. I am glad your are having this hearing because I have a number of questions about this legislation. I have just come from my first hearing of the Joint Economic Committee. As you know, that Committee has a long history of concern about the quality of the statistics we use to monitor our economy. In fact, many of today's witnesses testified before the JEC just over ten years ago -- March 17, 1986 -- on the Quality of the Nation's Economic Statistics. At that hearing Katherine Wallman was testifying as the Director of the Council of Professional Associations on Federal Statistics. Martha Richie was an editor with American Demographics, and Dr. Bonnon was -- is -- the rock of stability. He was then and is now a Professor at Michigan State University.

I would like to take a moment to consider some of the issues raised at that hearing. They are, unfortunately, frighteningly familiar. Dr. Cortney Slater, a former Chief Economist, testified before the JEC in 1986 about three problems with federal statistics: the level of funding for statistical programs: the coordination of statistical programs and budgets across agencies; and the need to revise the definition of poverty. I do not think we will get into the poverty definition today, although it is still a problem, but the other two topics are central to today's discussion.

To illustrate duplication across agencies Dr. Slater talked about the list of businesses kept by the Census Bureau and the Bureau of Labor Statistics. An example we may hear about again today. She also used these lists to illustrate the lack of coordination across agencies. It seems that in 1987 the Census Bureau proposed to absorb a $1 million cut in their budget by spending less on maintaining the quality of this list. At the same time, the Bureau of Labor Statistics requested a $1 million increase in spending to improve the quality of their list.

The environment for federal statistics was quite different in 1986. As Ms. Wallman pointed out in her testimony then, the Administrator of the Office of Information and Regulatory Affairs was quoted as saying: "Each of these information collections requires the expenditure of public and private resources that might be more profitably spend on something else. The more we spend to collect, process, and disseminate information, the less there is available for government service."

I can assure you we will not hear words like that coming from the present Administrator of OIRA. In fact, with Ms. Wallman's support, Ms. Katzen has been one of the strongest advocates for statistics and statistical agencies we have seen in years. The Clinton Administration has been one of the strongest administrations in support of information collection and dissemination we have seen in decades.

This Congress, on the other hand, has shown a general disdain for these agencies. At one point this Congress proposed sending the Bureau of the Census to Treasury and the Bureau of Economic Analysis to the Federal Reserve -- moves which would have made both agencies less effective. This Congress has also refused to find the statistical agencies in Commerce and the Bureau of Labor Statistics at the levels requested by the President. As a result, planning for the 2000 census has been constrained and improvements in the Consumer Price Index -- improvements demanded by Congress -- have been hampered.

I am concerned that we do not add to the problems these statistical agencies face. I have not formed a final opinion about the legislation before us today, but I do have several questions. What is the problem we are trying to solve? Is it the level of resources allocated to economic statistics, or is it one of improved efficiencies? If combining these agencies is going to give economies of scale, I would like to know specifically where those savings are going to come from, and see specific dollar amounts for those savings. And, I don't want to hear about the business lists again.

I would also like to know what this consolidation would cost. This bill creates a new layer of political bureaucracy, and a competing council on statistical policy. What will those cost? What will this box shuffling cost in terms of disruption to the agencies involved? What will this reorganization do to the Economic Censuses and the Census of Governments to be conducted next year? How will this reorganization affect the plans for the 2000 census? What role will the Administrator of the Federal Statistical System and the new policy council have on those plans?

I do not oppose change. In fact, I would like to see the federal statistical system institute a number of changes. But I do oppose change that is not grounded in a well developed plan for improvement based on hard evidence. I have yet to see any hard evidence that supports the changes proposed in this legislation.

104TH CONGRESS
1ST SESSION

H. R. 2521

To establish a Federal Statistical Service.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 24, 1995

Mr. HORN (for himself, Mr. CLINGER, Mr. PETRI, Mrs. JOHNSON of Connecticut, Mr. CHRYSLER, Mr. EHLERS, Mr. FALEOMAVAEGA, Mr. HOBSON, Mr. KNOLLENBERG, Mr. LEACH, Mr. ROGERS, and Mr. DAVIS) introduced the following bill; which was referred to the Committee on Government Reform and Oversight, and in addition to the Committee on Economic and Educational Opportunities, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To establish a Federal Statistical Service.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 "Statistical Consolidation Act of 1995".

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—GENERAL PROVISIONS

Sec. 101. Findings.
Sec. 102. Sense of the Congress.
Sec. 103. Definitions.

TITLE II—ESTABLISHMENT OF THE FEDERAL STATISTICAL SERVICE

Sec. 201. Establishment.
Sec. 202. Principal officers.
Sec. 203. Federal Council on Statistical Policy.

TITLE III—TRANSFERS OF FUNCTIONS AND OFFICES

Sec. 301. Transfer of the Bureau of the Census.
Sec. 302. Transfer of the Bureau of Economic Analysis.
Sec. 303. Transfer of the Bureau of Labor Statistics.
Sec. 304. Transfer date.

TITLE IV—ADMINISTRATIVE PROVISIONS

Subtitle A—Personnel Provisions

Sec. 401. Officers and employees.
Sec. 402. Experts and consultants.
Sec. 403. Acceptance of voluntary services.

Subtitle B—General Administrative Provisions

Sec. 411. General authority.
Sec. 412. Delegation.
Sec. 413. Reorganization.
Sec. 414. Contracts.
Sec. 415. Regulations.
Sec. 416. Seal.
Sec. 417. Annual report.

TITLE V—TRANSITIONAL, SAVINGS, AND CONFORMING PROVISIONS

Sec. 501. Transfer and allocation of appropriations and personnel.
Sec. 502. Incidental transfers.
Sec. 503. Savings provisions.
Sec. 504. References.
Sec. 505. Proposed changes in law.
Sec. 506. Transition.
Sec. 507. Interim appointments.

1 # TITLE I—GENERAL PROVISIONS

2 **SEC. 101. FINDINGS.**

3 The Congress, recognizing the importance of statis-
4 tical information in the development of national priorities

1 and policies and in the administration of public programs,
2 hereby finds and declares that—
3 (1) improved coordination and planning among
4 the statistical programs of the Government is nec-
5 essary to strengthen and improve the quality and
6 utility of Federal statistics and to reduce duplication
7 and waste in information collected for statistical
8 purposes;
9 (2) while the demand for statistical information
10 has grown substantially over the past 30 years, the
11 lack of coordinated planning within the decentralized
12 Federal statistical system has limited the usefulness
13 of statistics in defining problems and determining
14 national policies to deal with complex social and eco-
15 nomic issues;
16 (3) a Governmentwide statistical policy needs to
17 be established to ensure that data available from
18 Federal statistical programs are responsive to the in-
19 formation needs of the President and the Congress
20 in developing national policies, and that necessary
21 statistical information is collected with the smallest
22 practical imposition of reporting burden on individ-
23 uals, businesses, and public entities;
24 (4) a central statistical policy and coordination
25 office is necessary to develop and implement a Fed-

eral statistical policy, to establish priorities for Federal statistical programs, to oversee and evaluate the statistical programs of the Government, and to ensure that data collected for statistical purposes by the Government are collected and reported in accordance with established standards; and

(5) it is conducive and integral to sound policy that the heads of major statistical agencies within a department or agency of the Government have direct access to the head of such department or agency.

SEC. 102. SENSE OF THE CONGRESS.

(a) CHIEF STATISTICIAN.—It is the sense of the Congress that—

(1) a more centralized statistical system is integral to efficiency;

(2) with increased efficiency comes better integration of research, methodology, survey design, and taking advantage of economies of scale;

(3) the Chief Statistician must have the authority, personnel, and other resources necessary to carry out the duties of that office effectively, including duties relating to statistical forms clearance;

(4) statistical forms clearance at the Office of Management and Budget should be better distinguished from regulatory forms clearance; and

1 (5) recognizing that the Chief Statistician has
2 numerous responsibilities with respect to statistical
3 policy and coordination, the Chief Statistician should
4 have a direct reporting relationship with the Direc-
5 tor of the Office of Management and Budget.
6 (b) CONFIDENTIALITY.—It is the sense of the Con-
7 gress that—
8 (1) Government entities (including the Federal
9 Council on Statistical Policy and the Interagency
10 Council on Statistical Policy) and private entities
11 should examine the efficacy of replacing the individ-
12 ual confidentiality provisions of statistical agencies
13 with a single, uniform standard that guarantees con-
14 fidentiality across the affected agencies; and
15 (2) those entities should also examine the shar-
16 ing of confidential data for statistical purposes with-
17 in the Federal Statistical Service and special ar-
18 rangements to permit the sharing of confidential
19 data for statistical purposes with State agencies co-
20 operating with Federal agencies in statistical pro-
21 grams.
22 (c) DECENNIAL CENSUSES.—It is the sense of the
23 Congress that the budget and functions of the Bureau of
24 the Census relating to any decennial census of population

1 should be segregated from the other budget and functions
2 of the Bureau of the Census.

3 **SEC. 103. DEFINITIONS.**

4 As used in this Act, unless otherwise provided or indi-
5 cated by the context:

6 (1) The term "Service" means the Federal Sta-
7 tistical Service.

8 (2) The term "Administrator" means the Ad-
9 ministrator of the Federal Statistical Service.

10 (3) The term "Deputy Administrator" means
11 the Deputy Administrator of the Federal Statistical
12 Service.

13 (4) The term "function" includes any duty, ob-
14 ligation, power, authority, responsibility, right, privi-
15 lege, activity, or program.

16 (5) The term "office" includes any office, bu-
17 reau, institute, council, unit, or organizational en-
18 tity, or any component thereof.

19 (6) The term "Council" means the Federal
20 Council on Statistical Policy under section 203.

21 (7) The term "census of population" has the
22 meaning given such term by section 141(g) of title
23 13, United States Code.

(8) The term "Chief Statistician" means the Chief Statistician of the Office of Management and Budget.

TITLE II—ESTABLISHMENT OF THE FEDERAL STATISTICAL SERVICE

SEC. 201. ESTABLISHMENT.

The Federal Statistical Service is hereby established as an independent establishment in the executive branch of the Government.

SEC. 202. PRINCIPAL OFFICERS.

(a) ADMINISTRATOR.—(1) There shall be at the head of the Service an Administrator of the Federal Statistical Service, who shall be appointed, from among individuals nominated for that purpose by the Federal Council on Statistical Policy who are experienced in the collection and utilization of statistical data or survey research, by the President, by and with the advice and consent of the Senate.

(2) The Service, including all functions and offices transferred to it under this Act, shall be administered, in accordance with the provisions of this Act, under the supervision and direction of the Administrator.

1 (3) The Administrator shall receive basic pay at the
2 rate payable for level II of the Executive Schedule under
3 section 5313 of title 5, United States Code.
4 (b) DEPUTY ADMINISTRATOR.—(1) There shall be in
5 the Service a Deputy Administrator of the Federal Statis-
6 tical Service who shall be appointed, from among individ-
7 uals nominated for that purpose by the Federal Council
8 on Statistical Policy who are experienced in the collection
9 and utilization of statistical data or survey research, by
10 the President, by and with the advice and consent of the
11 Senate.
12 (2) During the absence or disability of the Adminis-
13 trator, or in the event of a vacancy in the office of the
14 Administrator, the Deputy Administrator shall act as Ad-
15 ministrator. The Deputy Administrator shall perform such
16 other duties and exercise such powers as the Adminis-
17 trator may from time to time prescribe.
18 (3) The Deputy Administrator shall receive basic pay
19 at the rate payable for level III of the Executive Schedule
20 under section 5314 of title 5, United States Code.
21 (c) BUREAU DIRECTORS.—(1) There shall be in the
22 Service—
23 (A) a Director of the Census who shall, on the
24 transfer of functions and offices under title III,
25 serve as the head of the Bureau of the Census;

1 (B) a Director of the Bureau of Economic
2 Analysis who shall, on the transfer of functions and
3 offices under title III, serve as the head of the Bu-
4 reau of Economic Analysis; and
5 (C) a Director of the Bureau of Labor Statis-
6 tics who shall, on the transfer of functions and of-
7 fices under title III, serve as the head of the Bureau
8 of Labor Statistics.
9 (2) Each of the Directors shall be appointed by the
10 President, by and with the advice and consent of the Sen-
11 ate.
12 (3) The Director of the Bureau of Labor Statistics
13 appointed after the date of the enactment of this section
14 shall receive basic pay at the rate payable for level IV of
15 the Executive Schedule under section 5315 of title 5,
16 United States Code. The Director of the Census shall re-
17 ceive basic pay at the rate payable for level IV of the Exec-
18 utive Schedule under section 5315 of such title.
19 (4)(A) The position of Director of the Bureau of Eco-
20 nomic Analysis shall be a Senior Executive Service posi-
21 tion.
22 (B) For purposes of this paragraph, the term "Senior
23 Executive Service position" shall have the meaning given
24 to it by section 3132(a) of title 5, United States Code.

1 (5) The term of office for each Director shall be as
2 specified in otherwise applicable provisions of law, except
3 that, notwithstanding section 21 of title 13, United States
4 Code, the term of the Director of the Census shall be 4
5 years.

6 (d) GENERAL COUNSEL.—There shall be in the Serv-
7 ice a General Counsel who shall administer the Office of
8 General Counsel of the Federal Statistical Service. The
9 General Counsel shall be appointed by the President, by
10 and with the advice and consent of the Senate. The Gen-
11 eral Counsel shall receive basic pay at the rate payable
12 for level IV of the Executive Schedule under section 5315
13 of title 5, United States Code.

14 (e) INSPECTOR GENERAL.—There shall be in the
15 Service an Inspector General appointed in accordance with
16 the Inspector General Act of 1978. The Inspector General
17 shall receive basic pay at the rate payable for level IV of
18 the Executive Schedule under section 5315 of title 5,
19 United States Code.

20 **SEC. 203. FEDERAL COUNCIL ON STATISTICAL POLICY.**

21 (a) ESTABLISHMENT.—There shall be in the Service
22 a Federal Council on Statistical Policy.

23 (b) COMPOSITION.—The Council shall be composed
24 of 9 members as follows:

1 (1) The Administrator of the Federal Statistical
2 Service.
3 (2) The Director of the Census.
4 (3) The Director of the Bureau of Labor Statis-
5 tics.
6 (4) The Director of the Bureau of Economic
7 Analysis.
8 (5) The Chief Statistician of the Office of Man-
9 agement and Budget.
10 (6) 2 members appointed by the Majority Lead-
11 er of the Senate from among individuals who—
12 (A) are not officers or employees of the
13 Government; and
14 (B) are especially qualified to serve on the
15 Council by virtue of experience relating to one
16 or more of the bureaus referred to in title III.
17 (7) 2 members appointed by the Speaker of the
18 House of Representatives from among individuals
19 who—
20 (A) are not officers or employees of the
21 Government; and
22 (B) are especially qualified to serve on the
23 Council by virtue of experience relating to one
24 or more of the bureaus referred to in title III.

1 (c) TERMS.—(1) Each member under subsection
2 (b)(6) shall be appointed for a term of 5 years, except
3 that, of the members first appointed—
4 (A) 1 shall be appointed for a term of 5 years;
5 and
6 (B) 1 shall be appointed for a term of 3 years.
7 (2) Each member under subsection (b)(7) shall be ap-
8 pointed for a term of 5 years, except that, of the members
9 first appointed—
10 (A) 1 shall be appointed for a term of 5 years;
11 and
12 (B) 1 shall be appointed for a term of 2 years.
13 (d) FUNCTIONS.—(1) The Council shall—
14 (A) make any nominations required under sec-
15 tion 202(a)(1);
16 (B) serve as an advisory body to the Chief Stat-
17 istician on confidentiality issues, such as those relat-
18 ing to—
19 (i) the collection or sharing of data for sta-
20 tistical purposes among Federal agencies; and
21 (ii) the sharing of data, for statistical pur-
22 poses, by States and political subdivisions with
23 the Federal Government; and
24 (C) establish a Governmentwide statistical pol-
25 icy as described in section 101(3).

1 (2) The Council shall study and, not later than 18
2 months after the date of the enactment of this Act, submit
3 to the Congress a written report relating to procedures
4 for the release of major economic and social indicators by
5 the Federal Government.
6 (3) The Council shall study and, not later than 12
7 months after the date of the enactment of this Act, submit
8 to the Congress a written report relating to—
9 (A) whether or not the functions of the Bureau
10 of the Census relating to decennial censuses of popu-
11 lation could be delineated from the other functions
12 of the Bureau; and
13 (B) if so, recommendations on how such a de-
14 lineation of functions might be achieved.
15 (4) The Council shall study and, not later than 12
16 months after the date of the enactment of this Act, submit
17 to the Congress a written report relating to—
18 (A) as appropriate, making the field offices of
19 the Bureau of the Census part of the field offices of
20 the Bureau of Labor Statistics; and
21 (B) any savings anticipated as a result of the
22 implementation of subparagraph (A).
23 (e) COMPENSATION.—Members of the Council under
24 subsection (b)(6) shall be entitled to receive the daily
25 equivalent of the rate of basic pay for level IV of the Exec-

1 utive Schedule under section 5315 of title 5, United States
2 Code, for each day (including travel time) during which
3 they are engaged in the actual performance of duties vest-
4 ed in the Council.

5 (f) CHAIRMAN.—The Chairman of the Council shall
6 be elected by and from the members for a term of 1 year.

7 TITLE III—TRANSFERS OF 8 FUNCTIONS AND OFFICES

9 SEC. 301. TRANSFER OF THE BUREAU OF THE CENSUS.

10 There is transferred to the Service the Bureau of the
11 Census of the Department of Commerce, along with all
12 of its functions and offices.

**13 SEC. 302. TRANSFER OF THE BUREAU OF ECONOMIC ANAL-
14 YSIS.**

15 There is transferred to the Service the Bureau of
16 Economic Analysis of the Department of Commerce, along
17 with all of its functions and offices.

**18 SEC. 303. TRANSFER OF THE BUREAU OF LABOR STATIS-
19 TICS.**

20 There is transferred to the Service the Bureau of
21 Labor Statistics of the Department of Labor, along with
22 all of its functions and offices.

SEC. 304. TRANSFER DATE.

The transfers of functions and offices under this title shall be effective 180 days after the date of the enactment of this Act.

TITLE IV—ADMINISTRATIVE PROVISIONS

Subtitle A—Personnel Provisions

SEC. 401. OFFICERS AND EMPLOYEES.

(a) The Administrator may appoint and fix the compensation of such officers and employees as may be necessary to carry out the functions of the Administrator and the Service. Except as otherwise provided by law, such officers and employees shall be appointed in accordance with the civil service laws and their compensation shall be fixed in accordance with title 5, United States Code.

SEC. 402. EXPERTS AND CONSULTANTS.

The Administrator may as provided in appropriation Acts obtain the services of experts and consultants in accordance with section 3109 of title 5, United States Code, and may compensate such experts and consultants at rates not to exceed the daily rate prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

SEC. 403. ACCEPTANCE OF VOLUNTARY SERVICES.

(a) IN GENERAL.—Notwithstanding section 1342 of title 31, United States Code, the Administrator may ac-

1 cept, subject to regulations issued by the Office of Person-
2 nel Management, voluntary services if such services—
3 (1) are to be uncompensated; and
4 (2) will not be used to displace any employee.
5 (b) TREATMENT.—Any individual who provides vol-
6 untary services under this section shall not be considered
7 a Federal employee for any purpose other than for pur-
8 poses of chapter 81 of title 5, United States Code (relating
9 to compensation for injury) and sections 2671 through
10 2680 of title 28, United States Code (relating to tort
11 claims).

12 Subtitle B—General Administrative 13 Provisions

14 **SEC. 411. GENERAL AUTHORITY.**

15 In carrying out any function transferred by this Act,
16 the Administrator, or any officer or employee of the Serv-
17 ice, may exercise any authority available by law with re-
18 spect to such function to the official or agency from which
19 such function is transferred, and the actions of the Admin-
20 istrator in exercising such authority shall have the same
21 force and effect as when exercised by such official or
22 agency.

23 **SEC. 412. DELEGATION.**

24 Except as otherwise provided in this Act, the Admin-
25 istrator may delegate any function to such officers and

1 employees of the Service as the Administrator may des-
2 ignate, and may authorize such successive redelegations
3 of such functions within the Service as may be necessary
4 or appropriate. No delegation of functions by the Adminis-
5 trator under this section or under any other provision of
6 this Act shall relieve the Administrator of responsibility
7 for the administration of such functions.

8 **SEC. 413. REORGANIZATION.**

9 The Administrator is authorized to allocate or reallo-
10 cate functions among the officers of the Service, and to
11 establish, consolidate, alter, or abolish such offices or posi-
12 tions within the Service as may be necessary or appro-
13 priate.

14 **SEC. 414. CONTRACTS.**

15 (a) IN GENERAL.—Subject to the Federal Property
16 and Administrative Services Act of 1949 and other appli-
17 cable Federal law, the Administrator may make, enter
18 into, and perform such contracts, grants, leases, coopera-
19 tive agreements, and other similar transactions with Fed-
20 eral or other public agencies (including State and local
21 governments) and private organizations and persons, and
22 to make such payments, by way of advance or reimburse-
23 ment, as the Administrator may determine necessary or
24 appropriate to carry out functions of the Administrator
25 or the Service.

1 (b) APPROPRIATION AUTHORITY REQUIRED.—No
2 authority to enter into contracts or to make payments
3 under this Act shall be effective except to such extent or
4 in such amounts as are provided in advance under appro-
5 priation Acts.

6 **SEC. 415. REGULATIONS.**

7 The Administrator may prescribe such rules and reg-
8 ulations as the Administrator considers necessary or ap-
9 propriate to administer and manage the functions of the
10 Administrator or the Service, in accordance with chapter
11 5 of title 5, United States Code.

12 **SEC. 416. SEAL.**

13 The Administrator shall cause a seal of office to be
14 made for the Service of such design as the Administrator
15 shall approve. Judicial notice shall be taken of such seal.

16 **SEC. 417. ANNUAL REPORT.**

17 The Administrator, in conjunction with the Council,
18 shall, as soon as practicable after the close of each fiscal
19 year, make a single, comprehensive report to the President
20 for transmission to the Congress on the activities of the
21 Service during such fiscal year.

TITLE V—TRANSITIONAL, SAVINGS, AND CONFORMING PROVISIONS

SEC. 501. TRANSFER AND ALLOCATION OF APPROPRIATIONS AND PERSONNEL.

Except as otherwise provided in this Act, the personnel employed in connection with, and the assets, liabilities, contracts, property, records, and unexpended balance of appropriations, authorizations, allocations, and other funds employed, held, used, arising from, available to, or to be made available in connection with, the functions and offices, or portions thereof, transferred by this Act, subject to section 1531 of title 31, United States Code, shall be transferred to the Administrator for appropriate allocation. Unexpended funds transferred pursuant to this subsection shall be used only for the purposes for which the funds were originally authorized and appropriated.

SEC. 502. INCIDENTAL TRANSFERS.

(a) IN GENERAL.—The Director of the Office of Management and Budget, in conjunction with the Administrator, shall make such determinations as may be necessary with regard to the functions, offices, or portions thereof transferred by this Act, and make such additional incidental dispositions of personnel, assets, liabilities, grants, contracts, property, records, and unexpended bal-

1 ances of appropriations, authorizations, allocations, and
2 other funds held, used, arising from, available to, or to
3 be made available in connection with such functions, of-
4 fices, or portions thereof, as may be necessary to carry
5 out this Act. The Director shall provide for the termi-
6 nation of the affairs of all entities terminated by this Act
7 and, in conjunction with the Administrator, for such fur-
8 ther measures and dispositions as may be necessary to ef-
9 fectuate the purposes of this Act.

10 (b) ALLOCATION OF SES POSITIONS.—After con-
11 sultation with the Director of the Office of Personnel Man-
12 agement, the Director of the Office of Management and
13 Budget is authorized to make such determinations as may
14 be necessary with regard to the transfer of positions with-
15 in the Senior Executive Service in connection with func-
16 tions and offices transferred by this Act.

17 **SEC. 503. SAVINGS PROVISIONS.**

18 (a) CONTINUITY OF LEGAL FORCE AND EFFECT.—
19 All orders, determinations, rules, regulations, permits,
20 grants, contracts, certificates, licenses, privileges, and any
21 other similar action—

22 (1) which have been issued, made, granted, or
23 allowed to become effective by the President, by any
24 Federal department or agency or official thereof, or
25 by a court of competent jurisdiction, in the perform-

1 ance of functions which are transferred under this
2 Act to the Administrator or the Service; and
3 (2) which are in effect at the time of such
4 transfer,
5 shall continue in effect according to their terms until
6 modified, terminated, superseded, set aside, or revoked by
7 the President, the Administrator, or the authorized offi-
8 cial, a court of competent jurisdiction, or by operation of
9 law.
10 (b) PENDING PROCEEDINGS.—(1) This Act shall not
11 affect any proceedings, including notices of proposed rule-
12 making, pending on the date of the transfer of functions
13 and offices under title III before any department, agency,
14 commission, or component thereof, functions of which are
15 transferred by this Act. Such proceedings, to the extent
16 that they relate to functions so transferred, shall be con-
17 tinued, except as provided in paragraph (3).
18 (2) Orders may be issued in such proceedings, ap-
19 peals may be taken therefrom, and payments may be made
20 pursuant to such orders, as if this Act had not been en-
21 acted. Orders issued in any such proceedings shall con-
22 tinue in effect until modified, terminated, superseded, or
23 revoked by the Administrator, by a court of competent ju-
24 risdiction, or by operation of law.

1 (3) Nothing in this subsection shall be considered to
2 prohibit the discontinuance or modification of any such
3 proceeding under the same terms and conditions and to
4 the same extent that such proceeding could have been dis-
5 continued or modified if this Act had not been enacted.
6 (4) The Administrator may prescribe regulations pro-
7 viding for the orderly transfer of proceedings continued
8 under this subsection to the Service.
9 (c) NO EFFECT ON JUDICIAL PROCEEDINGS.—Ex-
10 cept as provided in subsection (e)—
11 (1) the transfer of functions and offices under
12 title III shall not affect suits commenced prior to the
13 date of such transfer; and
14 (2) in all such suits, proceedings shall be had,
15 appeals taken, and judgments rendered in the same
16 manner and effect as if this Act had not been en-
17 acted.
18 (d) NON-ABATEMENT OF PROCEEDINGS.—No suit,
19 action, or other proceeding commenced by or against any
20 officer in the official capacity of such individual as an offi-
21 cer of any department or agency, functions of which are
22 transferred by this Act, shall abate by reason of the enact-
23 ment of this Act. No cause of action by or against any
24 department or agency, functions of which are transferred
25 by this Act, or by or against any officer thereof in the

1 official capacity of such officer shall abate by reason of
2 the enactment of this Act.

3 (e) CONTINUATION OF PROCEEDING WITH SUBSTI-
4 TUTION OF PARTIES.—If, before the date of the transfer
5 of functions and offices under title III, any department
6 or agency, or officer thereof in the official capacity of such
7 officer, is a party to a suit, and under this Act any func-
8 tion of such department, agency, or officer is transferred
9 to the Administrator or any other official of the Service,
10 then such suit shall be continued with the Administrator
11 or other appropriate official of the Service substituted or
12 added as a party.

13 (f) REVIEWABILITY OF ORDERS AND ACTIONS
14 UNDER TRANSFERRED FUNCTIONS.—Orders and actions
15 of the Administrator in the exercise of functions trans-
16 ferred under this Act shall be subject to judicial review
17 to the same extent and in the same manner as if such
18 orders and actions had been by the agency or office, or
19 part thereof, exercising such functions immediately pre-
20 ceding their transfer. Any statutory requirements relating
21 to notice, hearings, action upon the record, or administra-
22 tive review that apply to any function transferred by this
23 Act shall apply to the exercise of such function by the Ad-
24 ministrator.

1 **SEC. 504. REFERENCES.**

2 With respect to any function transferred by this Act
3 and exercised on or after the date of such transfer, any
4 reference in any other Federal law to any department,
5 commission, or agency or any officer or office the func-
6 tions of which so transferred shall be deemed to refer to
7 the Administrator, other official, or component of the
8 Service to which this Act transfers such functions.

9 **SEC. 505. PROPOSED CHANGES IN LAW.**

10 Not later than 90 days after the date of the enact-
11 ment of this Act, the President shall submit to the Con-
12 gress a description of any changes in Federal law nec-
13 essary to reflect any transfers or other measures under
14 this Act.

15 **SEC. 506. TRANSITION.**

16 (a) USE OF FUNDS.—Funds available to any depart-
17 ment or agency (or any official or component thereof), the
18 functions or offices of which are transferred to the Admin-
19 istrator or the Service by this Act, may, with the approval
20 of the Director of the Office of Management and Budget,
21 be used to pay the compensation and expenses of any offi-
22 cer appointed pursuant to this Act and other transitional
23 and planning expenses associated with the establishment
24 of the Service or transfer of functions or offices thereto
25 until such time as funds for such purposes are otherwise
26 available.

1 (b) USE OF PERSONNEL.—With the consent of the
2 appropriate department or agency head concerned, the Ad-
3 ministrator may utilize the services of such officers, em-
4 ployees, and other personnel of the departments and agen-
5 cies from which functions or offices have been transferred
6 to the Administrator or the Service, for such period of
7 time as may reasonably be needed to facilitate the orderly
8 implementation of this Act.

9 **SEC. 507. INTERIM APPOINTMENTS.**

10 (a) AUTHORITY TO APPOINT.—Notwithstanding any
11 other provision of law, in the event that one or more offi-
12 cers required by this Act to be appointed by and with the
13 advice and consent of the Senate shall not have entered
14 upon office on the date of the transfer of functions and
15 offices under title III, the President may designate an offi-
16 cer in the executive branch to act in such office for 120
17 days or until the office is filled as provided in this Act,
18 whichever occurs first.

19 (b) COMPENSATION.—Any officer acting in an office
20 in the Department pursuant to the provisions of sub-
21 section (a) shall receive compensation at the rate pre-
22 scribed for such office under this Act.

○

Mr. HORN. Does the gentleman from Virginia have some comments he would like to make in opening?

Mr. DAVIS. Just very briefly. First of all, I think these organizations are currently doing a good job with what they have. No criticism is meant in this, but the collection of data, the analysis of raw statistics, the distribution of information, and the timely utilization of that information, data, statistics, and analyses is more critical today than ever before.

The securing and maintaining the veracity of that data free from tampering and political manipulation, I think becomes more critical as we move forward in Government. Coordinating a highly decentralized statistical system has never been easy.

I think that H.R. 2521 is an attempt to try to do that. I think we have an all-star list of witnesses today, that will share with us their opinions on this issue as we move forward.

I hope that together we can make what is already becoming a much more important part of governing, even better in the out years. I appreciate the chairman holding these hearings today and the all-star cast that he has assembled to lend their testimony.

Mr. HORN. I thank the gentleman.

The witnesses on panel one—the Honorable Janet Norwood, senior fellow, the Urban Institute, former Commissioner, Bureau of Labor Statistics in the Carter, Reagan, and Bush administrations; Mr. James T. Bonnen, professor of agricultural economics, Michigan State University; the Honorable Everett M. Ehrlich, Undersecretary for Economic Affairs, U.S. Department of Justice; the Honorable Katharine G. Abraham, Commissioner, Bureau of Labor Statistics, Department of Labor; and the Honorable Martha Farnsworth Riche, Director, Bureau of the Census, U.S. Department of Commerce.

If you would all come forward. There is a sign for each of you. Ms. Norwood starts down here [indicating] at the first chair, then Mr. Bonnen, Mr. Ehrlich, Ms. Abraham, and Dr. Riche. Now, we have a practice in the Committee on Government Reform and Oversight that all witnesses are asked to take an oath as to the truthfulness of their testimony.

If you all will rise, and raise your right hand?

[Witnesses sworn.]

Mr. HORN. The clerk will note that all five witnesses affirmed. I might add that if those of you who have prepared statements, we put the statement in after I introduce you in sequence. We will have all of you make your summary.

Generally, we limit witnesses to 5 minutes. I can take a little more freedom today, because we do not have that many Members to question. We limit ourselves to 5 minutes in various rounds, so that everybody gets a chance and we alternate between the majority and the minority.

We are going to give some leeway on this because we want to hear your thoughts first, and then we do want to have a dialog among you as experts and a dialog with us, so we learn something out of this. I am sure we will.

Dr. Norwood, let us start with you. If you would like to summarize your statement, as I say, it is automatically included in the full hearing record at this point.

STATEMENTS OF JANET I. NORWOOD, SENIOR FELLOW, THE URBAN INSTITUTE, AND FORMER COMMISSIONER, BUREAU OF LABOR STATISTICS (CARTER, REAGAN, AND BUSH ADMINISTRATIONS); JAMES T. BONNEN, PROFESSOR OF AGRICULTURAL ECONOMICS, MICHIGAN STATE UNIVERSITY; EVERETT M. EHRLICH, UNDERSECRETARY FOR ECONOMIC AFFAIRS, DEPARTMENT OF COMMERCE; KATHARINE G. ABRAHAM, COMMISSIONER, BUREAU OF LABOR STATISTICS; AND MARTHA FARNSWORTH RICHE, DIRECTOR, BUREAU OF THE CENSUS

Ms. NORWOOD. Thank you very much, Mr. Chairman. It is a great pleasure to be here this morning to discuss methods to improve the organization and efficiency of the agencies which produce our Nation's statistics. I especially want to commend this committee, and you Mr. Chairman and your staff, for your desire to understand the way statistical agencies operate before proposing changes in their organizational structure.

All too often today in our efforts at deficit reduction, we take action without consideration of the long-run effects. Most statistical programs take many years to put in place, and we must take a long-range approach in proposing changes.

I approach these issues with several very strong convictions. First, I am convinced that the effective operation of democracy requires that our citizens have access to an accurate and objective data base of high quality that is relevant to policy issues that confront them.

Second, those responsible for producing the Nation's statistical data base must be professionally competent and completely free from political pressures.

Third, an effective statistical system must be grounded in an institutional and legal framework which provides the authority and public credibility to permit the setting of priorities, the protection of confidentiality, and the flexibility to conduct research for improvement.

Over the last several decades, the uses of federally produced data, both by the private and the public sectors, have increased greatly. The data themselves have become more and more complex. At the same time, however, the system producing the data became increasingly decentralized and the staff responsible for coordinating it was consistently reduced.

We have one of the most decentralized systems in the world. Most countries have a cohesive, centralized statistical agency with the legislative authority and mandate to lead the compilation and distribution of statistics.

Until recently, the only major country with similar decentralization was the United Kingdom. Now that is no longer the case. The British have begun a series of major organizational changes which have resulted in the consolidation of several, although not all, of the statistical agencies from different ministries into the central statistical office.

The consolidation began with transfer to the CSO of the retail price index, then the consolidation into the CSO of those responsible for the country's national accounts and business statistics, and then employment and other labor statistics. The current plan

calls for the office which compiles census and population statistics to be transferred to the CSO later this year.

H.R. 2521 establishes a Federal statistical service as an independent executive agency and brings together in the new service the U.S. agencies which are comparable to those that by late spring will reside in the U.K. Central Statistical Office. However, there is a major difference between the British approach and that of H.R. 2521.

In the United Kingdom the coordinating arm, the CSO, is the nucleus of the system. H.R. 2521, however, leaves the U.S. coordinating arm, the Statistical Policy Branch, in the Office of Management and Budget, outside the new statistical service.

The bill, therefore, does not result in creation of what I would call a clear place in the sun for statistics in our Government. Rather, it continues much of the decentralization that currently exists in this country, does little to strengthen the Chief Statistician's role and staff, and leaves open the need to clarify the authority and relationship of statistical policy to the new Federal Statistical Service.

The three agencies brought together into the Federal Statistical Service are very different, but each produces data that are used across the entire Government, and each of the agencies is in some way dependent on the other. Although the BLS produces data important to policymakers in its department, the BLS is also, like Census and BEA, a general purpose agency.

Nevertheless, integration of these agencies will come very slowly because the internal culture of each is quite different from that of the others and because combinations of programs and possible economies must be based on careful research that takes time.

I am concerned, Mr. Chairman, about the large size of some of the budget reductions for these agencies that are currently under discussion. Reductions in statistical agency budgets must be carefully weighed. The long lead time for efficient survey design and high-quality conceptual research makes it very difficult, if not impossible, to turn statistical series on and off.

I applaud the provisions in the bill establishing a fixed term of office for the Census Bureau director. I am somewhat surprised, however, that H.R. 2521 does not seem to provide fixed terms of office for the administrator and the deputy administrator of the new Federal Statistical Service.

I believe strongly that efficient statistical operations require continuity of leadership and freedom from political interference. My experience as Commissioner of Labor Statistics in both Republican and Democratic administrations under six labor secretaries made very clear to me that a fixed term of office was an important element in the Bureau's ability to remain free from political interference.

In addition, I strongly support the provisions of the bill that state the sense of the Congress on the need for uniform confidentiality standards that permit the sharing of data for statistical purposes. I am pleased to note that OMB has already begun action in that direction.

For 20 years, I worked within the Federal statistical system to attempt to secure uniform confidentiality protection and data sharing for statistical purposes, but I failed.

Katharine Wallman, Sally Katzen, and Alice Rivlin have accomplished a great deal in developing the OMB order and initiating discussion of it. This OMB order appears entirely consistent with Section 102(b)(1) of H.R. 2521.

I hope that the OMB order will move quickly to final issuance and that it will be followed quickly by legislation permitting the sharing of microdata for statistical purposes which also seems contemplated by your bill.

Several other sections of the Statistical Consolidation Act of 1995 make a large number of important points which I believe could improve the Nation's statistical system. An example, for example, is the statistical agency head reporting relationships and the sense of the Congress on staff resources and reporting relationship for the Chief Statistician.

H.R. 2521 focuses entirely on the organization of the executive branch. While I realize how difficult the legislative process can be, it would be useful for the bill to include at least some consolidation of congressional committee jurisdiction over the Nation's statistical system.

In our system, statistical agencies in each department must deal not only with their own subject matter and appropriations committees and subcommittees, but also with a number of committees with broader jurisdiction concerned with paperwork reduction, general government operations, and individual agency oversight.

Under such circumstances it is difficult, if not impossible, for the Congress to consider such broad and important issues as data integration, research needs, and data requirements for the system as a whole. In these days of serious budget reduction, it seems to me we cannot afford inefficiencies of that kind.

Mr. Chairman, I am especially pleased to be here this morning because the bill before this committee is, in my view, a constructive effort by the Congress to look at how the system operates and how its functioning might be made better.

While I do not agree with every item in the bill, I believe its approach is an important step toward improving the system. I would be happy, Mr. Chairman, to work with your staff in going over the bill in further detail.

Thank you very much.

[The prepared statement of Ms. Norwood follows:]

Statement of

Janet L. Norwood
Senior Fellow
The Urban Institute

before the

Subcommittee on Government Management, Information and Technology
Committee on Government Reform and Oversight
U.S. House of Representatives

March 22, 1996

Mr. Chairman and Members of the Subcommittee:

It is a pleasure to be here this morning to discuss methods to improve the organization and efficiency of the agencies which produce our nation's statistics. I especially want to commend this Committee -- and you, Mr. Chairman and your staff -- for your desire to understand the way statistical agencies operate before proposing changes in their organizational structure. All too often today, in our efforts at deficit reduction, we take action without consideration of the long run effects. Most statistical programs take many years to put in place, and we must take a long range approach in proposing changes.

I approach these issues with several strong convictions. First, I am convinced that the effective operation of democracy requires that our citizens have access to an accurate and objective data base of high quality that is relevant to the policy issues that confront them. Second, those responsible for producing the nation's statistical data base must be professionally competent and completely free from political pressures. Third, an effective statistical system must be grounded in an institutional and legal framework which provides the authority and public credibility to permit the setting of priorities, the protection of confidentiality, and the flexibility to conduct research for improvement.

As you know, I spent many years of my professional life at the Bureau of Labor Statistics and served as its Commissioner from 1979 through the end of 1991. During that period the uses

of federally produced data by the private and public sectors increased greatly, and the data themselves became more and more complex. At the same time, however, the system producing the data became increasingly decentralized and the staff responsible for coordinating it was consistently reduced.

Under these circumstances, we must ask whether our current federal statistical structure is efficient enough to provide the kind of information base needed for the economic and social challenges of the future. We have one of the most decentralized systems in the world. Most countries have a cohesive, centralized statistical agency with the legislative authority and the mandate to lead the compilation and distribution of statistics. Until recently, the only other major country with similar decentralization (although somewhat stronger coordination power) was the United Kingdom. Now, that is no longer the case. The British have begun a series of major organizational changes which have resulted in the consolidation of several, although not all, of the statistical agencies from different Ministries into the Central Statistical Office (CSO). The consolidation began with transfer to the CSO of the retail price index, then the consolidation into the CSO of those responsible for the country's national accounts and business statistics, and then employment and other labor statistics. The current plan calls for the office which compiles Census and population statistics to be transferred to the CSO later this spring.

H.R. 2521 establishes a Federal Statistical Service as an independent executive agency and brings together in the new service the U.S. agencies which are comparable to those that by late spring will reside in the U.K. Central Statistical Office. But there is a major difference between the British approach and that of H.R. 2521. In the United Kingdom, the coordinating arm -- the CSO -- is the nucleus of the system. H.R. 2521, however, leaves the U.S. coordinating arm, the Statistical Policy Branch, in the Office of Management and Budget, outside the new statistical service. The bill, therefore, does not result in creation of a clear "place in the sun" for statistics in our government. Rather, it continues much of the decentralization that currently exists in this country, does little to strengthen the Chief Statistician's role and staff, and does not clarify the authority and relationship of Statistical Policy to the new Federal Statistical Service.

The three agencies brought together into the new Federal Statistical Service are very different. But each produces data that are used across the entire government, and each of the agencies is in some way dependent on the other. Although the Bureau of Labor Statistics produces data important to policy makers in its Department, the BLS is, like Census and BEA, a general purpose agency. Nevertheless, integration of these agencies will come very slowly because the internal culture of each is quite different from that of the others, and because combinations of programs and possible economies must be based on careful research that takes time. I am concerned about the large size of some of the budget reductions for these agencies that are currently under discussion. Reductions in statistical agency budgets must be carefully weighed; the long lead time for efficient survey design and high quality conceptual research makes it very difficult, if not impossible, to turn statistical series on and off.

I applaud the provisions in the bill establishing a fixed term of office for the Census Bureau Director . I am somewhat surprised, however, that H.R. 2521 does not seem to provide fixed terms of office for the Administrator and the Deputy Administrator of the new Federal Statistical Service. I believe strongly that efficient statistical operations requires continuity of leadership and freedom from political interference. My experience as Commissioner of Labor Statistics, in both Republican and Democratic Administrations under six Labor Secretaries, made very clear to me that a fixed term of office was an important element in the Bureau's ability to remain free from political interference.

In addition, I strongly support the provisions of the bill which state the sense of the Congress on the need for "uniform confidentiality standards that permit the sharing of data for statistical purposes" and am pleased to note that OMB has already begun action in that direction. For 20 years, I worked within the statistical system to secure uniform confidentiality protection and data sharing for statistical purposes. But I was unsuccessful. Katherine Wallman, Sally Katzen, and Alice Rivlin have accomplished a great deal in developing the OMB order and initiating discussion of it. This OMB order appears consistent with Section 102 (b) (1) of H.R.

2521 I hope that the order will move quickly to final issuance and that it will be followed quickly by legislation permitting the sharing of micro data for statistical purposes which seems contemplated by Section 102 (b) (2) of H R. 2521.

Several other sections of the Statistical Consolidation Act of 1995 make a large number of important points which I believe could improve the nation's statistical system. One example is the finding in 101 (5) about statistical agency head reporting relationships, and the sense of the Congress in 102 (a) (3) and (5) on staff resources and reporting relationship for the Chief Statistician.

But H.R 2521 focuses entirely on the organization of the Executive Branch. While I realize how difficult the legislative process can be, it would be useful for the bill to include at least some consolidation of Congressional Committee jurisdiction over the nation's statistical system. I can tell you from my own experience how difficult it was to develop efficient plans for redesign of the important labor force survey, a fine example of cooperation between two statistical agencies -- BLS and Census. All plans and appropriation requests had to be reviewed by two different appropriations subcommittees and two different subject matter committees of the Congress. Sometimes, the Congressional Committees came to the same conclusion, but at times, BLS would secure the required approval for its part of the work while the Census request was turned down, or vice versa. In our system, statistical agencies in each Department must deal not only with their own subject-matter and appropriations Committees and Subcommittees, but also with a number of Committees with broader jurisdiction concerned with paperwork reduction, general government operations, and individual agency oversight. Under such circumstances, it is difficult, if not impossible, for the Congress to consider such broad and important issues as data integration, research needs, and data requirements for the system as a whole. In these days of serious budget reduction, we cannot afford inefficiencies of that kind.

I am especially pleased to be here this morning because the bill before this Committee is, in my view, a constructive effort by the Congress to look at how the system operates and how its

functioning might be made better. While I do not agree with every item in the bill, I believe its approach is an important step toward improving the system. I would be happy, Mr. Chairman, to work with your staff in going over the bill in further detail.

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Mr. HORN. Well, we thank you for an excellent background and perspective, and we thank you for your offer. We will take you up on it.

We now have Mr. James T. Bonnen, professor of agricultural economics, Michigan State University.

Mr. BONNEN. Thank you, Mr. Chairman.

I congratulate you and the committee for recognizing the growing challenge the country faces today in providing the broad base of accurate and relevant Government statistics that are necessary for national decisionmaking, public and private.

I really have to say I second the motion for what Janet just said. She makes many points that I do not. The first point is that every statistical system, whether highly centralized or decentralized, has to be coordinated nationally if its performance is to be relevant or efficient. This is an inherent function of the Chief Statistician.

I must point out that since 1947 the real resources expended on Federal statistics have increased 19 times over, while the number of professionals assigned to the Chief Statistician in OMB for statistical policy and coordination of the system fell from about 65 to 5.

Now, it is also true that the pressure for more statistics has grown even more rapidly than the increase in the budget base, and, indeed, we have been through substantial budget reductions in real sources in various periods.

Today, the situation is worse and more complicated than this. This is one of the main points I want to make, is that as a student of the changes in the economics of information, I have observed that since World War II both the society and the economy have become more complex and specialized, and therefore increasingly interdependent.

Many markets are global. Various processes and sectors interact. Each sector and process dependent on others creating many kinds of positive and negative interactions that policymakers, public and private, must consider in making decisions.

Decisionmakers today face problems that require sophisticated analysis and data that must be integrated from many diverse subject matters and from many different private sources and public agencies.

Consequently, the demand for Government statistics is shifting in composition from its traditional focus on Cabinet department by Cabinet department subject matters, as for example, in agriculture, education, transportation, and so on, toward a complex, specific focused decision information requiring the integration from across Government of multiple subject matter data bases plus more analysis.

The U.S. statistical system, once clearly the best in the world, is now judged by many to be slowly falling behind that of industrial nations in its capacity to track a society and an economy that is experiencing very rapid and fundamental change. In my written testimony, I suggest some of the sources of that problem.

In 1978 to 1980, I directed a White House project to analyze the problems of and recommend improvements in the coordination of our very decentralized U.S. statistical system. It is not only the most decentralized in the world; it is also the largest. The focus

was on the organization, the location, authority, and functions of the Office of the Chief Statistician.

For various reasons, our legislation did not make it through Congress. I was then a strong proponent, and I remain convinced of many of the advantages of a decentralized statistical system.

However, after decades of failure, in many ways, despite their efforts in both the executive and legislative branch to provide the resources necessary to achieve a strong coordination of a highly decentralized system as well as in many cases the authority, one is forced to consider alternatives.

Thus, I support the basic idea of moving Census, BLS, and BEA into a common independent agency framework, if done with care. I have many of the same concerns that Janet has expressed. The fact is that the alternative future for governance of the Federal statistical system are, broadly speaking, only two.

We can build a strong statistical policy coordination and standards unit, directed by the chief statistician, to coordinate the world's largest, most decentralized statistical system, or we can centralize the system in some major degree, creating an integrating core of these multipurpose agencies presided over by the Chief Statistician with responsibility for coordinating the entire system. Those are the polar extremes, it seems to me.

The purpose served by moving BLS, Census, and BEA into a single administrative structure is not governmentwide coordination, as I see it, but the development and integration of the major multiple-purpose statistics so critical today for national level policy decisions, public and private. What Janet calls "general purpose" I have turned "multiple use" because the clientele are so broad.

Most of the statistics produced by these three agencies are used not just in their own Cabinet agency, but across the entire Government and very widely outside in many different venues and for many different purposes.

In addition, they are dependent on each other for data, for contracted surveys and for processing and other services. No other major statistical agencies have the same level of obligation to so broad a range of multiple-purpose users.

As Janet pointed out, the organizational cultures of these three agencies are very different, so this can be done only slowly and carefully and with good statistical leadership. All three would still be responsible to support Commerce and Labor Department needs for statistical information. That raises some interesting questions.

Any potential budget savings I think would come very slowly; although, obviously there are some in the long-run. I have several specific comments on H.R. 2521. One of them is that the Title II should provide, I think, for longer fixed terms of 7 or 8 years for the administrator and deputy administrator because of the nature of the statistical production process. If you don't preside over it for a sustained period, you can't have too much of an impact, and you don't want leadership coming and going too fast.

The Administrator, it seems to me, should have a voice in selecting the deputy and the directors; that is, there has got to be compatibility between the leadership. I have some observations on the authority and composition of the Council on Statistical Policy established in Title II. First, the responsibility for governmentwide

statistical policy is now assigned to the Paperwork Reduction Act or in the Paperwork Reduction Act to the Chief Statistician.

Second, the council established in H.R. 2521 appears to duplicate the function of the Interagency Council on Statistical Policy established by the Paperwork Reduction Act. My understanding that the Interagency Council is the current legal forum for governmentwide statistical policy discussion and debate.

Third, only three of the major agencies are represented on the council in Title II, which raises questions in my mind about the council's purpose. Is it to coordinate the three agencies or to coordinate governmentwide statistical activities?

If it is to coordinate all Government statistical activities, then the Chief Statistician should be the administrator of the Federal Statistical Service and chair any interagency council on statistical policy, which of course raises the question of the relationship to OMB.

Is it a statistical policy coordination council or an institution to provide communication with linkage to national level policymakers and their statistical needs? The composition specified for the council suggests the later, to some extent.

In any case, the purpose and authority of the council needs to be clarified, and the relationship to the Paperwork Reduction Act and other statistical authority needs to be addressed.

Fourth, the appointments to the council by the majority leaders in Congress creates the perception, if not the reality, of politicization of statistics. I think that is quite dangerous.

Finally, the committee needs to provide authority for the administrator to create the advisory committees necessary to sustain a well-run and highly accountable statistical agency.

Statistical agencies are uniquely dependent on linkage to both users and to technical skills on the outside and to the policymaking process, and that generally can only be done through some kind of institutional structure including committees.

The draft bill, it seems to me, is a start on a task that certainly needs doing. I hope you will continue in your efforts to improve the performance of the U.S. statistical system. If I can help you in your endeavors, I would be pleased to do so.

Thank you.

[The prepared statement of Mr. Bonnen follows:]

22 March 1996

Testimony on HR 2521 To Establish a Federal Statistical Service

James T. Bonnen
Michigan State University

I congratulate Representative Horn and the Committee for recognizing the growing challenge the country faces today in providing the broad base of accurate and relevant government statistics necessary for national decision making, public and private. There is growing evidence that we are falling behind in the endless race to track accurately a rapidly changing economy and society. Since the lead time on effective innovation in statistical products is quite long, we need to address this challenge now, not later. Let me begin by describing the problems involved and the forces of change in society that have produced the serious difficulties now facing the U.S. in improving its statistical information base.

Every statistical system, whether highly centralized or decentralized, has to be coordinated nationally, if its performance is to be relevant or efficient. This is an inherent function of the chief statistician. As the capacity for coordination has become more strategic, the capacity and authority of the chief statistician's office can be sorely tested. The problems faced today in producing accurate and relevant statistics tend to shift the advantage away from decentralized toward centralized systems and toward those systems that have strong authority vested in the chief statistician. The formal authority, position in the hierarchy, access to national policymakers, an independent, high public profile and command over resources are critical to an effective Office of Chief Statistician. The chief statistician, in coordinating a system, also is responsible to maintain *system-wide* relevance, standards (including representing the U.S. in development of international standards), confidentiality, record sharing, and to protect against politization, to name but a few functions of the office. This authority can be a administered in a decentralized manner, but it cannot be subdivided or partitioned between actors in the system.

Coordinating a highly decentralized statistical system has never been easy. This was true even in the first decade after World War II, when the Office of Management and Budget (OMB) had a Statistical Policy

Division led by an Assistant Director of OMB with 50 to 65 professionals handling statistical policy, coordination and standards and the clearance of all data collection forms. Since 1947, the real or inflation adjusted dollar budget for federal statistics has increased 19 times over while the number of professionals assigned to the Chief Statistician in OMB for statistical policy and coordination of the system fell from about 65 to 5 (Bonnen, 1983; OMB, 1995). This is a *continuing*, highly visible disaster and a disgrace. Thus, while the statistical system has become many times larger since World War II, the resources devoted to its coordination have all but disappeared. But the situation is much worse and more complicated than this.

The growing complexity of industrial societies has changed the agenda and processes of policy making and, thus, also changed the nature and value of information needed for informed decision making. Since World War II, both the society and economy have become more complex and specialized, and therefore increasingly interdependent. Many markets are global. Various processes and sectors interact, each sector and process dependent on others creating many kinds of positive and negative interactions and impacts that policymakers, public and private, must consider in making decisions. The distinction between public and private sectors has become blurred. Public and private decision-making now requires much more complex official statistical products than was the case just a few decades ago. Decision makers today face problems that require sophisticated analysis and data that must be integrated from many diverse subject matters and from many different private sources and public agencies. Indeed, today the statistics of many nations must be constructed around common concepts and standards before they can be effectively combined for use by the U.S. and other policymakers all over the world.

The demand for government statistics and statistical information (i.e., data plus analysis) has shifted from its long historical focus on cabinet department by cabinet department subject matters (agriculture, education, transportation, health, manufacturing, etc.) toward complex, specific decision-focused information requiring the integration of multiple subject matter data bases plus increasingly sophisticated analysis. Individual statistical agencies now experience pressure to collaborate in producing a very different product.

Developments in environmental and natural resource policy, for example, have led to a far greater need to integrate public data from across the domain of several cabinet departments--something that is necessary but not easy to do. Consequently, the capacity to coordinate across the entire statistical system, a responsibility of the Chief Statistician, has become far more important. Coordination of official statistics is inherently a presidential responsibility, and thus by delegation that of the Chief Statistician. In dealing with this fundamental transformation we also need a major increase for research on the statistical measurement and analytical problems involved, if we are not to fall even further behind in understanding the realities of this new world.

The U.S. statistical system, once the best in the world, is now judged to be slowly falling behind that of other industrial nations in its capacity to track a society and economy that is experiencing rapid and fundamental change (Economist). Clearly, technological changes in statistical and information capabilities and improved statistical methods are being implemented at a slower pace in the U.S. government than abroad. Why has this occurred?

I would suggest several major sources of difficulty. First, over recent decades a steadily growing ideological foundation for public policy decisions has made data increasingly irrelevant. Political ideologues do not need statistics, they already know "what the trouble with the world is" and what they want to do about it. Second, it has long been observed in both Congress and the Executive Branch, that statistical budgets, with few exceptions, are a low priority. Federal budget deficit pressures now make it even more difficult to generate support for statistical programs. As criticism (some valid, much not) and concern over the performance of official statistics has grown, efforts were made during the Bush and Clinton administrations to improve various aspects of the system. Despite these and other efforts of statistical system leadership, we continue to run well behind the capacity necessary for a first rate performance across our statistical system. Third, as an institution Congress has long had difficulty understanding the full role of national statistics and the need to fund statistics adequately to support important national decision making, *public and private*. This

is especially important in a time of fundamental international economic and social restructuring, as at present. Fourth, during four to six years in the early 1980s an assault was mounted on government statistics in the erroneous belief that the only justification for federal expenditures on statistics was to support U.S. government decision making, and that large parts of this limited statistical base ought to be privatized. When faced with budget cuts progress was made by agencies on immediate problems, but in many cases survey frequency and sample sizes were reduced, statistical R&D was cut to the bone and little energy or resources were available to address long term statistical agency challenges or problems of the federal statistical system as a whole. Despite efforts by some statistical agencies and the Chief Statistician's office, we are now living on past capital and R&D investment, and most significantly on the prior investment in human capacity that, to a substantial degree is not being replaced as experienced statisticians and analysts retire--the latter due to real budget erosion and reductions in the number of personnel authorized.

In 1978-80 I directed a White House project to analyze the problems of and recommend improvements in the coordination of our very decentralized U.S. statistical system. The focus was on the organization, location, authority and functions of the Office of the Chief Statistician. Our legislation did not make it through Congress. This effort is described in the current issue of CHANCE, a magazine published by the American Statistical Association. I was then a strong proponent of the advantages of a decentralized statistical system. However, after decades of failure by both the executive and legislative branch to do the things necessary to achieve strong coordination of a highly decentralized system, one is forced to consider alternatives. If we are not going to create a stronger Chief Statistician's office to coordinate a decentralized system, then some degree of centralization is the only alternative likely to lead to improved coordination. Thus, I support the basic idea of moving the Bureau of the Census, the Bureau of Labor Statistics and the Bureau of Economic Analysis into a common independent agency framework. This should be done with care for the unique aspects of the organization and nature of each agency.

The alternative futures for governance of the federal statistical system are, broadly speaking, only two. We can 1) build a strong statistical policy, coordination and standards unit directed by the Chief Statistician to coordinate the world's largest, most decentralized statistical system or we can 2) centralize the system in some major degree creating an integrated core of multi-purpose agencies *presided over by the chief statistician* with the responsibility for coordinating the entire system. There are, of course, differing levels of authority that can be vested in a coordinating unit and differing degrees of centralization that can be imposed on a statistical system.

It seems to me that the most immediate purpose served by moving BLS, Census and BEA into a single administrative structure is to facilitate the development and integration of the major *multiple purpose statistics* so critical today for national level policy decision, public and private. Most of the statistics produced by these three agencies are used, not just in their own cabinet agency, but across the entire government and very widely outside in many different venues and for many different purposes. In addition, they are dependent on each other for data, for contracted data collection, and for processing and other services. No other major statistical agencies have the same level of obligation to so broad a range of multipurpose users. The output of other statistical agencies is more narrowly focused on supporting their cabinet departments and the part of society that their department serves. While BLS, Census and BEA collaborate in coordinating their efforts better today than in the past, presumably in an independent administrative structure closer coordination could eventually be achieved in integrating the statistical design, collection, analysis and dissemination of their current statistical products and services. The organizational cultures of these three agencies are very different, so this can be done only slowly and carefully and with good leadership. All three would still be responsible to support Commerce and Labor Department needs for statistical information. Any potential budget savings would come very slowly. This is probably where the focus should be in HR 2521, unless you wish to address directly the question of how to strengthen the office

of the Chief Statistician. Such an effort involves complex trade-offs in organizational access, linkage and authority that HR 2521 does not now attempt to address in any detail.

I have several comments on HR 2521, and some questions. In Title I, section 102 (a) on the Chief Statistician I strongly support the objective of stronger or clearer boundaries between statistical forms clearance and regulatory forms clearance. In Title I, section 102 (b) on Confidentiality, I would urge that subsections (1) and (2) mandate a common statutory basis for the promise of confidentiality and for sharing of records for statistical purposes between authorized statistical agencies.

In Title II on the Establishment of the Federal Statistical Service, section 202 should provide for fixed terms of 7 or 8 years for the Administrator and Deputy Administrator. These leaders should have fixed terms and for the same reasons as do the heads of BLS, BEA and Census. In Title II, section 202 (d) (3) what is the meaning or significance in (A) of the Council report to Congress on "delineating" the decennial census of population from other Census functions? Also in Title II, section 202 (d) (3) (B) what is the objective in merging BLS and Census field offices? These offices have rather different purposes so there needs to be some important substantive justification for their merger. Otherwise the potential budget savings are not likely to be worth the grief or costs of a merger.

Finally, let me identify several problems or ambiguities in the authority and composition of the Council on Statistical Policy established in Title II of HR 2521.

1. The responsibility for government-wide statistical policy, coordination and standards is now assigned by the Paperwork Reduction Act to the Chief Statistician in OMB.
2. The Council established in HR 2521 appears to duplicate the function of the Interagency Council on Statistical Policy established by the Paperwork Reduction Act. My understanding is that the Interagency Council is the current legal forum for government-wide statistical policy discussion and debate within the statistical system. What is intended?

3. The Council established in HR 2521 leaves out the representatives of all but three of the major agencies, which raises questions about the Council's purpose.

   a) Is it to coordinate the three agencies or to coordinate "government-wide" statistical activities? If it is to coordinate all government statistical activities then the Chief Statistician should be the Administrator of the Federal Statistical Service and chair any interagency council on statistical policy.

   b) Is it a statistical policy coordination council or an institution to provide communication with and linkage to national level policymakers and their statistical needs? The composition specified for the Council suggests the latter.

   The purpose and authority of the Council need to be clarified. The relationship to the Paperwork Reduction Act and other statistical authority needs to be addressed.

4. With 4 appointments to the Council by the Majority Leaders of the House and Senate, the composition of the Council creates the perception, if not the reality, of politization of statistics. This is dangerous.

5. There are 3 or 4 kinds of councils or committees that statistical agencies can need for effective operation. Committees for:

   a) Statistical coordination

   b) Outside technical statistical assessment of the agency and its program

   c) Outside statistics user advice on relevance of statistical output and changing needs for statistics

   d) Linkage to U.S. government policymakers to anticipate statistical product needed as new policies are proposed and/or implemented

After the Committee clarifies some of these questions, it needs to provide by law for the advisory committees necessary to sustain a well run and highly accountable statistical agency.

The draft bill is a start on a task that urgently needs doing. I hope you will continue in your efforts to improve the coordination and performance of the U.S. statistical system. The alternative is drift. And to drift leads toward statistical and policy disasters, as the capacity to track economic and social change falls further behind the complexity of the real world. We are well into a world-wide transformation of society as fundamental as that of the industrial revolution. Central to this transformation is the revolution in information technologies and the rapid growth of private and public networks and organizations transcending all national geography, with a consequent erosion of national sovereignty. Statistical governance and policy processes (public and private) face a growing challenge to their ability to track societal change accurately and to deal with it intelligently. If I can help you in your important endeavors, I would be pleased to do so.

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Mr. HORN. Thank you for that very fine statement. We eagerly accept all views. Get all parties in the room at the same time.

OK. We now have Mr. Ehrlich, the Undersecretary for Economic Affairs, in the U.S. Department of Commerce. Welcome.

Mr. EHRLICH. Thank you, Mr. Chairman.

I want to say that I appreciate the committee's invitation, and the fact that my written statement will be in the record. I appreciate as well the committee's interest in this topic.

It is refreshing and it is important that the committee and the Congress and our agencies arrive at a consensus as to where we think the statistical system should be going, the kinds of resources that are acquired for it, and what its problems are.

Let me say, Mr. Chairman, that while my written statement or my other remarks may at times be critical of the specific proposal that they are offered in the spirit of building that kind of consensus and moving us forward as I believe this committee wants us to do.

Instead of working from my prepared statement, let me develop one or two points that were in that statement as they were referred to by your very excellent statement opening this hearing, Mr. Chairman. Let me see if I can do so within my allotted time.

In your opening statement, you make the remark that Federal statistical programs were established to serve the information needs of the particular department or agency in which they were based. To some extent that is true, but I would accept from that the Commerce two agencies, Census and BEA, which in fact were established for expressly a national purpose.

The Census Bureau of course emanating from the Constitution, its requirement for a decennial census, a tradition we have had now for 200 years. BEA established as really part of the context created by the Full Employment Act of 1946 and by the use of the National Income Accounts to plan the World War II production effort.

I think that it is not surprising that both of those agencies ended up in Commerce, which is the logical place for them, lacking the regulatory tax or other kinds of policy responsibilities that would conflict with data collection that had to be prepared on that national scope.

Ivan Felichy, the director of Statistics Canada, points out that he reports to the Ministry of Industry, the Canadian Secretary of Commerce, so that he can have such a political shepherd in a way that doesn't compromise the integrity of his efforts.

Your statement also points out that the three principal agencies cannot continue to operate in an independent and unrelated vacuum. I don't know if that would be the characterization that I would make.

I think that both Dr. Abraham and Dr. Riche in the course of their testimonies will discuss a variety of areas in which we have an active program of coordination on the problems that we share on the economic side of the statistical programs, particularly our consistent tendency to undercount real economic growth and overstate inflation.

The Heritage Foundation Report points out that there are what you might call redundant presentations of data. Let me race to point out that the specific example involve different samples, dif-

ferent timeframes for estimation, different stages in the reporting cycle, and the like. I think I can probably find a better example of redundant data collection.

The larger point, though, is that the pool of resources will allow better data collection and planning for end users of the information. That may be the case in the long-term. One can't help but think that sooner or later that would be true.

I would like to think that before we embarked on this course we would examine very carefully what the up-front costs of the investment are. What will it cost to homogenize the technical and computer systems, the methodological systems of BEA, Census, and Labor?

I say this not just as the CEO of statistical agencies, but as someone who has come from companies that were involved in very large mergers. I am referring specifically to the combination of Burroughs and Sperry into Unisys and can tell you that the cultural problems that Dr. Norwood refers to and the logistical and up-front expenditure issues can be surprisingly large.

You also make reference to the need to protect the veracity of the data during the collection and interpretation stages of the process. I think that is an important concern. I think it is a concern that we saw in the 1990 decennial census where there was the profession that there was political muscling of the professional career staff.

It is a concern that was raised in 1992. There was an allegation made that BEA had somehow contorted the national income accounts to help the re-election campaign of President Bush. It was an allegation that was completely unqualifiably refuted by the GAO.

If there are other such instances in which the committee or anyone else has concerns about the integrity of the system, I would very much like to hear about them. Finally, you mentioned a statement that Dr. Haver makes regarding the need to utilize resources through the increased use of technology and reducing redundancies. All we can say in the agencies to that is "amen."

I think we are doing a very interesting job in the area of increasing our use of technology and advanced statistical methods. The Census is becoming a leader not just in the United States, but worldwide in the use of telemarketing technology, our computer-based interviewing system has made it possible to get the last three current population surveys out under conditions of extreme duress related to the shutdown to the Federal Government that we experienced over the winter.

Our continuous measurement program is going to move us into a real-time, telemarketing panel, data collection format that will give us a frame to consolidate all of our demographic surveys into a single instrument and improve their cost-effectiveness and the accuracy and the adaptiveness of the data collection effort that is represented there.

In BEA's budget for both 1997, 1996, and several years previous to that, we have asked for funds to wean BEA from the Honeywell mainframe that it now works on, a machine so old that the Smithsonian will not take it when we kick it off of the premises, instead

we are sending it to Colonial Williamsburg to show school children how the Colonists did batch programming.

We believe that when we think about making these improvements we should think about the organization of the system. We should strive for continuous improvement. However, the bottom line, Mr. Chairman, I believe is resources. We need to come with those as well.

Thanks so much.

[The prepared statement of Mr. Ehrlich follows:]

Everett M. Ehrlich

Undersecretary for Economic Affairs
U.S. Department of Commerce

Mr. Chairman:

I appreciate the opportunity to discuss this morning the important issue of how to improve the nation's statistical system.

Let me begin my expressing my agreement with the points Ms. Katzen makes in her testimony. But let me also state my more specific view that the nation's statistical system faces important challenges and that the bill you are considering will not overcome those challenges without the improvements we are proposing for the system we have today.

My concern about this bill is that it has determined how to reshuffle the boxes in the system before it has determined the problem it is trying to solve: we can agree that the problem is not simply that our three agencies do not share a bureaucratic home. So let me begin by proposing some objectives for our statistical system and then address whether this particular proposal would pursue them more efficiently than our current efforts.

What do we want out of our system? First, we want it to produce data that are accurate and timely. Second, we want it to deliver its work efficiently, not only in terms of cost to the taxpayer, but in terms of the burden it places on its respondents. Third, we want it to be structured in a way that reinforces its integrity and its accountability. My view is that, in all of these areas, the current system is making dramatic progress without actual consolidation.

Good Data

The statistical system is as much a part of the nation's infrastructure as are its roads and bridges: timely and accurate data are of vital interest to every American who runs a business, invests in assets, is concerned with their retirement, or takes out a mortgage

As Undersecretary for Economic Affairs, I administer the Commerce Department's Bureau of the Census, Bureau of Economic Analysis, and STAT-USA, our data dissemination arm. In that sense, I am already involved, more than any other single individual here, in the active, daily coordination of statistical efforts.

The data we produce are acknowledged to be among the world's leaders in both timeliness and accuracy. But we are confronted with the challenge of measuring an economy that is changing rapidly, in terms of composition, technology, and other dimensions. We are like a tailor trying to measure someone for a suit of clothes as they run full tilt.

In response to this problem, the Bureau of Economic Analysis convened last year the first comprehensive strategic review of the nation's economic accounts in forty years. At a national symposium hosted by the U.S. Chamber of Commerce, we sat down with users from business, finance, universities, and international organizations to define new priorities for our work.

The result of that effort was an agreement that the most pressing problems we face in our data stem from inadequate measurement of the changing quality and character of output. In

essence, as the Wall Street Journal noted in a recent editorial, our data assume that the telephone on your desk is more or less the same as the one found on your grandmother's credenza. This problem exists in a host of sectors, among them telecommunications, finance, retail, transportation, and health. As a result, we probably understate growth and overstate inflation.

But a simple reorganization, as outlined in this proposal, does not substantially address these problems. Our agencies are already working together to implement a joint research effort to measure these sectors more accurately. And we are taking important individual steps as well. BEA and Census are aggressively eliminating other programs so that they can focus on new data or methods that address this highest priority. We have ***already*** transferred our program of cyclical indicators (the so-called "Leading Economic Indicators" and others) to a private entity -- the Conference Board. We have ***already*** reduced our collection efforts regarding regional economic data, data on foreign direct investment, data on pollution abatement and control expenditures, and other data in order to shift funding to the priorities we've identified. We have ***already*** eliminated a variety of Census tabulations to free up resources for data collection in the areas we now underreport or miss.

Mr. Chairman, the problem regarding accurate and timely economic data in our country does not stem from the organization of the system that produces them or the will of the officials you have before you here today to change. The problem is resources. The President's budget proposal for 1996 contained enough funding to deliver the two main goals for my agencies: accurate national economic accounts and the investments needed for an accurate and cost-effective decennial census in the year 2000. But the President's proposed funding was cut in the Congress so that BEA, despite its pressing mission, will receive this year 93 percent of what it received last year. Reorganization cannot and will not substitute for adequate resources to improve these programs, as requested in the President's budget.

Working Smarter

This raises a second issue: how we get the most out of our resources and produce good data at the least possible cost, particularly when we define cost, as we do, to include the time spent by our respondents filling out our forms. Again, I believe that our current efforts offer more proven and prospective improvement than simply housing these agencies under the same roof.

Ms. Katzen made an important point in her testimony: consolidating BEA, Census, and BLS will not produce meaningful cash savings. My observation is that the general and administrative costs at these bureaus are on the order of ten to twelve percent. A consolidation could produce minor savings in these areas after a period of transition, but the costs of that transition -- including putting all of the administrative and technological systems on a common platform -- are entirely unknown.

As Dr. Riche will discuss, the field forces of Census and BLS are entirely different in function and character and offer little in the way of cost reduction as well. In fact, the work of our

agencies is complementary, not overlapping. In its simplest form, Census collects all of the nation's invoices and receipts, BLS provides us with measures of prices for the goods and services they cover, and BEA adds them up to produce the national economic accounts.

This division of labor has already produced a level of coordination greater than that imagined in this proposal. Several years ago, for example, I initiated a project called "Statistics 2000," in which BEA, Census, and BLS identified over forty proposals to rationalize the burden we place on respondents, with savings of tens of millions of dollars for the businesses who respond to our forms. The Administration's new proposal to allow data sharing among our agencies will move us closer towards those goals. Census also has an active independent program for reducing respondent burden that uses administrative records, shared data with other nations, easier reporting techniques, and better sampling. Several years ago, the National Performance Review designated our STAT-USA entity as the government's lead source for data on economic and business topics: it now regularly disperses our economic releases and trade promotion information to thousands of recipients, even as our Census Internet homepage is host to half a million visits every week. All of these initiatives, plus others that Dr. Abraham will discuss, speak to the level of coordination and the pace of activity already underway in the system.

To use our limited resources more effectively, we need to establish priorities across all of our statistical system, just as we have done at Census and BEA. But the proposal we're discussing retreats from setting such priorities by not including within the so-called consolidated entity the agencies that deal with statistics outside of our two Departments. The Administration is ***already*** setting priorities at this higher level -- witness, for example, our proposal in the 1997 budget to shift the responsibility for the 1997 agriculture census from Census to USDA, where it belongs. Until the proposal before us similarly enlarges its scope, it will be unable to set system-wide priorities and therefore will not improve the effectiveness of our system.

Responsible and Responsive

There are also important issues regarding how the unified agency imagined in this proposal would be run, to whom it would report, and how both its integrity and accountability would be assured.

As this bill now stands, the principal executive of the consolidated agency is given every responsibility except that of running it. On the one hand, she is enjoined from doing what any good executive would do if entrusted with this new entity -- that is, take it apart and put it back together so that it might run better. Instead, the executive is told fairly straightforwardly not to manage this new agency but only to preside over an organization chart that simply takes the three entities and calls them something else. This is in stark contrast to the organization of consolidated agencies abroad, which is built around skills and missions, rather than the bureaucratic origins of the offices involved.

And while the bill ties the hands of the statistical system's new chief executive, it places someone to look over both his shoulders. An external review board would be put in place and given quasi-official authority. This board would have the ability to direct statistical policy, but lack the authority or responsibility to enact it, leaving the executives of the consolidated agency in an untenable position. If we are to have such a consolidation, we must be prepared to make the executive of the new entity the CEO of the nation's statistical system. And her board members should not be outside users, but the Cabinet-level economic policymakers who can be held responsible for the agency's activities. Along these lines, I understand that the Justice Department is reviewing the composition and responsibilities of the Board from the standpoint of the appointments clause of the Constitution.

This is an important distinction. Who will fight for the statistical agency once it is independent? Frankly, both our users and the Congress have not proved equal to the task. Only Cabinet-level stewardship can protect such an agency, which is precisely why Statistics Canada reports to the Canadian equivalent of the Secretary of Commerce. We should not delude ourselves into thinking that once we have a consolidated agency, statistics will become less of a political orphan. In fact, it may become more of one.

Along these lines, I would state my opposition to making the position of BEA Director a political one. This is the one statistical position where having steady and apolitical leadership is most important, and we should respect it as such.

As both Secretary Brown and I have stated in the past, we are prepared to discuss any proposal that might improve the performance of our statistical system. But the one before you would accomplish little while diverting us from our ongoing work. Moreover, by implying that there are significant gains to be realized through bureaucratic box-shuffling, this proposal distracts us from the fundamental problem -- that the Congress is unwilling to pay for a statistical system suitable for an economy as dynamic and innovative as our own.

Mr. HORN. We thank you. You have approached this subject with intellectual depth and width, and that cannot hurt us.

The next are the two Commissioners, who have probably two of the toughest jobs in Government. We will start with the Honorable Katharine G. Abraham, the Commissioner of the Bureau of Labor Statistics, in the Department of Labor.

Ms. ABRAHAM. Thank you very much, Mr. Chairman. I would like to join the other members of the panel in thanking you both for your interest in this important topic, as well as for the opportunity to be here this morning to share my thoughts about H.R. 2521 and the general set of issues that it raises with you.

Like you, I am concerned about the quality of Federal statistics. As you might imagine, I have given a good deal of thought to what the barriers that stand in the way of improving those statistics are. I guess it is my perspective that those barriers have much more to do with limitations in our knowledge about how to measure complicated phenomena and with resource constraints than they do with any organizational flaw in the way that the system is currently set up.

By way of example to illustrate my thinking on this, what I would say is the central issue facing the agencies that produce economic statistics, and that is, the problems that we have with accurately measuring output in prices, particularly in the service sector.

If we look at that problem, I think the issues there are very clearly issues related to both our needing new measurement concepts and tools to measure output and prices in the service sector, and with our needing resources to put those new approaches into the field.

I can assure you that we are hard at work together with our colleagues in other agencies at trying to develop new measurement approaches that we have done quite a lot to move resources toward addressing this high-priority issue within the constraints of our overall budget.

I guess in the case of this problem in particular I would have to say that how we are organized has little, if any, relevance to the problem that we face and how well we are doing at addressing it.

Having said that of course, if it were the case that there were significant overlap in the programmatic responsibilities of the different agencies that could be eliminated so that resource could be freed up to devote to these high-priority problems, then consolidation or somehow otherwise eliminating that redundancy clearly would make sense.

Again, it is my sense that such redundancy is virtually non-existent, which reflects, I think, the efficacy of the oversight provided over the years by both the Office of Management and Budget—not just the Chief Statistician, but also the folks on what historically was referred to as the "budget side of the house" at OMB—and, in addition, the oversight provided by the Congress over the years.

Having said this, I would hasten to add that the fact that I don't see a lot of overlap and redundancy across the agencies doesn't mean that they don't work together. In fact, it is my sense that they work together extraordinarily well.

You are familiar, I think, with some of the interactions among the agencies in the course of producing ongoing statistics. The pro-

duction of productivity data, for example, requires a lot of interaction among the agencies. Another example that I would point to is the work that the Bureau of the Census does to enable the Bureau of Labor Statistics to produce the Consumer Price Index. In addition to collecting price data from businesses, we need information from households about their spending patterns. Given the Census Bureau's comparative advantage in conducting household surveys, we rely on them rather than duplicating that capacity.

Even relationships that work well obviously can be improved. I talk in my written statement about some of the things that have been done in recent years to try to improve working relationships, for example, the coordination group that the director of the Bureau of Economic Analysis and I established last summer to ensure that there were regular conversations between top managers at the two agencies about issues of mutual concern.

I mention as well some of the things that we are doing in the technology area. Dr. Riche and I signed earlier this month the memorandum of understanding between our two agencies that will provide the basis for staff from the two agencies approaching large companies jointly to try to set up arrangements for their reporting data to us electronically using common formats, a common approach.

My statement talks as well about some of the joint efforts of the statistical agencies to begin to establish a common approach to putting data up on the Internet so that folks can easily access it.

In connection with that, I guess I would want to just note I personally would find it ironic if at this point in time there historically have been concerns, and I think legitimate concerns, about how it is that people who are not familiar with our, admittedly somewhat idiosyncratic, structure who want data find what they need.

I think with the growth of the Internet as a way to get information and the ease of coming in at one point and moving over to some other agency, if that is where the data can be found, it would be ironic if at this point concerns about user access to the data were to be an important factor in motivating a move to consolidate the agencies. I think at this point this is less of a concern than it has ever been in the past.

Having argued that there is little overlap, little redundancy in the various statistical agencies activities, I would be remiss were I not to acknowledge the one glaring exception to that generalization. That glaring exception is the fact that both the Bureau of Labor Statistics and the Census Bureau maintained separate independent business lists that are used as a sampling frame for their business surveys.

The existence of these duplicate business lists is sometimes cited as an example, as though it were one among many, of redundancy in the activities of the statistical agencies. It is my view, though, that it is really the example, that it is truly unique.

I am not going to try to argue that we really need to have two different business lists. I do not think we do. I do not think that is defensible. I would argue a couple of things, though. The first thing I would note is that it is not going to be possible in any very quick timeframe to get rid of either one or the other. There are two reasons for that.

One, we have got survey operations that are ongoing that rely on using one or the other. To take one of them away on short notice would be extremely disruptive to those survey operations.

Beyond that, we really do not know at this point much about the strengths and the weaknesses of these two lists. I think before we did anything with them we would want to study those strengths and weaknesses and come up with a sensible plan for a new configuration. We have begun to study the two lists with an eye toward that end.

Once we have come to some kind of a conclusion, I think all we would really need in order to be able to put whatever configuration we had agreed made most sense in place would be the ability to share data between the Census Bureau and the BLS. I guess it is my view that a rather more modest solution would be appropriate to what I would consider the problem to be in this case.

That leads me, I guess, to the last major point I would like to make, which is that consolidating these three agencies would be a big step. I think that it is a step that carries the risk of some significant drawbacks. I see those drawbacks as being two.

First, I am extremely concerned about the potential for short-term disruption associated with trying to make this reorganization work. If I could maybe try to be a little bit more concrete about this than I was in my written statement.

I look at what is going on at the Bureau of Labor Statistics already. In the area of producing price statistics, we are embarked on a major revision of the Consumer Price Index. In the area of employment statistics, we are embarked upon a major overhaul of our employer payroll survey. In the area of our compensation statistics, we are embarked upon a major integration effort that would bring the several different compensation surveys that we currently conduct together.

The staff of the Bureau of Labor Statistics are wonderful. We have a top-flight, dedicated management team, but I can tell you that they are all working at capacity. I am truly concerned about the risk of disruption to all of the other things that we need to be doing at this point, were we to add on top of that the requirement that these folks take on in addition to dealing with a major reorganization at this time.

I guess the second potential drawback of consolidation that concerns me, in the case of the Bureau of Labor Statistics, is the weakening of our ties to the Department of Labor. Although it is true that much of what we produce is of general interest rather than specific Department of Labor interest, there are also important things that we do that are very important to the program administration within the Department of Labor.

On the flipside, we benefit a lot from being in the Department because a lot of our data builds on their administrative data systems. While it is certainly not the case that you couldn't make it work, I am worried about weakening the ties between the Department and the Bureau and what the long-run consequences of that would be.

In sum then, I would reiterate how much I appreciate your interest in the issues that we face, but would have to say that I have concerns about the direction being contemplated in H.R. 2521.

Thank you.

[The prepared statement of Ms. Abraham follows:]

Statement of

Katharine G. Abraham

Commissioner

Bureau of Labor Statistics

before the

Committee on Government Reform and Oversight

UNITED STATES CONGRESS

March 22, 1996

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to be here today to offer my comments regarding HR 2521, The Statistical Consolidation Act of 1995. Together with the other members of this panel, I thank you for the interest in the work of the statistical agencies that has motivated this proposal.

Like you, I am concerned about the quality of federal statistics and the ability of the statistical system to meet the needs of those who rely upon our data. I would argue, however, that the barriers to improving the statistics produced by the agencies represented here today have far more to do with the limitations of our knowledge about how to measure complicated

phenomena and with the limitations imposed by stagnant or declining budgets than with any flaw in the existing structure of the statistical system. Consider, for example, the most common criticism levied against the federal statistical agencies producing economic statistics: that we do a poor job of measuring output and prices, especially in the service sector. What action is needed to address this criticism? Improving these measures, I would submit, requires the development of better measurement concepts and better measurement tools, together with the resources to put those concepts and tools into the field. Speaking from the Bureau of Labor Statistics (BLS) perspective, I can assure you that, together with our colleagues in other agencies, we are working actively to develop the necessary measurement approaches. To the extent possible, we also are reallocating our scarce resources so that we are able to apply them to this high-priority task. How the statistical system is organized, however, has little, if any, direct relevance to our ability to improve our output and price measures.

Were there significant overlap and redundancy in the programmatic activities of the various statistical agencies, it might be possible, in principle, to free resources to address the sort of problems to which I have just alluded by eliminating that duplication of effort, either through consolidation of the agencies in question or some other means. In my view, however, this rationale for statistical consolidation simply does not hold water. Both because the missions of the BLS, the Bureau of Economic Analysis (BEA) and the Bureau of the Census are fundamentally distinct, and because of the oversight exercised over many years by the Office of Management and Budget and by the Congress, there is little, if any, overlap or redundancy in the programmatic activities of the three agencies.

Although I believe there to be extremely little overlap in the missions of the three agencies represented here today, I would hasten to correct any suggestion that this means they do not work closely together. To the contrary, there is an extraordinary amount of collaboration and interaction among these agencies not only in the ordinary course of getting their jobs done but also in the pursuit of joint projects designed to improve the offerings of the statistical system as a whole.

You are, I suspect, familiar with the routine interactions among the statistical agencies. Both BLS and the Census Bureau, for example, supply extensive data from numerous surveys to BEA, which is charged with the production of the National Income and Product Accounts. Output data produced by BEA, in turn, flows back to BLS, which is responsible for developing productivity statistics. It is my perception that these working relationships have functioned exceptionally well. Similarly, although BLS has responsibility for producing the Consumer Price Index and collects the information on prices used to calculate that measure, its production also requires information on consumers' spending patterns that is collected for us by the Census Bureau. In addition, the Census Bureau collects the monthly Current Population Survey, the source of the unemployment rate published by BLS each month. BLS does not collect all of this information itself because we recognize that the Census Bureau has a clear comparative advantage when it comes to the collection of data from households; under these circumstances, it would make no sense for BLS to attempt to duplicate their capacity.

Even good working relationships can, of course, always be improved. You may be interested in some of the concrete steps that have been taken towards that end in recent years, though I would emphasize that the examples I will cite are illustrative of the close working relationships involving staff at all levels of our several agencies, rather than in any way a comprehensive enumeration of such activities. First, the Director of BEA and I last year established an interagency coordination group on which we serve together with senior program managers from our two agencies. The group meets on a regular basis to facilitate communication and coordination on critical issues that impact both agencies and to explore new ways to improve our data. The group also has chartered two subgroups that have been working on specific measurement issues in particular areas. Similarly, BLS and the Census Bureau have established the Current Population Survey Oversight Committee, which includes members from both agencies and is charged with overseeing all matters related to this especially important survey. Again, this group meets regularly, and has proven to be an extremely productive forum for communication and coordination.

The agencies' joint activities also have included collaboration in the collection of data from survey respondents and collaboration in the dissemination of data to the general public. With respect to data collection, for example, both BLS and the Census Bureau have become enthusiastic about the potential for reducing our costs and simultaneously reducing respondent burden by collecting survey reports from large reporters via Electronic Data Interchange (EDI). Earlier this month, Census Bureau Director Riche and I signed a Memorandum of Understanding that will permit representatives of our two agencies to solicit the participation of large employers

in EDI reporting jointly and to develop a common protocol for the reports filed by those employers. The two agencies now are working on a common solicitation framework that will allow them to reach as many large, multi-establishment respondents as possible in a coordinated, integrated fashion.

Similarly, the three agencies represented here today, together with a number of others, have worked to make it as easy as possible for those interested in federal data to find what they need. In the past, I would acknowledge, the division of responsibility for the Nation's core economic statistics among several statistical agencies may have caused problems for data users who did not know which agencies produced which data series. At least for data users who are computer literate, however, recent developments largely should eliminate these problems. Because of the collaborative work by staff from all of the statistical agencies, anyone with access to the Internet should find it relatively easy to locate the data they want, whether or not they know which agency produces it. If you visit the BLS Information Page on the World Wide Web, for example, you will find links both to the BEA Home Page and to the Census Bureau Home Page, as well as to the Web sites of other statistical agencies. Jumping from one to another requires no more than the click of a mouse. It would be ironic indeed if, at precisely the juncture where new technologies have begun to make it far easier for data users to locate the information they want, regardless of where it is produced, concerns about user access were to play an important role in a decision to consolidate the agencies.

Having argued strongly that, as a general matter, there is little overlap or redundancy in the activities of BLS, BEA and the Census Bureau, I would be remiss were I not to acknowledge the one significant exception to this generalization. That noteworthy exception is the maintenance of separate business establishment lists by BLS and the Census Bureau. For our present purposes, the historical reasons for the establishment and survival of these competing lists are of little relevance. Even here, however, there is less redundancy than it might appear at first blush: a good deal of the money budgeted for the BLS ES-202 program, in particular, is devoted to the production of highly valued data products, rather than simply to the maintenance of the business list, and our recent expenditures to improve the quality of the business list will have a significant payoff in the form of new measures of job creation and job destruction that could not be constructed based upon the information underlying the Census Bureau's list. I would add that, even were BLS and the Census Bureau to become part of the same organization, neither of the two agencies' business lists could be eliminated either easily or quickly without jeopardizing the ongoing operations of specific surveys that presently rely upon one or the other. Indeed, at this point, we know relatively little about the strengths and weaknesses of the two lists. For that reason, in addition to the initiatives that I already have mentioned, BLS and the Census Bureau recently have begun work on a project to study and compare the two datasets. Most importantly, whatever our investigations suggest about the best way to compile a master business list, only relatively modest changes in law -- to allow the two agencies to share confidential data with one another -- would be required to enable that configuration to be put in place. From my perspective, statistical consolidation would appear to be a far more drastic solution than is necessary for a problem that I would diagnose to be of quite limited scope.

Moreover, and this is the last major point I would like to make, statistical consolidation would carry some significant attendant drawbacks. First, it seems certain that a decision to consolidate BLS, BEA and the Census Bureau into a single agency would divert enormous amounts of management attention away from the pressing substantive problems that all of us need to be addressing. Even relatively minor reorganizations require significant amounts of management attention, and this would not be a minor reorganization. Should the responsibilities assigned to these agencies be substantially modified or curtailed in the years ahead, it might then make sense to consider some type of consolidation or other other rearrangement; at present, however, it is my strong sense that the transition costs associated with any such reorganization would outweigh any potential, but as yet undocumented, benefits.

Second, although I cannot speak to the role that BEA and the Census Bureau play within the Commerce Department, I do know that BLS both contributes in an important way to, and benefits in an important way from, being a part of the Department of Labor. Our local area employment and unemployment statistics, for example, rest heavily on data derived from the operation of the unemployment insurance system and figure into the allocation of federal funds for these programs; our aggregate estimates of the incidence of occupational deaths and injuries assist the Department in targeting assistance and compliance efforts across industries, and the burden we impose on business is diminished because we tie our collection to records maintained for other purposes; and our special collection of information on mass layoffs and plant closings is a key element in the administration of programs to assist workers displaced as a result of these actions. This synergy between information and program administration is enhanced by a close

and effective interplay between our statistical agency and the agencies responsible for implementing the important missions that the Department of Labor has under law.

On a related note, our funding streams are tied to Department of Labor funding sources. We obtain significant funding for our Federal-State cooperative programs through appropriations from the unemployment insurance trust fund because our statistical data collections are part and parcel of the administration of these programs at the Federal and State levels. Were that to change, these funds might no longer be available to support our activities, and any resulting shortfall would need to be addressed.

In short, although I am truly grateful for the interest in the work of BLS and the other statistical agencies that lies behind the introduction of HR 2521, I do not believe that the reorganization contemplated there would help the statistical agencies in any significant way and, indeed, might well do them harm.

Mr. HORN. Thank you. We now have Dr. Martha Farnsworth Riche, the Director of the Bureau of the Census, the U.S. Department of Commerce.

Ms. RICHE. Thank you very much, Mr. Chairman, for the opportunity to testify today and to submit my written statement for the record.

In the interest of coordination and to avoid duplication, I would like to limit my remarks to only two provisions in the bill that relate directly to the Census Bureau. One is that the bill states that it is the sense of the Congress that the budget and functions of the Bureau of the Census relating to any decennial census of population be segregated from the other budget and functions of the Bureau of the Census. The other one is that the bill would require a report on the appropriateness of making the field offices of the Bureau of the Census part of the field offices of the Bureau of Labor Statistics.

I believe these two provisions are contrary to the bill's underlying goal of greater coordination and efficiency. I believe they would make it less likely that we would have a successful 2000 census, and I believe they would undermine other strategic goals of the Census Bureau.

There is already an appropriate level of functional and budgetary separation between the decennial census and other Census Bureau programs. We have a separate directorate to plan and manage the decennial census. That ensures continuity from one census to the next. We have separate funding for the decennial census program.

Mr. Chairman, as you know, late last month the Commerce Department officially presented plans for a 2000 census that will be faster, less costly, and more accurate. Preliminary activities have begun, and the pace is beginning to accelerate.

Implementing this plan will require expertise from areas across the Census Bureau: expertise in survey and mathematical statistics, demography, housing, geography, field management, information technology management, public relations, customer relations, procurement, forms design, financial management, and so on.

Our core work force learns and updates its skills throughout the decade by working on a myriad of censuses and surveys and we redirect these skills through the decennial census when they are needed and only when they are needed. Functional segregation rigidly enforced would not allow us to use common staff and knowledge of systems effectively across program areas.

I think when you look at our field offices you can see in microcosm the difficulties of segregating decennial census activities from other Census Bureau programs. Our regional office manages a field force that conducts ongoing surveys, provides data dissemination and data user education services, keeps our geographic support system up to date, and then maintains regular contacts with State and local governments and with tribal governments as well.

The highly trained, experienced staff in our regional offices provide critical management and support during the massive buildup toward the decennial census and during the conduct of the census. People don't usually realize it, but the temporary work force needed to conduct the decennial census represents the largest peacetime undertaking of the Federal Government.

Neither we nor any other organization can marshal such a force quickly and cost-efficiently without drawing on the experience, talents, and particularly the local knowledge of the staff in our regional offices who work for us every day, every year. I feel that functional segregation of the decennial census would have devastating consequences for both the cost and the quality of Census 2000.

The fact that the Census Bureau field offices are the nuclei for the massive decennial buildup also presents a strong argument against merging the Census Bureau field offices into those of the BLS. The decennial deluge would overwhelm any organization without experience in handling the magnitude of the decennial census.

Even without the decennial buildup, the merger of the Census Bureau and BLS field offices would be difficult, in part, because they have different areas of expertise. The field data collection programs of the BLS are directed nearly exclusively toward business establishments, while our census programs focus on households.

Mr. Chairman, I began my career working at the BLS. I have great respect for the agency and its field force, as I do for that of the Census Bureau, but merging the two field offices would be like mixing apples and oranges.

In conclusion, Mr. Chairman, a little more than a year ago, when I became director of the Census Bureau, I initiated a strategic planning effort to position the Bureau as the preeminent collector and provider of timely, relevant, and quality data about the people and the economy of the United States.

Accomplishing those goals requires that all parts of the Census Bureau work together as a team in concert to apply all our core skills to this enormous task. I believe the functional segregation called for in this bill would move us in the opposite direction, fragmenting our efforts rather than maximizing them.

Thank you very much, Mr. Chairman, I would be pleased to answer any questions.

[The prepared statement of Ms. Riche follows:]

DR. MARTHA FARNSWORTH RICHE
Director
Bureau of the Census
U.S. Department of Commerce

Thank you, Mr. Chairman, for the opportunity to testify today and to give the Census Bureau's views on your bill, H.R. 2521, the "Statistical Consolidation Act of 1995." I would like to limit my remarks to only two provisions in the bill that relate directly to the Census Bureau, my colleagues will address other concerns.

Provisions of H.R. 2521

The bill states that "it is the sense of the Congress that the budget and functions of the Bureau of the Census relating to any decennial census of population should be segregated from the other budget and functions of the Bureau of the Census." The bill would establish a Federal Council on Statistical Policy and require that this Council conduct a study and submit a written report on this issue to the Congress within 12 months after enactment of the bill. The bill also would require that the Council prepare another report on the appropriateness of making the field offices of the Bureau of the Census part of the field offices of the Bureau of Labor Statistics (BLS).

I believe these two provisions are contrary to the bill's underlying goal of greater coordination and efficiency within the Federal statistical system, would make it less likely that we will have a successful 2000 census, and would undermine other strategic goals of the Census Bureau. If work on the single largest statistical undertaking of the Federal government--the decennial census--is made less coordinated and less efficient, the whole statistical system would suffer.

There already is an appropriate level of functional and budgetary separation between the decennial census and other Census Bureau programs. We have a separate directorate to plan and manage the decennial census, which ensures continuity from one census to the next, and we have separate funding for the decennial census program. But we also have a flexible organization that achieves

greater efficiency through utilizing common systems--personnel, automation, technology, geography, field, and so on--across all programs.

Mr. Chairman, as you know, late last month the Commerce Department officially presented plans for a 2000 census that will be faster, less costly, and more accurate. These plans were the subject of a hearing before the full House Government Reform and Oversight Committee on February 29. Not only is planning for Census 2000 completed, but preliminary activities have begun. The pace will accelerate over the next year or two. Making Census 2000 a success will require drawing on all the expertise we have throughout the Census Bureau--as well as expertise from outside partners--and will require a knowledgeable, experienced, and dedicated field staff to carry out the difficult enumeration work. Functional segregation would work against these requirements.

We must draw on expertise from many parts of the Census Bureau to achieve the goals for Census 2000.

That's because the Census Bureau's overarching goal for Census 2000 is to make the whole process faster, simpler, less costly, and more accurate. Four objectives are fundamental to these efforts:

First, to make every effort--from simple, user-friendly forms design to the design of field operations--to count every household.

Second, to implement an open process that diverse groups and interests can understand and support.

Third, to eliminate the "differential undercount" of racial and ethnic groups.

and, Fourth, to produce a "one number census" that is right the first time and that unites us as Americans rather than dividing us as litigants.

Our plans for Census 2000 are built around four fundamental strategies for change.

Strategy One will be to build partnerships with state, local, and tribal governments, community groups, the Postal Service, the private sector, and individuals. The Census Bureau realizes it can't do everything alone.

Strategy Two is to keep the census simple by having user-friendly forms, multiple contacts with households, and more ways to respond. In 1990, people had to find their census form; in 2000, the form will find them. The simpler and easier the census is, the less expensive it will be.

Strategy Three is to make intelligent use of technology in processing, tabulating, and disseminating the census results.

Strategy Four is to use long-established and widely endorsed statistical sampling techniques in two ways: first, to complete the basic enumeration for the last few households that have not had the opportunity to be counted and, second, to check and correct all our results.

This plan will require expertise from areas across the Census Bureau--in survey and mathematical statistics, demography, housing, geography, field management, information and technology management, public relations, customer relations, procurement, forms design, financial management, and so on. We know we cannot be expert at everything, and need to build partnerships with outside experts. But a successful decennial census requires using all the expertise we have within the Census Bureau. The Census Bureau's core workforce continuously learns and updates its skills throughout the decade by working on a myriad of censuses and surveys, and these skills can be redirected to the decennial census when needed. Functional segregation, rigidly enforced, would not allow us to utilize common systems and knowledgeable staff effectively across program areas. It would require that we establish <u>two</u> sets of expertise; that would be inefficient and costly.

Let me cite some specific advantages of using our skills across program areas to do our work effectively:

o The current knowledge and skills of our personnel, financial, and procurement staffs in managing the Federal administrative processes are an invaluable contribution to the decennial census program. If we had to obtain these competencies separately for the decennial census, we would put the entire process at risk.

o The Census Bureau's Master Address File/TIGER System serves as a fundamental geographic resource for successful data collection and dissemination for all Census Bureau programs--demographic and economic surveys and the economic censuses, as well as the decennial census.

o A single staff of customer specialists is able to serve customers effectively for all our data products, whether from census or surveys, whether economic or demographic. Creating parallel systems to handle sales of decennial and non-decennial products, particularly when many customers are avid users of both types of products, would be neither cost-effective nor provide good service to our customers.

o The decennial census program is closely linked to the operations of the household surveys the Census Bureau conducts, such as the Current Population Survey. The decennial census address list is the primary sampling frame for these surveys, and information collected from the census is used to improve the design of these surveys.

o Methodological research on decennial census topics--such as small-area income estimation--has benefitted methodological research and applications in the rest of the Census Bureau.

o Research on how to improve the decennial census using administrative records also will serve to improve the content and quality of data from current surveys and the continuous measurement program, which will provide small-area intercensal data.

Census Bureau Field Offices

When you look at our field offices, you can see in microcosm the difficulties of segregating decennial census activities from other Census Bureau programs. The Census Bureau's regional offices manage a field force that conducts ongoing surveys, provides data dissemination and data user education services, keeps our geographic support system up-to-date, and maintains contacts with state, local, and tribal partners throughout the decade. The highly trained and experienced staff in our regional offices provide critical management and support during the massive build-up toward the decennial census and during the conduct of the census. This direction and management includes: establishing the network of local census offices; recruiting, training, and supervising staffs of local census offices; monitoring cost and quality during the census and providing critical administrative support; conducting decennial census preparation activities throughout the decade, which will make it possible to quickly establish the decennial field organization; and providing critical up-to-date local information and operational intelligence through ongoing partnerships with stakeholders.

The field organization needed to conduct the decennial census involves the largest peace-time undertaking of the Federal Government. The expense of maintaining such a large staff requires that we assemble it quickly, and once its mission has been accomplished, disband it quickly. We estimate that we will need to hire 640,000 temporary census workers for Census 2000, with 285,000 working at the peak of operations in 546 local offices stateside. Most of these local census offices will be opened, staffed, complete their mission, and be closed all within one year. We are doing everything we can to keep our hiring requirements down--through improvements in the forms, improved efforts to get people to mail back their forms, and the judicious use of statistical techniques to complete some of the enumeration--but Census 2000 still will require a massive field force.

Neither we nor any other organization can marshal such a force for Census 2000 quickly and cost-efficiently without drawing on the experience, talents, and local knowledge of the staff in our regional offices. Functional segregation of the decennial census

from other activities would not permit us to make this important link, and that would have devastating consequences for both the cost and quality of the next census.

The fact that Census Bureau field offices will be the nuclei for a massive Census 2000 build-up also presents a strong argument against merging Census Bureau field offices into those of the BLS. We will need to utilize the experienced staff and the ongoing regional networks and linkages in our regional offices to effectively carry out the decennial census.

Even without the decennial build-up, merger of Census Bureau and BLS field offices would be difficult. The field forces of our two agencies do not duplicate each others' work, in part, because we have different areas of expertise. The field data collection programs of the BLS are directed nearly exclusively toward business establishments, with much less emphasis on household surveys than the Census Bureau programs.

In fact, the Census Bureau and the BLS have maintained a more than 50-year partnership in which the BLS pays us to collect employment and unemployment data as part of our large household survey, the Current Population Survey. The Census Bureau field force is the prime data collector for the entire Federal Government, has the highest completion rate of any organization--public or private--in the world, and is the only statistical agency that is in business to do reimbursable work for other Federal agencies. Our level of reimbursable work for 1996 will be an estimated $170 million. Four departments together will account for over 60 percent of that total: Labor ($46.5 million), for whom we collect labor force and consumer expenditure data; Health and Human Services ($28.3 million), for whom we collect the Health Interview Survey and other health surveys; Housing and Urban Development ($23.3 million), for whom we collect the American Housing Survey; and Justice ($14.8 million), for whom we collect the American Crime Survey.

Mr. Chairman, I began my career working at the BLS and have great respect for their field force, as I do for that of the Census Bureau, but merging the two field forces would be like mixing apples and oranges.

Strategic Goals

Finally, Mr. Chairman, I want to note that the organizational inefficiencies that functional segregation of the decennial census from other activities would cause would have a severely negative impact on our efforts to meet the mission and strategic goals of the Census Bureau.

A little more than a year ago, when I became Director of the Census Bureau, I initiated a strategic planning effort to position the Census Bureau as the preeminent collector and provider of timely, relevant, and quality data about the people and economy of the United States. This effort is also a response to the congressional mandate for Federal agencies to plan strategically so they can be more efficient. Over the last year, we have made significant progress in meeting our four main goals of 1) increasing customer satisfaction, 2) increasing productivity, 3) improving public perception and cooperation with our data collection programs, and 4) developing a more diverse, effective, and skilled work force.

Accomplishing these goals requires that all parts of the Census Bureau work together as a team, in concert, to apply all our "core" skills to this enormous task. I believe the functional segregation called for in this bill would move us in the opposite direction, fragmenting our efforts rather than maximizing them.

Thank you Mr. Chairman. That concludes my remarks. I will be pleased to answer any questions.

Mr. HORN. Well, we thank you. That is a helpful statement. Let us start from the beginning and ask, Dr. Norwood, so we get a dialog going here, what were some of the major constraints under which you operated as Commissioner of Labor Statistics? Do you think those have changed substantially from what you have heard? How do you feel about some of the statements that have been made that maybe we should not move in this direction, let us just do business as usual?

Ms. NORWOOD. Mr. Chairman, I do not think very much has changed. There may be somewhat less money available. The problems are not very different. The CPI problem has been around for more than a dozen years.

The work on the establishment survey has been going on for some time. I am pleased to see a lot more emphasis on it. It is typical for the Congress to become very interested in a program as soon as it has some problem. Unfortunately, the Congress frequently forgets about statistical agencies when things are sailing along smoothly.

On the issue of the separation of the decennial from the rest of the Census, I had a provision in my book about some of that. What I was talking about really was not operational separation but research separation. My concern is that research frequently does not continue in the period between censuses.

As I have discussed with your staff and with many others, and as Jim Bonnen so well put it, there are approaches that can be taken. One is to move toward some sort of beginning at least of centralization, which I think your bill begins the process. As I have pointed out, I have a few concerns with a few provisions of it. That is one approach. That is the approach the British are taking.

Another approach is to leave the agencies where they are and to provide for the exchange of microdata, with legislative protection. I came to the conclusion that that would never happen, quite frankly, after many, many years of discussion. One or another agency—and I think Jim can talk about that at some length, since he experienced it—finds reason to oppose it.

I think we are further along now, because the OMB draft order is moving in that direction. It isn't there yet, but your bill isn't there yet, either. I think that is really a terribly important thing.

I am very concerned about budget reduction at this point. I think I would disagree a little bit with Katharine Abraham. I think there are, perhaps, a few more areas where there could be some integration. However, I would underscore many, many times the point she makes that none of that could be done without research.

I have testified before, before other committees in the past months about this issue. Unfortunately, what happens is that you create a situation and then the money gets removed, and so the research cannot be done. That is very dangerous.

This list of business establishments issue is a famous issue. It has been around for a long time. It will take some time. Even with the exchange of microdata that is protected, if we have that, it will still take some time to develop a single list because one has to look at how that can be done and where the strengths and the weaknesses are.

Generally, there are a lot of series where there are strengths and weaknesses and sometimes, by the way, it is in the public interest to have duplication because you look at things in a very different way and that can help analysts.

There is one major drawback, as I see it at least, to an integration of these agencies; and that is, that it can involve more separation from policy particularly for the Bureau of Labor Statistics which has a unique relationship in its department. I believe, however, that steps can be taken to continue that relationship.

In fact, I was recently at a conference in Bologna of the European Communities on the "Social and Economic Challenges of the 21st Century and the Statistical Response," and had the opportunity to discuss exactly that issue with the head of the British system, who was very concerned about that. We discussed various techniques that could be used, so it is possible.

It is also possible, as I think I made clear in everything that I have written, to achieve this through a strengthening of the statistical policy function and the exchange of microdata protected by law, for statistical purposes of course.

The question is, which has the greatest chance of achievement? That is where I come out, and that is why I have proposed moving the agencies. I think there is a greater chance of doing that.

Mr. HORN. Let us get to the OMB Office of Statistical Policy. They primarily, I assume, monitor the various surveys that agencies want to prepare and send out. That has been a long-running battle, I guess. As I remember in the Second World War, when Henry Wallace ran into a farmer that told him all the surveys that were coming, he came back with a different view of how we should control those. What else does that agency do as far as you, an operating officer, are concerned?

Ms. NORWOOD. Well, that is one part certainly of that agency's operation, but what I would consider the more important part is the policy area, to try to develop approaches to the improvement of data, to try to bring agencies together to discuss the issues, the problems that they have. Those functions are extremely important.

I have to tell you that I am tremendously impressed with the good work that has been done under the current Chief Statistician and the previous Chief Statistician, but it is very difficult to give an enormous job to a person who has a staff of about four people to call upon.

I do not see very easy ways to put more people in the office of the President, so that is a problem. Sure, they can rely upon other people. There are a lot of committees in place which use leadership from the various agencies to do this, but it is not quite the same thing. That is why one of the things that I had proposed was the possibility of having a research organization that the Chief Statistician could rely upon.

There are problems of that kind, not because of the capability of those people. I think we are in a wonderful situation and have been for the last several years that way. The leadership of OMB has been extremely supportive of statistics. The problem is that there just are not the bodies to get the research done.

My major concern is that we do a lot of things operationally, and we are extremely good at them. However, it is very difficult to seg-

regate the resources that are needed in all of the agencies, in each of the agencies, to perform the kind of conceptual research that is really needed in order to have a first-rate system.

Mr. HORN. Prior to the Second World War, there was a planning function in the White House headed by Mr. Delano. I think he was the uncle or so of Franklin Roosevelt. There was a chance to bring together people from different departments and think about the questions that ought to be asked and who might best do this—to gather the data.

When you were Commissioner of Labor Statistics, did you run into many of those sessions where within the Department of Labor, as they figured through their own strategic plan and what would the world look like from Labor's point of view, 10, 20, 30, 40 years from now? That is what we did when Secretary Mitchell was in office. I think it was the first forward projections of manpower that Seymour Wolfbine did.

Was there any interest across the executive branch in asking some basic questions and trying to pull all this intelligence we have spread throughout the whole Government, little segments here and there?

I mean, you are the most visible, the two operating Commissioners of Labor Statistics and Census, but there are a lot of things going on everywhere, as you know better than I do.

Is anybody trying to bring that together and see the missing pieces, or are there any missing pieces statistically that we ought to be looking for and trying to get in some relation or series that could be put to use to help us think through a problem?

Ms. NORWOOD. One can always have more, but I think it is wrong to think that there is nothing. When I was Commissioner, I spent a good deal of time with people, for example, who were servicing the White House Cabinet with the Council of Economic Advisors, with Alan Greenspan and the Federal Reserve staff, as well as with the statistical policy people at OMB, to try to look at much of that.

The problem really that the agencies face is that much of it requires research which always gets short shrift. I can tell you that I spent some time, I will not tell you exactly when it was, going through the entire BLS budget and taking out the word "research" and substituting "evaluation."

I knew that by the time it got to the White House and to the Congress that research would all be cut out. You cannot have an effective statistical system without nurturing the work that needs to be done so that you do not get into the kinds of problems you have.

If you look at the Consumer Price Index, "Why are we there?" Because the BLS managed, certainly especially lately but even before, I would like to think, to do research on many of these issues. They were no surprise to them. The problem is that it is very difficult to get the resources that are necessary to revise the CPI. I was turned down three consecutive years.

Mr. HORN. Now, this is at what level, the Department of Labor, OMB, the Congress, or all of the above?

Ms. NORWOOD. All of the above.

Mr. HORN. OK. You got increasingly turned down each year?

Ms. NORWOOD. Well, it is just, "Why do we need it this year?" There is not any serious problem until the problem hits you. That is what happens. Then you have one of the big issues, which is how frequently? What the problems are with the weights? Well, you have to pool years of data.

We have some surveys in this Government that are huge. We have got what, 6,000 households in the Consumer Expenditure Survey? It should be considerably larger, so that you would be able to use this, this work.

You have high unemployment, people look at the unemployment data, you have high inflation, or you have the kind of problem we have now in budget reduction, and so people begin to look at the effect of an indicator. As soon as that goes away, the interest goes away. That is another reason that it had seemed to me that it would be useful to have a focal point that had some power and some stature and some size to try to maintain that across a long period of time.

Mr. HORN. Well, since you brought up the CPI, let me ask Commissioner Abraham also: What is the schedule to readjust that, so it can accurately reflect the bread basket that is out there now as opposed to what was happening decades ago? What is the timing?

Ms. ABRAHAM. The timing of that is that we anticipate having an updated market basket in place by January 1998. It will be a market basket at that point that reflects consumers spending patterns over the 1993–1995 period. That is the short answer.

Mr. HORN. OK. Educate me how you go about this? I mean, this is the one item that every Member of Congress seems to have an opinion about, and it starts with the chairman of the Federal Reserve Board saying that the CPI is, simply, inaccurate; it is inflationary. Yet, the Fed is trying to control inflation.

Now, is it your survey that Mr. Greenspan tries to control in the open market committee and whether he increases the monetary supply or decreases the monetary supply? What are we dealing with? That is what we are all asking. Why does it take until 1998?

Ms. ABRAHAM. With respect to what Mr. Greenspan is looking at, I think he would probably tell you he looks at many indicators in deciding what the appropriate course of action is.

Mr. HORN. Well, that is true, but he has picked on the CPI, as you know.

Ms. ABRAHAM. Yes. There are a whole range of issues with the CPI. There are issues related to the fact that by design the CPI is pricing a fixed market basket of goods and services. If what you really wanted was a cost-of-living measure, you would have to allow somehow for the fact that when the relative prices of things change, people can substitute between items.

One of the points at issue here is that as the BLS has been saying at least since the early 1970's—I was just looking at a paper by Julius Shiskin that makes this point—the CPI is not a cost-of-living measure because it doesn't allow for that kind of substitution. There is maybe a .2 percent per year difference between how fast the CPI goes up and how fast a measure that allowed for that kind of substitution would go up.

There are a set of issues, second, related to what has, unfortunately, come to be termed "formula bias." There are some issues at

the real detailed, detailed level of the way we put the index together that our researchers identified and that we agree imparts again a small, upward bias to the measure.

We anticipate announcing within the next couple of weeks what we are going to do to fix that problem and a schedule for fixing it. We have said we will fix that problem before January 1997.

Then there are a whole range of issues that have to do with how we handle the emergence of new goods, how we handle the emergence of new kinds of outlets where people shop, how we handle the fact that the goods and services that we are pricing are not of constant quality but of changing quality.

VCRs have different features than they used to. You do not get medical care the same way that you used to. In terms of the concerns that people have expressed with the CPI, those are the big things.

I guess that brings me back to the point that I tried to make in my prepared statement, which is as far as those things go, I think the biggest issue is really a lack of knowledge either about the magnitude of those problems or how one would fix them. We are hard at work on that. Like you, we welcome all the help that people are willing to offer us.

Now, the revision of the CPI that we are currently embarked on is a somewhat separate thing. Within the framework of pricing a fixed market basket of goods and services, we periodically update the market basket that we are using. That is what we will be introducing in January 1998.

Why does it take so long? Well, it takes so long because we are now in the beginning of 1996. The Census Bureau has done surveys for us of consumers' expenditure patterns. They are still collecting that data for the end of 1995.

There is a survey in the first quarter of 1996 that gets that information. They will be processing that information. We will get it sometime in the fall. It is a very complicated data set. Once we have it, we have to then take that information and do the calculations necessary to figure out what the right market basket weights are. It is just a time-consuming process.

Mr. HORN. When was the CPI formula last readjusted?

Ms. ABRAHAM. The market basket was last updated in 1987. At that point, the market basket that was put in place was based on expenditures over the 1982 to 1984 period.

Mr. HORN. In essence, there is the possibility of lagging a decade and a half by the next go-around, I take it?

Ms. ABRAHAM. Right. Yes.

Mr. HORN. When they go out and do the expenditure analysis, is this simply saying on a legitimate random sample, What do you buy and eat in this household, et cetera?

Ms. ABRAHAM. Yes. It is a random sample of households. The questionnaire is this [indicating] size and about this thick. It is a very detailed set of questions intended to get at what people are spending and what they are buying.

Mr. HORN. Now, does the household maintain that questionnaire itself as they do in a Nielsen survey, does the dog get into this, or whatever?

Ms. ABRAHAM. There are actually two pieces of it. There is a piece that they just sit down with an interviewer and do based on what they can remember that covers big purchases, and then there is a diary that they keep for more routine, day-to-day purchases. That is more like the Nielsen thing, where you keep a log as you are going along.

Mr. HORN. Now, is one of our problems as to why it is taking so long that we do not have the funding for a larger sample size? To what degree does the size of the sample affect the outcome here?

Ms. ABRAHAM. Your question is posed, why is this taking so long? I told you half the story in terms of what needs to get done. There is also a piece of this that has to do with getting out to the specific stores where people shop and identifying the items we are going to price. I guess I would almost be tempted to say that what surprises me is not that it takes so long, but that it is possible to complete it so quickly, given the complexity of the task.

The time that is required here I do not think really has a lot to do with the level of resources available to us for that purpose.

Mr. HORN. OK. You do not lack the resources to do the job?

Ms. ABRAHAM. Well, what Janet, I think, was talking about was the fact that because the size of the Consumer Expenditure Survey is relatively small, we are using a market basket that is based on responses given to us over 3 years, the period from 1993 to 1995. If we had a bigger survey, we could use, for example, just data for 1995 and then——

Ms. NORWOOD. Or 2 years.

Ms. ABRAHAM. Or 2 years, perhaps. The market basket would be a little more current. Certainly, at this point that would not enable us to get the job that we have ahead of us now done any more quickly.

Mr. HORN. Do you see a statistically significant difference in that market basket, depending on the region of the country or urban/rural, and this kind of thing?

Ms. ABRAHAM. Yes. There are some significant differences in the market basket. There are some significant differences in the market basket related to the age of the individuals in the household as well.

We are also doing some work at the moment to try to look more systematically at differences in the market basket of purchases related to the income level of the households. We have a whole series of publications that would let you look at this. It is a little hard to pin those down, given the size of the sample.

Ms. NORWOOD. Mr. Chairman, if I might just add a footnote. It does take time. But when you begin, it is important. You cannot begin it without the resources to do the research. You cannot do as much research without the data that are needed. That is one point.

The other point is that, as Katharine indicated, there has been considerable discussion about a price index versus a cost-of-living index. I would just like to remind you that that is not a new issue, and that it has been going on for years.

It is many, many years, something like 30 years ago, that I first moved into the CPI division as the chief of that division, and we

looked at this issue of different market baskets. We had research going on with that issue, which has been brought up now.

We looked at the question of how you develop a cost-of-living index. We went to our advisory committees. Their eyes glazed over when we talked about "constant utility." They told us to go away and not come back with that sort of thing.

When we had in the sixties the tremendous need to change the homeownership component of the CPI, which moved it somewhat more toward a cost-of-living index, with a flow of services concept, the very people, the very people in the political arena who are now criticizing the CPI, because it is not oriented toward the cost-of-living, were the people who opposed any change of that kind in the index.

I guess we have come a long way because we have helped to educate people to what the issues are. I would like to commend the BLS staff for having participated in that educational process, even though it has brought them some trauma and some heartache. Nevertheless, I think they have been instrumental in doing that.

That kind of research should be ongoing, and there should be significant amounts of data to be able to do that. BLS does a lot; the Census Bureau does a lot. However, in today's world, given the amounts of money that ride on this and more importantly the amounts of changes in policy that reflect statistical indicators, it seems to me that we as a country have just not understood the importance of these data.

Mr. HORN. Well, I could not agree with you more that it should be ongoing, continuing research, I think if we had this built up with the proper series being "poled," for want of a better word. I have forgotten when you do it now. How often do you do it for the market basket?

Ms. ABRAHAM. The market basket is updated in terms of producing the CPI about once every 10 years.

Mr. HORN. Well, that I gathered. It just seems to me that there ought to be a way to do that where you could get a much more rapid response as to how you are judging the cost of living.

I mean, let us face it. All you have to do is ask the typical person in a kitchen around here, which could be male or female, in terms of moving off beef years ago and moving to chicken and fish and little things like that. Maybe they have been properly reflected.

Talking to some of the political people down there, I do not get the sense of urgency, I guess, out of it. They are quite happy with the way things are going is what I read. "Just do not rush fellows. We will be around in 1997 and maybe something will get done." Now you tell me it is 1998. Maybe they do not know in their own department what it is.

That has bothered a number of us who went down there, sat down with the powers that be in that department and raised the question. This is a year ago. These were not a group of nuts that went down there. These were fairly thoughtful people. I came away with the feeling that they just do not care, period.

I realize you will tell me they do care, and that is great. If they do, why can we not do it early? Why can we not do it sooner? That is all. I am not going to spend any more time on this really, but it is interesting. That is what Members worry about.

Ms. ABRAHAM. Perhaps, outside of the context of this hearing, I could send you some information that explains what we are doing and why the schedule is what it is then we could discuss it further if it does not look reasonable to you when you look at it. I can assure you that we feel a great sense of urgency, both to complete the scheduled revision and to address these other issues insofar as we are able to do so.

Mr. HORN. OK. Let me now ask a general question. In your experience over the last 10, 20, 30 years, have we ever had a series that we were keeping up fairly consistently that for one reason or another had to stop? How much damage is done when that series stops? I am assuming you are looking at series constantly to look at their utility and effectiveness and all the rest of it. Are there any prize series that go back forever, and what happened when they did stop?

Mr. EHRLICH. We have slaughtered more children than Abraham in the last several years, and we can speak to that.

Not you, Dr. Abraham.

Ms. ABRAHAM. I assumed that, not me.

Mr. EHRLICH. Excuse me. I had not thought about that. [Laughter.]

For a couple of specific examples, the BEA divested itself of the leading economic indicators and the Conference Board won a national competition to be their steward. We did that because the indicators were an econometric extrapolation from data collected for other purposes.

It was our view that our job was to produce data and not to add value to it, that that was the job of a very broad and diverse private analytic industry that exists on top of our data, and that was not our job.

We should be using the money we saved from that on the very research we were talking about a moment ago, that went into the quality of goods that went into the chain-weighting measures that we introduced last year.

This year there are other series that we are terminating. We are terminating our regional economic projections. Once again we believe that those are value-added extrapolations of data that we are producing and that they are not as important to our goals of producing good, national, economic accounts, as are the other activities that we have to fund.

We are getting rid of our annual data on the cost of abating and controlling pollution. Let me tell you, Mr. Chairman, I regret very profoundly giving up these data that address a very important economic question as to the efficacy of regulation and the economic value of the environment.

They simply did not support as directly the calculations of GDP that are highest on our list of priorities, and therefore it was more important that we do other things—that we collect data on the quality of changing quality of goods or upgrade our computer system or get more source data on service industries—than it was to collect that.

We are also taking our benchmark on foreign direct investment data from annual to quinquennial, to every 5 years. Again, that creates analytic losses, it gives us less nuance and depth, but you

have to have priorities. The census this year is going to eliminate its collection of nonresidential building permits, which were data that were valuable, but still peripheral to our accounts.

I think there are instances to which you address, to which you speak, but they happen for two reasons. One, I believe is that our role in collecting that data becomes outmoded. I refer to the leading economic indicators. The Bureau of Economic Analysis began producing them 30 years ago to teach market participants about the value of econometric and statistical forecasting. I think that job has been done, so it was safe for us to get out of it.

There are then instances like pollution abatement control expenditures, where we have eliminated programs, but only because of budget duress. I think we would be better served by taking them back. I think it goes on for both good and bad reasons.

Mr. HORN. Well, does EPA maintain any of those data?

Mr. EHRLICH. EPA is a regulatory agency, not a statistical agency. I believe that it is an important distinction to make. We develop a series for abatement and control expenditures that are culled from some industry data and also from survey instruments of firms.

The probability of our getting the right answer in a mode that is protected by Title XIII and confidentiality, in a mode that is unrelated to regulatory functions is far higher than the probability of EPA getting the right answer under the same set of circumstances.

I do not think we should look to EPA as an agency that can substitute for statistical agencies anymore than we want any policy-regulatory or taxmaking entity to do the work of the statistical system.

Mr. HORN. Reality is, that in business, and in Government often a line agency will have its own statistical operation to keep operational data so they can make some judgments about, are we achieving our goals or are we not? Some of that will be goal-oriented, performance-oriented, results-oriented, et cetera.

I think it came up earlier the degree to which the legislation is being inclusive or exclusive in the sense that we only mention three agencies rather than getting into getting over the hill with agricultural statistics and all the rest of it.

However, let me ask the question. If we have an independent agency, should that agency assume the role of the OMB statistical policy office and take it out of politics, if you will? OMB is politics no matter who is in those judgments are made on a value-laden basis, heavily overladen by particular views on how the world looks from the sort of view of the political party of the time.

Should that type of function go to an independent agency such as this, where you are trying to get people in statistics that understand the use of statistics to be on the advisory committees, and so forth and so on?

Mr. EHRLICH. Were you to have such an agency, I believe that the CEO would have to become the CEO of statistical systems. That policy, of course, is made at a very high level, but it is also made during the daily operational conduct of the agency: they are not separable. I believe that the draft of the proposal I saw move too heavily in the segregation of policymaking authority from the agency who proposed to OMB.

With that said, as with any other independent agency of Government, be it the SEC or this FSS or whatever, there would have to be some counterpart within OMB and within the executive branch, as there would be in the Congress, to have the necessary oversight.

I believe that it would be the primary driver of statistical policy if it were to function successfully. Of course, for that reason, as I made clear in my statement, one would have to consider expanding its scope beyond the agencies you address.

Mr. HORN. Dr. Norwood.

Ms. NORWOOD. Mr. Chairman, I think there are two ways I would answer that question. The first is that, yes, at least in my own experience over the last several decades, there have been statistical series that have been dropped, partly because they were not good enough, partly because we at the Bureau considered that they were no longer relevant or important.

I can tell you that it was extraordinarily difficult because I would get calls from congressional offices who did not like their being dropped. I would get calls from the White House who did not like their being dropped. There are users for almost every single statistical series that is in existence, and someone does not want to see it dropped.

As for your second question really about the need for policy to run programs and understand programs, certainly they exist. I think one good example that I am now familiar with is I have just finished chairing the Advisory Council on Unemployment Compensation, and we have spent 3 years looking at the unemployment insurance system.

There is a data system in order to run that Federal/State cooperative program. The States need data, the Unemployment Insurance System Office in the Department of Labor needs data. It is not duplicative of that which the Bureau of Labor Statistics does in learning about unemployment. It may be complimentary, because BLS may use some of it. In fact, the tax records from the UI system are an important element of the BLS program.

The important thing is that those data sets will continue to exist and should under any system. What you need, however, in a statistical system is something which looks at the economy and social problems of the country as a whole, and which are entirely free from particular policy implications.

Mr. HORN. Let me ask you. A lot of experts believe that allowing the sharing of data for statistical purposes would improve the quality of Federal statistics, lower the cost of producing those statistics, lessen the burden on individuals and businesses that now provide the data. The counter argument is that current limitations on the data sharing are essential to protect the confidentiality of those providing the data.

I am just curious, what is the current status of legislative proposals to permit data sharing among your agencies and other agencies and, more broadly, all Federal statistical agencies?

Mr. EHRLICH. We regret that Ms. Katzen cannot be here. I think we would have to allow her to speak for the administration.

Mr. HORN. OK. Good. What difficulties exist in terms of added operating costs are burdens on those being surveyed because of the

current limitations on data sharing for statistical purposes? Have you run into this when you are out doing a particular series?

Mr. EHRLICH. Several years ago we initiated a project called Statistics 2000 in which Census, BEA, and BLS sat down together to find opportunities to reduce respondent burden collectively. Tom Mesenbourg, who is our Assistant Director at Census for Economic Programs, lead that effort.

We identified a variety of proposals, most of which were predicated on data-sharing legislation, most of which go to the issue of business list development that Dr. Abraham discussed.

It was our view that we could save private respondents tens of millions of dollars in compliance cost. That is a small level of compliance cost for a large number of units, but it adds up of course to a real burden. We believe that managing that burden is part of our responsibility. We look forward to the proposal when it comes.

Ms. ABRAHAM. If I could just add to that?

Mr. HORN. Yes.

Ms. ABRAHAM. It is not only Federal agencies that are out collecting data, there are a lot of State agencies that are out collecting data as well. I think one of the virtues of the sort of Federal/State cooperative arrangement that the Bureau of Labor Statistics has been engaged in for a long time is that that framework gives us the opportunity to coordinate these efforts.

We are currently engaged in discussions with the States regarding a Federal/State program to collect occupational wage information. My hope is that in the long-run that will lead to States that currently do that sort of survey getting out of the business, so that we are no longer engaged in duplicative efforts in that regard.

Mr. HORN. Are you working out agreements with a lot of States, in a sense sharing techniques and so forth based on the experience with BLS?

Ms. ABRAHAM. We have a long history of doing that in a variety of programs. We are working with the States to design a program that would collect occupational wage information. That would, in addition, also substitute for some of the administrative data that the Department of Labor currently pays to collect.

Mr. HORN. Would you be taking State data to be the basis for some of the series you already produce?

Ms. ABRAHAM. Well, we do that now. The employment figures that we produce each month are based on data collected for us by the States to our specifications. They both support the production of State employment estimates and then feed into the national numbers.

We work with the States to produce occupational safety and health data. We are working with them to expand our program of occupational employment statistics to add occupational wage information. We do that in a variety of arenas now.

Mr. HORN. Now, talking about BLS and Census, as we understand it, you maintain separate lists of business establishments. As I understand it, they serve different purposes. One recommendation of the Boskin initiative was that the two lists be combined. Where are we on that?

Ms. ABRAHAM. Well, we have established jointly at the BLS and the Census Bureau a committee that is beginning to do some of the

research that Dr. Norwood mentioned to see what are the strengths, what are the weaknesses of such lists in the eventuality that there would be data-sharing legislation and that we could move forward.

Mr. HORN. Well, so what you now do is you have two separate lists?

Ms. NORWOOD. They are two separate lists with different histories. They have different procedures and some differences as to frequency, updating and ways that multi-unit structures are handled. There are a number of things that need to be addressed.

Mr. HORN. Is this a regular group based on a sample, or does the sample change, but is still random or what?

Ms. ABRAHAM. The business list is based on administrative records in both cases. The Census Bureau's list is based on administrative records from the Internal Revenue Service. Our list is based on administrative records that come to us through the unemployment insurance system. They are both, in principle, censuses. They are both comprehensive in coverage. They are not samples. We, in turn, use them to draw samples for our probability surveys, but they are both comprehensive in coverage.

Mr. HORN. Well, would you say, just looking at it objectively, if we can, that there is a data collection burden when you have these two lists and could that be narrowed down?

Ms. ABRAHAM. I think, in fact, that the data collection burden is minimal in the sense that employers have to file their tax returns, they have to deal with the State unemployment insurance agencies when they pay their unemployment insurance tax. This is administrative information that they are providing anyway, by and large. The burden on employers of our using this information is relatively minimal.

Mr. HORN. Just how does the system work? Does somebody call on a particular employer and says, "Here is my inspector's wallet card, and I want to see these data?"

Ms. ABRAHAM. No. I can describe more clearly how our process works, and let Marty describe how hers works. In our case, employers have to every quarter file unemployment insurance taxes. They have to get an employer identification number. They then have to be recorded as an employer who is going to be paying unemployment insurance taxes. Then every quarter they have to file a report that includes, among other things, what their payroll is—that is relevant to calculating their tax liability—and number of employees that they have. In constructing our list, we are just taking that administrative information and compiling it.

Mr. HORN. You have got a total universe, I take it?

Ms. ABRAHAM. Yes.

Mr. HORN. There is no random sample with you?

Ms. ABRAHAM. No. There is no sampling. Except in special circumstances, no direct contacting of the employers. There are two exceptions to that. We do contact employers periodically every several years to verify what line of business they are in, so that we can adequately code the industry where they are located.

However, that feeds back into the administration of the unemployment insurance system, which, as you know, is experience rated. For that purpose, the UI administrators need to know accu-

rately what industry a given employer is in. We also do some contacting of employers who are large to get additional information from them on the separate establishments that make up their business. Except for that, we are using administrative data. We are not imposing additional burden.

Mr. HORN. One last question on my part, and then we will close this out and get to the next panel. You have got other agencies around town that ask certain questions that obviously are related to consumption in the sense of either health or agriculture or whatever.

What is the relationship with those other agencies that are doing their own thing? Are you incorporating those data into some of your basis series, and is that a longtime ongoing relationship, or what? I am thinking of the Public Health Services' National Medical Care Survey.

Mr. EHRLICH. For example, the work of HCFA and the medical and health statistics go into the calculations of GDP and the like. There is a source of practitioner data there. The areas that you talk about are generally in the service industries, where it is hardest to get primary data because the idea of production process is so much harder to define. That is going to be an important source of interrelatedness as we go forward as we build more data about the service industries into our estimates.

Mr. HORN. Mr. Bonnen, we have let you be quiet there with that academic background of yours at Michigan State. In your testimony, you strongly supported the bills objective of delineating stronger, clearer boundaries between statistical forms clearance and regulatory forms clearance. Tell me why is this important and how can this legislation help? You seem to have a real concern on that?

Mr. BONNEN. Well, as an outsider who wandered into this scene about 25 years ago, I was amazed at a number of things, and one is how tight all the tradeoffs are. You are suspended between, and have to be linked to the political decisionmakers. You have to know what is going on.

On the other hand, if your data is questioned by users as being politicized, the economics of information tells you instantly that data is worth substantially less to the society and to those individual users.

One of the most important distinctions or I call it a "fire wall" that you need between the day-to-day activities and goals, if you will, of policy and policymakers in a Cabinet agency or on the Hill and the production process, and indeed the decisions about how you are going to collect things and what you are going to collect. You do need linkage to those decisionmakers, those policymakers.

That separation between the statistical process, which is called "functional separation," and the regulatory activities which are politically radioactive, are always contentious, the normal activities of an action agency, whether it is regulatory or administrative primarily, they really have to be separated.

In some Cabinet environments, it has been very difficult to maintain that. You have to educate the assistant secretaries and the secretary, and then they turn over and you start all over again. It is well that that is embedded in legislation.

One of the great efficiencies of our system is, and it is not generally appreciated outside of the statistical system itself, that it is incredible the degree to which we are not out there asking questions to people, but rather are dependent on these administrative records, and indeed on regulatory records.

One of the problems in the system over the last decade a half has been that we have been deregulating at a pace that has left some statistical agencies kind of hanging out in the wind patching things until they could begin to survey things that are now missing.

The other side of this is, and this is I think one of the inefficiencies in the system now, is that we do not have a standard statutory basis for that promise of confidentiality. Then the flipside of that is that if you promise that confidentiality, you have to be able to protect it. That requires a number of things.

The efficiencies come in sharing of records. We are already dependent in this country on administrative and other nonstatistical sources, private as well as public in many cases. I mean, if you had to go out and collect all of this on Government money, you would triple the size or better than that probably of the statistical system. This is a source of efficiency.

The sharing of records is limited to statistical purposes. Somehow or other in the political process people do not seem to understand the degree to which statisticians own sense of their professional integrity depends on their ability to defend that promise of confidentiality. Yet, if we do not share the records we have less efficiency in the system. There is not just duplication; there is a failure to be able to do things.

Both that confidentiality and that capacity to share records between statistical agencies who are authorized, not every statistical agency because some of them are so small and limited that they do not have the capability, full capability, to protect statistical records coming in from sources where the confidentiality protections are higher.

The problem is every agency has a different situation. Indeed, in these Fed/State local systems there are a lot of problems often because you do not have the same rules as you go from the Federal to the State to whatever local institutions you are dealing with. That can be a problem. Although in the old cooperative systems, they generally work those things out, at least at a minimally satisfactory level.

If we had a sophisticated legislated base, a statutory base, for the sharing of statistical records with the boundaries defined clearly, which is what you indeed have to do, and every knowledgeable statistician feels very importantly about that, and I think that the public should too. That is a source of inefficiency today that we could do something about.

I applaud, as Janet has, the efforts of the Chief Statistician's Office and OMB to address both of those frontiers. When I came in here and looked up and saw that yellow, dog Democrat up there [indicating], it brought back great memories of encountering him on just this subject 15 years ago. It is an old issue.

Mr. HORN. Yes.

Mr. BONNEN. It is one that damn well ought to be resolved.

Mr. HORN. Well, you make a good point. We will be writing agency heads and others. Our mandate does include technology and information for this subcommittee.

Mr. BONNEN. Yes. The technological bases has changed substantially in 15 years.

Mr. HORN. Right. We have, as you know, various proposals going through the Senate and the House in terms of confidentiality from one side, but you are quite correct in terms of internal use. We ought to get that clarified. We would welcome any further thoughts any of you have. Please send them to Council Nedd, who is nursing over these hearings here, sitting on my left. We will see what we can develop in that area. I think you are absolutely correct.

Well, let me thank each one of you. We appreciate you coming. We know you have major operational responsibilities. It is nice of you to take this time to educate us on the subject. I thank you.

We will ask panel two to come up.

We have, you pronounce it Haver?

Ms. HAVER. Yes. I got promoted here.

Mr. HORN. Dr. Knapp and Dr. Billard. If you will stand and raise your right hand.

[Witnesses sworn.]

Mr. HORN. All three witnesses affirm. We will start with you, Dr. Maurine A—do you pronounce it Ha-ver or Haver?

Ms. HAVER. Ha-ver.

Mr. HORN. Dr. Maurine A. Haver, chair of the Statistics Committee, National Association of Business Economists and president of Haver Analytics.

Welcome.

Ms. HAVER. Thank you.

Mr. HORN. You know the ground rules. You have been here now. If you can summarize it, great. Your full statement goes in the record right now.

STATEMENTS OF MAURINE A. HAVER, CHAIR, STATISTICS COMMITTEE, NATIONAL ASSOCIATION OF BUSINESS ECONOMISTS (NABE), AND PRESIDENT, HAVER ANALYTICS; JOHN L. KNAPP, PRESIDENT, COUNCIL ON PROFESSIONAL ASSOCIATIONS ON FEDERAL STATISTICS (COPAFS); LYNNE BILLARD, PRESIDENT, AMERICAN STATISTICAL ASSOCIATION, AND PROFESSOR OF STATISTICS, UNIVERSITY OF GEORGIA

Ms. HAVER. Thank you.

I am speaking on behalf of our association this morning, which has a membership of over 3,000 business economists who use Government statistics every day in their work. The statistics produced by the BLS, BEA, and Census are as vital to the private sector as they are to the public sector. They provide the basis for many operational and planning decisions and have real dollar consequences.

Business economists have been concerned about the decline in the quality and availability of these data since the early 1980's. In 1995, we created our Statistics Committee with the charter to work for the improvement of our national statistical system.

The economy of the United States has changed rapidly, but, as we have noted here this morning, the resources to measure the growing service and hi-tech sectors have simply not been available.

Budget cuts have forced the statistical agencies to defer research and the development of tracking new sectors. As a result, Government statistics continue to measure our economy as if it were still dominated by manufacturing.

In 1996, many programs important to business were terminated. Dr. Ehrlich mentioned some of them this morning. The nonresidential building permits by State and locality, used by many smaller businesses in the construction industry. The investment plans survey, important to the Federal Reserve's capacity and capacity utilization program will also be discontinued. Of course, the pollution abatement by industry, which was mentioned earlier.

NABE surveys its members quarterly, and these surveys have shown strong support for a balanced budget for more than 30 years. We understand that budget constraints will continue to threaten these programs, and therefore the statistical agencies need to achieve a higher level of efficiency. We believe this can only be achieved through an overhaul of our fragmented system.

A first step is the consolidation of the major agencies, as proposed in H.R. 2521. In a survey we conducted last August, 81.4 percent of our members supported consolidation, only 5.6 percent were opposed. Consolidation alone will not realize the efficiencies that must be achieved.

We would caution supporters of this bill to not expect immediate savings. Consolidation is important because it starts the process of functional integration, and will bring decisions on program tradeoffs together so that more rational decisions are made.

Only in this budget year did we find Census and BEA moving forward on a badly needed, new, industrial classification system, while BLS was forced to drop the program due to lack of funding. The potential loss of comparability of data across the three agencies would be disastrous to those of us who do industry analysis.

We believe it is extremely important that the bill provide for data sharing among the agencies. Confidentiality requirements often preclude data sharing, leading to duplication of business lists as was discussed earlier and increased respondent burden.

Data sharing would permit the creation of a single business source list. We believe a single list will not only promote efficiency but will also improve data quality and consistency.

Access to administrative records, especially IRS records, across this agency with appropriate safeguards should also be provided. If this data sharing and access to administrative records are not achieved, we believe many of the potential efficiencies and benefits of consolidation will simply not be realized.

We commend the Congress for recognizing that consolidation must be effected slowly and that the starting point is simply bringing these agencies together under one administrator.

We strongly support an independent agency headed by an administrator, appointed by the President, confirmed by the Congress for a fixed term of 7 years. We believe that an agency independent from all regulators will reduce concern about confidentiality and raise response rates.

We agree that the Federal Council on Statistical Policy should be created, but believe the four members should be approved from the user community by the President and confirmed by the Congress.

We would also suggest that two of these members have no past work experience within the agencies. Problems of data quality or lack of economic information pose heavy costs on our society. We must begin a renewed effort to improve our statistical system, so it can provide us with the information that we all need to make appropriate decisions for the 21st century.

Thank you.

[The prepared statement of Ms. Haver follows:]

Testimony of

Maurine A. Haver

Chair, Statistics Committee
National Association of Business Economists
and
President, Haver Analytics

to the

104th U.S. Congress
House of Representatives

Government Management, Information and Technology Subcommittee

March 22, 1996

I am speaking today in my capacity as the chair of the Statistics Committee of the National Association of Business Economists.

Statistics produced by the BLS, BEA and Census are as vital to the private sector as they are to the public sector. They provide the basis of many operation and planning decisions and have real-dollar consequences. Business economists have been concerned about the decline in the quality and availability of these data since the early 1980s. In 1985 the NABE created a Statistics Committee with the charter to work for the improvement of our national statistical system. The Statistics Committee worked closely with CEA Chairman Michael Boskin in the formulation of a number of recommendations for system-wide improvement. These recommendations were submitted to the Congress as part of President Bush's budget proposals but were in large part unfunded.

The economy of the United States has changed rapidly, but resources to measure that economy have neither been redirected nor augmented to recognize the growing importance of our service and high tech sectors. Budget cuts force statistical agencies to defer programs that track new and emerging sectors. As a result, government statistics continue

to measure our economy as if it were still dominated by manufacturing. Also of great concern is that in 1996 many programs important to business have been terminated. For example, nonresidential building permits by state and locality used by many smaller businesses in the construction industry are no longer collected. The investment plans survey, important to the Federal Reserve's Capacity and Capacity Utilization program, will also be discontinued. Information on spending for pollution abatement by industry will no longer be available.

NABE surveys its members quarterly on public policy issues, and these surveys have shown strong support for a balanced budget for more than 30 years. We understand that budget constraints will continue to threaten important statistical programs. For their part, the statistical agencies need to achieve a higher level of efficiency, and we believe this can be achieved through an overhaul of the fragmented system we have today. A first step is the consolidation of the major economic statistical agencies -- BLS, BEA and Census -- as proposed in HR 2521. The results of a NABE member survey conducted last August is attached. In this survey 81.4% supported consolidation of these three agencies. Only 5.6% were opposed.

Statistical agency consolidation alone will not realize the efficiencies that must be achieved, and we would caution supporters of this bill not to expect immediate budget savings. Consolidation is important because it starts the process of functional integration and will bring decisions on program tradeoffs together so that more rational decisions are made. Only this year did we find Census and BEA moving forward on a new industrial classification system while BLS dropped the program, at least in this budget year, due to lack of funding. The potential loss in comparability of data across the three agencies would be disastrous for analysis of industry data.

We believe the bill should provide for "data sharing" among the agencies. Confidentiality requirements often preclude data sharing among agencies today leading to duplication of business lists and increased respondent burden. Data sharing would permit the creation of a single business source list. A single list would not only promote efficiency but would also improve data quality and consistency. Access to administrative records, especially IRS records with appropriate safeguards, should be provided for. If data sharing and access to administrative records are not achieved, many of the potential benefits of a consolidated system will not be realized.

The business community and financial markets derive significant benefits from the collection and dissemination of economic data. Complaints of respondent burden are often misinterpreted. Many businesses are ready to provide data but object to rigid reporting requirements which preclude the submission of computer generated reports. Some progress has been made in allowing for computer input but no single standard exists among the agencies. Duplication of requests due to confidentiality barriers which cause different agencies to request identical or similar data is another familiar complaint. We hope consolidation would free resources for the creation of one automated reporting standard which we believe would lower costs and improve response rates.

We commend the Congress for recognizing that consolidation must be effected slowly and that the starting point is simply bringing the three existing agencies together under one administrator. We strongly support an independent agency headed by an Administrator appointed by the President and confirmed by the Congress for a fixed term of seven years. We believe an agency independent from all regulators will reduce concerns about confidentiality and raise response rates.

We agree that the Federal Council on Statistical Policy should be created and believe the four members who are not officers or employees of the Government should be appointed by the President from the user community to assure the Federal Statistical Service remains responsive to user needs. The members should be confirmed by the Congress. We suggest that at least two of these members should have no past work experience within the agencies.

We share the sense of the Congress that the budget and functions of the Bureau of the Census relating to the decennial census of population should be segregated from the other budget and functions of the Bureau of the Census and recommend that a director for the decennial census be appointed and report directly to the Administrator.

We also share the sense of the Congress that the Chief Statistician of the United States should be provided resources adequate to do the job for which the office is responsible.

We all recognize the importance of our national statistics in the development of national policies and the administration of public programs. Businesses use these data everyday in

making business decisions. The importance of economic data to financial markets was demonstrated earlier this month when the market fell over 170 points on a strong employment report.

Problems of data quality or lack of economic information pose heavy costs on our society. We must begin a renewed effort to improve our statistical system so it can provide us with the information we need to make appropriate decisions for the twenty-first century.

NABE Membership Survey for a Statistics Action Plan

August 1995

A questionnaire on economic data quality and possible approaches to the improvement of government statistics was mailed to NABE members in late July. 394 questionnaire had been returned by the cutoff date of August 22. This was a 13% response rate for U.S. members. The tabulation below reflects these questionnaires. Over 400 questionnaires were received in total.

1. Which data are most important to you in your work?

45.9%	U.S. Macro Indicators
23.9	Regional
13.2	Industry except Agriculture and Energy
1.3	Agriculture
4.1	Energy
7.4	Demographic

2. How do you view the quality of data you ranked #1

-- for accuracy?

	Total	Macro	Regional	Industry	Agr	Energy	Demographic
Excellent	14.0	14.4	10.6	9.6	0.0	25.0	24.1
Good	44.2	46.4	40.4	38.5	20.0	56.3	55.2
Acceptable	33.0	33.7	34.0	38.5	80.0	18.8	17.2
Poor	7.4	5.0	12.8	9.6	0.0	0.0	3.4

-- for timeliness?

	Total	Macro	Regional	Industry	Agr	Energy	Demographic
Excellent	11.9	19.3	2.1	9.6	20.0	12.5	6.9
Good	35.0	46.4	19.1	25.0	0.0	31.3	34.5
Acceptable	35.5	27.6	45.7	44.2	60.0	50.0	44.8
Poor	17.0	6.1	31.9	21.2	20.0	6.3	13.8

-- for coverage?

	Total	Macro	Regional	Industry	Agr	Energy	Demographic
Excellent	15.0	16.0	9.6	5.8	0.0	25.0	17.2
Good	40.4	44.8	35.1	25.0	40.0	50.0	41.4
Acceptable	30.7	28.2	38.3	51.9	40.0	18.8	31.0
Poor	12.9	9.9	14.9	17.3	20.0	6.3	10.3

3. How do you view the trend

-- in accuracy?

	Total	Macro	Regional	Industry	Agr	Energy	Demographic
Improving	16.8	14.9	16.0	15.4	0.0	25.0	17.2
Stable	53.0	49.7	52.1	61.5	40.0	56.3	55.2
Deteriorating	28.4	34.8	27.7	23.1	60.0	18.8	24.1

-- in timeliness?

	Total	Macro	Regional	Industry	Agr	Energy	Demographic
Improving	12.9	9.4	13.8	15.4	0.0	25.0	13.8
Stable	64.7	74.6	56.4	61.5	40.0	68.8	55.2
Deteriorating	20.6	14.9	25.5	23.1	60.0	6.3	27.6

-- in coverage?

	Total	Macro	Regional	Industry	Agr	Energy	Demographic
Improving	14.0	8.8	12.8	11.5	0.0	31.3	10.3
Stable	55.3	56.4	61.7	55.8	20.0	62.5	62.1
Deteriorating	28.7	33.1	21.3	32.7	80.0	6.3	24.1

4a. Most important step to improve quality of government data:

Rank 1	Rank 2	
27.9	17.3	Create a single statistical agency
24.6	28.2	Eliminate obstacles to data sharing
20.8	12.7	Increase funding targeted for R&D and technology
9.4	9.6	Make surveys mandatory
1.5	4.1	Increase R&D with current budgets by eliminating programs

4b. Greatest obstacles to accurate and timely government data:

70.1%	Budget cuts
67.0	Lack of coordination among agencies
47.7	Poor response rate on surveys
45.4	Inability of agencies to share data due to confidentiality agreements
38.1	Lack of R&D effort

5a. Do you support the consolidation of the major 12 statistical agencies into one STAT-USA similar to Statistics Canada?

	Total	Academic	Government	Industry
Yes	59.1	50.0	54.4	62.2
No	12.9	9.4	16.2	11.7
Undecided	27.7	40.6	27.9	26.1

5b. If no or undecided, would you support consolidation of only BEA, BLS, Census and the Statistical Policy Office of OMB?

	Total	Academic	Government	Industry
Yes	22.3	31.3	19.1	22.3
No	5.6	0.0	5.9	4.9
Undecided	11.9	18.8	16.2	10.2

6. What would be the advantages of a single statistics agency?

75.1% data sharing could eliminate duplication of surveys
74.6 higher productivity -- expertise would not be duplicated
65.5 ease of locating data
54.8 investment in technology could have higher payoffs
43.9 data gathering would be separate from regulation
38.6 unified budget could be reallocated based on priorities
34.8 would have more clout in budget negotiations

7. What would be the disadvantages of a single agency?

49.5 might be less responsive to user needs
45.4 priorities might not coincide with needs of business economists
45.4 easier to politicize data in a single agency
18.8 agency with all data would have too much power
11.7 data gathering should be in same agency as regulatory work
6.6 congressional committees would be less able to control allocation of resources

8. Would you be willing to pay higher user fees if the money collected could be applied directly to data improvement?

	Total	Academic	Government	Industry
Yes	75.1	90.6	69.1	75.6
No	16.8	3.1	13.2	19.8

9. Would your company agree to extend existing confidentiality agreements to all parts of a consolidated agency?

	Total	Academic	Government	Industry
Yes	32.0	18.8	30.9	34.3
No	4.6	0.0	8.8	4.2
Don't know	51.5	53.1	39.7	55.5

Mr. HORN. Well, I thank you.

Now we have a vote underway on the floor. We are going to have to recess for about 15 or 20 minutes. It takes that long to get over, vote, and get back. I am going to recess this at, roughly, 11:52. We will try to get this back underway by at least no later than 12:10.

[Recess.]

Mr. HORN. I think some of you are running late. Why do we not just merge the two panels, so that we will get everybody in here. Again, I am sorry, but that is the way the House works. I just gave up time on a major speech. Here we are. We are going to try to not keep you longer than we have to.

Now, the two witnesses that joined us, Sally Katzen and Nye Stevens, if you would, raise your right hands?

[Witnesses sworn.]

Mr. HORN. Both witnesses affirm. We will proceed down the line with Dr. Knapp. Your statement goes in the record. If you can summarize it in 5 minutes, that would be great.

Mr. KNAPP. Thank you, Mr. Chairman, and thank you for inviting the Council of Professional Associations on Federal Statistics.

Mr. HORN. You are president?

Mr. KNAPP. Yes.

Mr. HORN. I should have said that when I introduced you. I apologize.

Mr. KNAPP. That mouthful is more commonly known as "COPAFS," the Council on Professional Association on Federal Statistics. Thank you for the opportunity to testify on this very important proposed legislation. I am John Knapp, president of COPAFS and research director for business and economics at the University of Virginia's Cooper Center for Public Service.

COPAFS' membership consists of 16 professional associations and 50 affiliate members. The professional associations include: the American Economic Association, the American Public Health Association, the Association of Public Data Users, and the organizations represented by my fellow panelists, to mention a few. Examples of some of our affiliates are the Dunn & Bradstreet Corp., the Rand Corp., and the University of California.

Behind me is Ed Sparr, accompanying me today, the executive director of COPAFS. In addition to Ed—you are there, Ed—in addition to his encyclopedic knowledge of Federal statistical programs, his previous marketing experience in the private sector provides a very helpful perspective in evaluating the Federal statistical system.

Overall, COPAFS represents tens of thousands of users of Federal statistics whose interest range from media and market planning to research on disability. The principal mission of the COPAFS is to inform statistical users of the major current issues and capabilities of the Federal statistical system and to advise both the agencies and Congress about the needs of various user communities.

My prepared comments have been endorsed by the COPAFS Board of Directors. We share the concerns that have been voiced by other panelists about the quality, quantity, and timeliness of Federal statistics. However, even though problems exist, the U.S.

statistical system is preeminent. Users of Federal statistics are concerned that nothing be done to jeopardize its leadership.

In keeping with this observation, we urge that the "Findings" section of the legislation contain a statement that the U.S. statistical system is the best in the world. Other items that should be added to the "Findings" section are the need both for ensuring confidentiality and for fostering data sharing among agencies, two points that have already been made quite often this morning.

We believe guidance within the bill that would enable all major statistical agencies to share data would speed the process of full integration. There are many aspects of the Federal statistical system that require attention. Changes in organization will not be a cure-all. If organizational changes are made, they must be done so that ongoing statistical programs will not be disrupted.

Given the need for change, we think that the bill takes the correct approach toward the development of a stronger system. The bill does not disrupt ongoing programs and allows time for the Federal Statistical Service to work on the task of removing duplication and adopting more efficient methods.

In our view, a major advantage would be the central focus on statistics provided by the new agency. However, without either a major study or at least a public review of possible duplication and inefficiency, it is impossible to know what savings, if any, might be accomplished. We recommend that you consider adding the need for such a survey to your legislation.

I will spend the balance of my time discussing our concerns from the user's perspective and give specific recommendations in this context. One of the major problems faced by users of data from more than one agency is the inability to readily retrieve information from common systems. Levels of expertise in data dissemination vary considerably from agency to agency.

For many years, the concept of a one-stop shop has been discussed. This legislation would create the environment where the beginnings of this approach to data dissemination could be established.

We, therefore, recommend that you include in this bill specific wording for the existence of a centralized process for data dissemination, along with a recognition for the need to have market research on a continuing basis to determine user needs.

Even though it is the intent of the legislation to segregate, if feasible, the budget and functions of the decennial census from other Census Bureau functions, the centralization of data dissemination must include data gathered from the decennial census. The creation and management of such a proposed centralized system would be the direct responsibility of the administrator of the new agency. The proposed legislation maintains the structure of the three agencies.

We suggest that specific wording be added which calls for further research to determine how these agencies can be merged into a single entity with divisions responsible for subject areas such as censuses, surveys, labor statistics, and national income accounts.

A timeframe should be included in the legislation for both the completion of the research and the establishment of an agency restructured by function. The development of the single agency would

be the responsibility of the proposed Federal Council on Statistical Policy.

In this context, we recommend that wording be added which recognizes that the three agencies in the legislation are part of a much larger system, and that the possible additional consolidation of other agencies should be explored.

We believe that the major function of the Federal Council is to act as an advisory group to the Chief Statistician and the administrator. At the same time, the Paperwork Reduction Act of 1995 establishes an interagency council on Statistical Policy, which is headed by the Chief Statistician.

However, the Chief Statistician does not play a specific role in the proposed legislation. We believe that this role is best accomplished by having the Chief Statistician as the permanent chair of the Federal Council. In doing this, the legislation would thereby recognize the need to see these agencies as part of a larger system.

We also recommend that the Federal Council be expanded to include other Federal statistical agencies on a rotating basis. The Office of Management and Budget would be responsible for identifying the other statistical agencies. In addition, we recommend that the nongovernmental members of the Federal Council include members of the data user community to be chosen by the chair.

Finally, we recommend legislative recognition of the need for continuing research on the effectiveness of the Statistical Service and provision for an annual evaluation in relation to goals established by the Federal Council. The purpose of the evaluation would be to aid the Statistical Service in improving its performance.

We believe that the name of the new service, the Federal Statistical Service, is too bureaucratic and is likely to be lost in the maze of other Federal agency names. Instead, we suggest following the example of our neighbors to the north, who call their central statistical agency, Statistics Canada. The name Statistics USA would provide high visibility for this important function in today's Information Age.

Admittedly, Statistics USA would initially overstate the coverage of the agency, since many important Federal statistical programs are not covered in the initial organization, but it would point to the greater coverage that is likely to occur as the agency develops its mission over time.

This concludes my prepared statement, Mr. Chairman, and of course I will be glad to answer questions later.

Thank you.

[The prepared statement of Mr. Knapp follows:]

John L. Knapp, Ph.D.

President, COPAFS

Good morning Mr. Chairman, and thank you for inviting the Council of Professional Associations on Federal Statistics (more commonly known as COPAFS) to testify on this very important proposed legislation. I am Dr. John Knapp, president of COPAFS and research director for business and economics at the University of Virginia's Cooper Center for Public Service.

COPAFS' membership consists of sixteen professional associations and fifty affiliate members. The professional associations include the American Economic Association, the American Public Health Association, the Association of Public Data Users, and the organizations represented by my fellow panelists, to mention a few. Examples of affiliates are the Dun & Bradstreet Corporation, the Rand Corporation, and the University of California. Accompanying me is Edward J. Spar, Executive Director of COPAFS. In addition to his encyclopedic knowledge of federal statistical programs, his previous marketing experience in the private sector provides a very helpful perspective in evaluating the federal statistical system. Overall, COPAFS represents tens of thousands of users of federal statistics whose interests range from media and market planning to research on disability. The principal mission of COPAFS is to inform statistical users of the major current issues and capabilities of the federal statistical system and to advise both the agencies and Congress about the needs of the various user communities.

My prepared comments have been endorsed by COPAFS' Board of Directors. We share the concerns that have been voiced by other panelists about the quality, quantity, and timeliness of federal statistics. However, even though problems exist, the United States statistical system is preeminent. Users of federal statistics are concerned that nothing be done to jeopardize its leadership. In keeping with this observation, we urge that the findings section of the legislation contain a statement that the U.S. statistical system is the best in the world. Other items that should be added to the findings section are the need both for insuring confidentiality and for fostering data sharing among agencies. We believe guidance within the Bill that would enable all major statistical agencies to share data would speed the process of full integration.

There are many aspects of the federal statistical system that require attention. Changes in organization will not be a cure-all. If organizational changes are made, they must be done so that ongoing statistical programs will not be disrupted. Given the need for change, we think the Bill takes the correct approach towards the development of a stronger system. The Bill does not disrupt ongoing programs and allows time for the Federal Statistical Service to work on the task of removing duplication and adopting more efficient methods.

In our view, a major advantage would be the central focus on statistics provided by the new agency. However, without either a major study, or at least a public review of possible duplication and inefficiency, it is impossible to know what savings, if any, might be accomplished. We recommend that you consider adding the need for such a survey to your legislation.

I will spend the balance of my time discussing our concerns from the user's perspective and give specific recommendations in this context.

One of the major problems faced by users of data from more than one agency is the inability to readily retrieve information from common systems. Levels of expertise in data dissemination vary considerably from agency to agency. For many years, the concept of a one-stop shop has been discussed. This legislation would create the environment where the beginnings of this approach to data dissemination could be established. We therefore recommend that you include in this Bill specific wording for the existence of a centralized process for data dissemination along with the recognition for the need to have market research on a continuing basis to determine user needs. Even though it is the intent of the legislation to segregate, if feasible, the budget and functions of the Decennial Census from other Census Bureau functions, the centralization of data dissemination must include data gathered from the Decennial Census. The creation and management of such a proposed centralized system would be the direct responsibility of the Administrator of the new agency.

The proposed legislation maintains the structure of the three agencies. We suggest that specific wording be added which calls for further research to determine how these agencies can be merged into a single entity with divisions responsible for subject areas such as censuses, surveys, labor statistics, and national income accounts. A time frame should be included in the legislation for both the completion of the research and the establishment of an agency restructured by function.

The development of the single agency would be the responsibility of the proposed Federal Council on Statistical Policy. In this context, we recommend that wording be added which recognizes that the three agencies in this legislation are part of a much larger system and that the possible additional consolidation of other agencies should be explored.

We believe that the major function of the Federal Council is to act as an advisory group to the Chief Statistician and the Administrator. At the same time, the Paperwork Reduction Act of 1995 establishes an Interagency Council on Statistical Policy which is headed by the Chief Statistician. However, the Chief Statistician does not play a special role in the proposed legislation. We believe that this role is best accomplished by having the Chief Statistician as the permanent chair of the Federal Council. In doing this, the legislation would thereby recognize the need to see these agencies as part of a larger system. We also recommend that the Federal Council be expanded to include other federal statistical agencies on a rotating basis. The Office of Management and Budget would be responsible for identifying the other statistical agencies. In addition, we recommend that the non-governmental members of the Federal Council include members of the data user community, to be chosen by the Chair. Finally, we recommend legislative recognition of the need for continuing research on the effectiveness of the Statistical Service and provision for an annual evaluation in relation to goals established by the Federal Council. The purpose of the evaluation would be to aid the Statistical Service in improving its performance

We believe that the name of the new serve—the Federal Statistical Service—is too bureaucratic and is likely to be lost in the maze of other federal agency names. Instead, we suggest following the example of our neighbors to the north who call their central statistical agency "Statistics Canada." The name, "Statistics USA" would provide high visibility for this important function in today's information age. Admittedly, Statistics USA would initially overstate the coverage of the agency since many important federal statistical programs are not covered in the initial organization. But it would point to the greater coverage that is likely to occur as the agency develops its mission over time.

This concludes my prepared statement, Mr. Chairman. I would be glad to respond to any questions you or other members of the Subcommittee may have.

Mr. HORN. Well, it is very interesting, that idea of Statistics USA. Would it be "Statistics USA?" I mean, I hear all that language now, so I don't know if we want to do that. It is a good idea on the Statistics USA, and we will take that very seriously.

Well, we now have Dr. Billard, university professor of statistics, University of Georgia. Welcome.

Ms. BILLARD. Thank you, Mr. Chairman.

I am Lynne Billard, president of the American Statistical Association. On behalf of its 19,000 members, I am pleased to testify on H.R. 2521.

The American Statistical Association is a scientific and educational society which, since 1839, has promoted sound statistical practice among its members and with the American people. For over 150 years, we have advised the Congress and the administration on issues concerning the functions of the Federal statistical agencies, generally restricting ourselves to issues central to the professional practice of statistics, and I will take that approach today.

I will focus on five general topics of this legislation. One, the need for good statistics is fundamental to the functioning of Government; two, issues relating to ensuring the integrity, quality and confidentiality of data; three, the need for independence of data collection from partisan influences; four, the role of the Chief Statistician; and, five, the scope and coverage of the proposed Federal statistical service.

One, it is axiomatic that a democratic society needs good statistics to function properly, as understood by the framers of our Constitution in their call for regular census-taking. Statistics are built into the very fabric of our public policymaking processes.

For example, data from the three agencies referenced in this proposed legislation are used to allocate Federal funds, index taxes and Federal payments, and establish a basis for the financial markets. These and other uses have grown as our national life has become more complex.

Two, it is important to build an institutional framework which enables statistical agencies to meet basic statistical practice prerequisites such as integrity, quality, and confidentiality of data. Others today have addressed these in detail. Still, it seems appropriate to highlight a few.

For example, an agency needs a clear statement of its mission including how it will assess needs for information and how it will conduct its statistical operations.

In that regard, we believe the legislation should spell out the formal linkages between the new agency, the Congress, and the policy branches of the administration with appropriate safeguards to ensure the integrity of its products, just as it has links to Congress through the process of congressional appointment of Members to the proposed Federal Council.

The need for integrity will be best met when the agency has a strong measure of independence. Likewise, the agency should have a strong measure of accountability to the public at large. This accountability is aided by the Council but should be supplemented by a governance structure which provides outside review and guidance of the work of the agency.

We hope and expect the present advisory panels from the professional associations and other groups will be continued and strengthened by the new agency. A statement in the findings to that effect would be quite useful.

Three, the new agency will need to have staff expertise in many disciplines, among them economics, demographics, statistics, the cognitive sciences, and the computer sciences. This multidisciplinary approach requires an infrastructure that supports professional training, development, and advancement in these disciplines.

Presently, most statistical agencies assure the promulgation of these standards through strong high-level and quasi-independent methodology organizations. The statistical methodology offices ensure objective statistical criteria for validity and accuracy of data and for conveying measures of uncertainty to data users. We strongly believe that the new agency should have such an internal organization, and would support a legislative requirement mandating such a body.

Four, the commitment to quality and professional standards and independence are best assured by a strong, independent Chief Statistician. The agencies which would be initially consolidated into this service are but 3 of the more than 70 agencies which produce statistical information for the Federal Government.

We are not proposing that these other organizations be incorporated into the new agency at this time, but any legislation should clearly articulate a means of coordinating the function of all the agencies.

Finally, H.R. 2521 has the opportunity to clarify the relationship between the administrator of the new agency and the coordination system established by the Paperwork Act, and we encourage that. I thank you for the opportunity the testify on this important legislation. The American Statistical Association would be happy to provide additional information on the matters to which we have testified today.

Thank you.

[The prepared statement of Ms. Billard follows:]

American Statistical Association
1429 Duke Street, Alexandria, Virginia 22314-3402 USA
(703) 684-1221 • Fax: (703) 684-2037 • E-mail: asainfo@amstat.org

TESTIMONY ON HR. 2521, STATISTICAL CONSOLIDATION ACT OF 1995
by The American Statistical Association
March 22, 1996

Presented by Lynne Billard, Ph. D.,
University Professor, Statistics, University of Georgia

Good afternoon. I am Lynne Billard, President of the American Statistical Association I am pleased to testify on HR 2521, The Statistical Consolidation Act of 1995, on behalf of the 19,000 members of the American Statistical Association.

The American Statistical Association is a scientific and educational society which, since 1839, has promoted sound statistical practices among its members and with the American people. In our over 150 years of existence, we have advised the Congress and the Administration on issues concerning the functions of the Federal statistical agencies. When called on to provide such advice, we have generally elected to restrict ourselves to issues central the professional practice of statistics. I will take that approach in my testimony today.

I will focus on five general aspects of the legislation that is pending before this Subcommittee:

1. The need for good statistics as fundamental to the functioning of government;
2. Issues relating to ensuring the integrity, quality, and confidentiality of data;
3. The need for independence of data collection from partisan issues;
4. The role of the Chief Statistician; and
5. The scope and coverage of the proposed Federal Statistical Service.

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1. The Need for Good Statistics as Fundamental to the Functioning of Government

Good statistics are fundamental to functioning of democratic societies. It is almost axiomatic that a democratic society needs good statistics to function properly. This was understood by the framers of our Constitution in their call for regular census-taking

The need for good statistics has never been more apparent than it is today. That is because statistics are built into the very fabric of our public policymaking processes. For example, data from the three agencies which are referenced in this proposed legislation - the Bureau of the Census, the Bureau of Labor Statistics, and the Bureau of Economic Analysis - are used to allocate Federal funds, index taxes and Federal payments, and establish a basis for the financial markets. These and other uses have grown as our national life has become more complex.

2. Issues Relating to Ensuring the Integrity, Quality, and Confidentiality of Data

Good statistics are a function of good statistical practice. It is important to build an institutional framework which enables statistical agencies to meet basic statistical practice prerequisites. An excellent description of good national practice is contained in the 1992 report , *Principles and Practices for a Federal Statistical Agency*, by the National Research Council's Committee on National Statistics. These principles provide a basis for judging the adequacy of the legislation before us today. Others here today are addressing these in detail. Still it seems appropriate to highlight a few.

For example, an agency needs a clear statement of its mission, including how it will assess needs for information, and how it will conduct its statistical

operations. In that regard, we believe the legislation should spell out the formal linkages between the new agency, the Congress, and the policy branches of the Administration. In the current configuration, the three agencies have strong linkages to the Departments in which they are located, and are generally consulted as Administration priorities (the mix of programs) are being considered. The new agency should have an apparatus for maintaining links to the Administration's policy process, with appropriate safeguards to ensure the integrity of its products, just as it has links to Congress through the process of Congressional appointment of members of the proposed Federal Council on Statistical Policy.

The need for integrity will be best met when the agency has a strong measure of independence. Nonetheless, the agency should have a strong measure of accountability to the public at large for its programs. This accountability is aided by the Council, but should be supplemented by a governance structure which provides outside review and guidance of the work of the agency. We hope and expect that present advisory panels from the professional associations and other groups will be continued and strengthened by the new agency without requirement for those panels in law, but a statement in the "Findings" to that effect would be quite useful.

3. The Need for Independence of Data Collection From Partisan Influences

Good statistical practice is grounded in a commitment to quality and professional standards. The new agency will need to have staff expertise in many disciplines, among them economics, demographics, statistics, the cognitive sciences, and the computer sciences. This multidisciplinary approach requires an infrastructure that supports professional training, development, and advancement in these disciplines. Presently, most statistical agencies assure the promulgation of those

standards through strong, high level, and quasi-independent methodology organizations. The statistical methodology offices have provided the valuable function of ensuring objective statistical criteria for validity and accuracy of data, and for conveying measures of uncertainty to data users. They have managed quality assurance programs which enhance the integrity of the internal processes of the agencies. We strongly believe that the new agency should have such an internal organization and would support a legislative requirement that mandated such a body.

4. The Role of the Chief Statistician

The commitment to quality and professional standards and independence are best assured by a strong, independent Chief Statistician. The legislation recognizes the continued, important role of the Chief Statistician, who is currently housed in the Office of Management and Budget, and would remain there under this legislation. The Chief Statistician continues to be the link between this new agency and the larger statistical community, and thus is more than a member of the Council. The legislation reflects that understanding in the statement of the Sense of the Congress but a means of carrying out that sense is not specified. Certainly, as a minimum, a reference to the Paperwork Reduction Act which establishes the important roles of the central statistical coordination function of the Office of Management and Budget should be incorporated.

5. The Scope and Coverage of the Proposed Federal Statistical Service

Formalizing coordination in the system beyond Census, BEA, and BLS. I would be remiss if I did not point out that the very name of the proposed organization - the Federal Statistical Service - is somewhat of a misnomer. The agencies which

would be initially consolidated into the agency are but 3 of the more than 70 agencies which produce statistical information for the Federal government. Among the many other agencies outside of this legislation, some that are quite consequential - the National Agricultural Statistics Service, the National Center for Educational Statistics, the National Center for Health Statistics, the Energy Information Administration, the Bureau of Justice Statistics, the Bureau of Transportation Statistics, and the Statistics of Income Division of the Internal Revenue Service --- to mention a few. We are not proposing that these organizations be incorporated into the new agency, but any legislation should clearly articulate a means of coordinating the functions of all the agencies. In the same vein, it is probably not realistic to expect that the Council as presently comprised could "establish a Government-wide statistical policy" as would be mandated in this legislation.

I have already mentioned the relationship between this legislation and the Paperwork Reduction Act, which established the current coordination mechanism. HR. 2521 has the opportunity to clarify the relationship between the Administrator of the new agency and the coordination system established by the Paperwork Act, and we encourage that.

Thank you for the opportunity to testify on this important legislation. The American Statistical Association would be happy to provide additional information on the matters to which we have testified today.

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The **American Statistical Association**, founded in Boston in 1839, is an scientific and educational society dedicated to excellence in the development and application of statistics to the wealth of human endeavor. Early ASA members included Florence Nightingale, Alexander Graham Bell, Herman Hollerith, Martin Van Buren, and Andrew Carnegie. ASA's 19,000 members -- statisticians and users of statistics -- serve in government, academia, and industry, applying their expertise to mathematics, medicine, biology, the physical and chemical sciences, economics, and social sciences.

Mr. HORN. Well, thank you. The three of you. We are going to go to Dr. Katzen in a minute. All three of you have given excellent testimony. I want to follow up on a lot of those things.

I think one of my concerns, and you might be thinking about it because I am going to ask all of you this, the person that should fill the role of Chief Statistician might not be the person you want to manage the statistical agency. I think that needs to be given some thought by you experts as to the skills involved. It is like being the chief actuary, in a sense, for the Social Security Administration, which is a very prestige job and a very important job, that might not qualify you to run the Social Security Administration. Somewhere we have got to sort of get an agreement there that because you are a brilliant statistician does not mean that you are a brilliant manager.

OK. Dr. Katzen, we are delighted to have you with us. You are sort of, as I remember, a one man, one woman band around this town, a lot of responsibility, so we know you are busy, Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget.

Welcome. Nice to see you again.

STATEMENTS OF SALLY KATZEN, ADMINISTRATOR, OFFICE OF INFORMATION AND REGULATORY AFFAIRS, OFFICE OF MANAGEMENT AND BUDGET; AND L. NYE STEVENS, DIRECTOR, FEDERAL MANAGEMENT AND WORKFORCE ISSUES, GENERAL GOVERNMENT DIVISION, GENERAL ACCOUNTING OFFICE

Ms. KATZEN. Well, thank you, Mr. Chairman, it is a pleasure to be here in what I hope is the first of many opportunities to engage with your subcommittee on how best to enhance the efficiency and effectiveness of our Federal statistical activities.

I appreciate particularly your accommodating our schedules by rearranging the panels. You have had a long morning. Rather than extend it, I would like to keep my oral statement very brief and make a few points. You have my written testimony which provides the administration's views on H.R. 2521.

Some reflections on the problems and progress of the Federal statistical system and some discussion of how we think we can best respond to the challenges and criticisms that have been raised. Now, to some extent, what witnesses have been discussing this morning is a question that has long been debated in the statistical community; and that is, the relative benefits and cost of a centralized versus a decentralized statistical system.

From our perspective, our existing decentralized system, though not perfect, has served us well. As one of the earliest panelists said, it is preeminent in the world. We also recognize that the relevancy, accuracy, and usefulness of our statistics should be improved and can be improved. We would like to do so by building on the strengths of our diversified system, rather than by ignoring them.

The important point, I think, is to focus on the improvements we seek in our measurement capability, and not necessarily on how we get there. As we can agree on the end points, it will be much more

easy, I think, to discuss the various paths to that shared common goal.

Now, I sense some of the motivation for the bill before us may have come from a hope to save Federal tax dollars. Coming from OMB, I am sympathetic to that objective. I must say that we have learned that reorganizations ordinarily do not save money.

That is particularly true where the functions that are being reassigned, the boxes are kept in tact. In fact, in those circumstances, the reorganization ordinarily increases costs. It is expensive in terms of money. In terms of momentum, disrupting the organization, and in terms of the morale as uncertainty, which, as you all know, has gripped the entire Federal work force, it becomes a paramount consideration.

In the long-term, sometimes savings can be achieved, but these have been more illusive. The stringent budgets that have already been allocated to our existing statistical agencies I believe leave little, if any, fat to be removed. Therefore, I think the hope for substantial savings is not there. There is precious little to cut.

Also, as I hear the conversations about this new agency, I have heard that it requires certain various disciplines of statisticians, of demographics, of other kinds of skills with a management overlay. I hear that the agency would begin with the three major statistical agencies, but then ultimately absorb, sort of like an amoeba, some of the other 11 major agencies, and perhaps some of the 60 smaller ones.

As I sit here listening, I feel a little bit like Alice in Wonderland, because I have been in Washington for the last 3 years, where I have been told Government is too big. I have been told that we need to get rid of some departments; we need to cut back. Yet, I see, in effect, something which appears to be going in the other direction. I think that has been a concern to us. We have focused on what steps, short of reorganization, can achieve the objectives we want.

I was gratified to hear so much today emphasis on "confidentiality" and "data sharing." We have currently out in the "Federal Register" an administrative order proposing uniform rules for confidential treatment by all statistical agencies. We have been preparing legislation that we hope your subcommittee will endorse and help us think through the issue of sharing data.

As you recognized in your opening statement, confidentiality is a cornerstone of data sharing, and data sharing in turn will enable us to reduce respondent burden and to eliminate any duplications or overlap. That is going to help enhance the integrity of the system.

Also, to take a break for a public service message. I heard my earlier colleague here call for "one-stop shopping." I would like to announce that next month we plan to establish briefing rooms for economic and social statistics on Internet's WorldWide Web.

These releases will build on agencies tremendous progress in electronic dissemination, and give the general public quick, easy, informative access to the key economic indicators in social statistics, as well as to a wealth of other statistical information.

Now, as discussed in my written testimony and as referenced here, there is a framework in place already by the Paperwork Re-

duction Act, which was passed without a single dissenting vote in Congress and which the President gleefully signed; and that is, the creation of the interagency council that is chaired by the Chief Statistician.

This provides, I think, the kind of framework that we need to improve the interagency communications, to set priorities, and to work toward achieving the various benefits of an improved statistical system. We believe that these incremental administrative and legislative changes build on our existing system and taking into account the framework established by the PRA can promptly and economically respond to the current challenges and criticisms and achieve the objectives. We join you in wanting to get there.

We thank you, Mr. Chairman, for your concern about the effectiveness of our Nation's statistical system that you have evidenced in introducing this bill and in holding this hearing. We applaud your efforts in this regard and look forward to working with you and other members of the subcommittee to create a system that better serves the American public.

Thank you.

[The prepared statement of Ms. Katzen follows:]

STATEMENT OF SALLY KATZEN
ADMINISTRATOR
OFFICE OF INFORMATION AND REGULATORY AFFAIRS
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
U.S. HOUSE OF REPRESENTATIVES
MARCH 22, 1996

Thank you, Mr. Chairman and members of the Subcommittee. I am Sally Katzen, Administrator, Office of Information and Regulatory Affairs in the Office of Management and Budget (OMB). This is my first opportunity to engage in what I hope will be a continuing dialogue with your subcommittee on how best to organize and manage our Federal statistical activities.

I'm pleased to be here this morning to share with you some reflections on the problems of, and prospects for improving, the Federal statistical system. First, I would like to provide as context for our discussion some background on the current status and structure of the system; then I will highlight a few initiatives that we have undertaken under new authorities provided by the Congress in the Paperwork Reduction Act of 1995; and, finally, I'll outline some additional initiatives that we are planning.

Background

The Federal Government collects and disseminates statistics because the efficient functioning of a market-oriented democracy depends on a continuing flow of unbiased, timely information for both public decision makers and those in the private sector about the state of our economy, our natural environment and resource base, and our social institutions. The Congress has established three principal general purpose statistical agencies (Bureau of Economic Analysis, Bureau of Labor Statistics, and Bureau of the Census) with distinct missions as well as separate agencies with discrete missions within the subject matter departments they serve to provide relevant information to policy officials.

These statistical programs have a distinguished history of providing reliable, accurate, and timely information for public and private decision-makers. They have done this while maintaining the integrity of the data -- as the messengers of both welcome and unwelcome news. Over the years the professional staffs of the statistical agencies have worked continuously within the tight constraints of the budgetary process to improve the quality of the information they provide. As a result of their efforts, the current U.S. statistical system is among the finest in the world.

The demands on that system, however, are ever changing and ever increasing. The statistical system must react to, and

ideally anticipate, changes in basic economic and societal structures. The post-war decades have witnessed dramatic shifts in these structures, including economic shifts as some industries and sectors have grown greatly in importance, as have international markets and transactions; institutional shifts reducing reliance on regulatory information and increasing reliance on technology; and demographic shifts toward two-earner families, increased life-expectancy, and changes in family structure. These structural changes have confronted the Federal statistical system with stiff challenges.

As an example in the economic sphere, the great majority of output and employment is now in the service sector. Complex new services, such as cellular telephones and rapid delivery of packages, must now be included in measures of national output and productivity. Medical care now represents 14 percent of Gross Domestic Product (GDP), and medical technology is changing at a rapid pace.

On the social and demographic side, the future competitiveness and endurance of our Nation depend on the creativity, productivity, and vitality of Americans who are children today. The quality of their health, education, and social environment will greatly influence the extent to which the United States will be able to maintain its prominent role in world affairs. As confirmed in last week's White House Conference on Partnerships for Stronger Families, the statistical system must provide more relevant and integrated data upon which sound policies towards children and families can be based.

Concern about our ability to respond to these challenges and about the general quality of statistics is now widespread, encompassing more than just the technical users or research community. A series of media and professional organization reports suggest that there are many myths about the U.S. economy that are the result of poorly focussed statistics. While there is debate among knowledgeable users about what is myth and what is reality, the lack of confidence in the economic data that is evident in these articles represents a problem in itself. Confidence in the system is essential; the Federal statistical system must demonstrate to all concerned that problems have been addressed and that the quality of the data is high.

There is a constraint, of course, in that resources are not unlimited. Indeed, while some have advocated that more resources are needed in some areas to improve the quality of statistics and that such investments will pay handsome dividends, it is unlikely, given the current budgetary situation, that there would be any growth in funding for statistical programs above the level requested in the President's budget.

This situation has led others to suggest a reorganization or restructuring (some advocate a very dramatic change in the structure) to improve quality within current resources. Such suggestions reopen an issue -- often addressed in the statistical community -- about the pros and cons of a centralized versus a decentralized statistical system. The bill before your subcommittee moves toward a centralized system through reorganization. We have studied that bill carefully and, with respect, we have grave concerns about it.

Decentralized vs. Centralized Statistical System

We believe there are significant advantages of a decentralized system and regret that the strength of our system in that regard is not fully appreciated. First, one of the particular advantages of our current organizational structure is that it places statistical agencies within the cabinet departments with related responsibilities. This means, for example, that those who are collecting agricultural, energy, or health statistics know what the issues are in their particular area and where statistics are needed. Thus, our decentralized statistical structure fosters the identification of emerging societal needs and provides objective data for the development of policy priorities and the formulation, evaluation, and refinement of programs.

In the private sector, a company's R&D must be customer-driven, responding to the needs of production managers, who use innovations in process technology, and to the needs of the company's own customers, who use innovative new products. It has been found that, for the most part, research and development operations should be located in the operating divisions; centralized corporate R&D has often been unsuccessful. By analogy, this experience suggests the difficulties that could arise with efforts to create a central statistical agency. The components of the agency would lose touch with the issues and problems, and thus the data needs, of their current host departments.

Our decentralized structure has also fostered the development of extensive vertical integration of individual subject matter agencies with their State and local government counterparts. For example, the Bureau of Labor Statistics, the National Agricultural Statistics Service, the National Center for Education Statistics, and the National Center for Health Statistics all have long-standing, extensive Federal-State cooperative programs as core elements of their data gathering strategies, while the Bureau of the Census has both a cooperative program to prepare local population estimates and an extensive network of State Data centers for dissemination of its data products.

Critics of the decentralized system we have in the U.S. have described it as "statistical anarchy." But as we know from the study of economic systems, decentralized systems often work much better than centralized ones. Particularly in the case where a single statistical agency would have a virtual monopoly on the collection and release of essentially all of the Government's key economic data, a centralized system might well be less, rather than more, responsive to its users' needs.

Moving to the centralized agency envisioned in H.R. 2521 would also entail significant short-term costs as well as disruptions to current operations. Notwithstanding the claims of others, we do not see significant savings from simply rearranging boxes. Claims that large savings in overhead costs can be realized through consolidation are not based on fact. Moreover, the stringent budgets that already have been allocated for the statistical agencies offer scant potential for other savings. There simply is precious little to cut. Agencies have already eliminated what were heretofore considered core programs. The abolition of additional programs as well as smaller work forces are likely under current funding allocations. Thus the agencies are already working hard to increase their efficiency and reduce costs.

There are three advantages that have been suggested for a single statistical agency. First, it is said that such an agency would have more independence and be able to resist political pressures to manipulate data. In our judgement the existing agencies have demonstrated a clear and unassailable independence from political pressure. This is simply a nonproblem.

Second, it is said that a single agency would be able to allocate resources more readily in order to better match collection efforts with the shifting structure of the economy. Third, it is said that a single agency, properly structured, could facilitate greater cooperation among its branches. While these are legitimate objectives, those who believe they can only be achieved through a single agency may not sufficiently appreciate the shifts in funding patterns for statistics that have been proposed by Administrations over the years, or the long-standing history of cooperation among statistical agencies. Moreover, while the creation of a single statistical agency might offer some incremental advantages in achieving these objectives, both could also be achieved within the existing system without sacrificing the strengths I have just discussed.

Framework for Improving the Statistical System

As this Subcommittee is well aware, last year Congress passed the Paperwork Reduction Act of 1995 (PRA) without a single dissenting vote. That Act requires the Director of the Office of Management and Budget (OMB) to appoint a Chief Statistician and

to establish an Interagency Council on Statistical Policy to advise and assist the Director. It also provides authority to the OMB Director to "coordinate the activities of the Federal statistical system ..." and to "ensure that budget proposals of agencies are consistent with system-wide priorities for maintaining and improving the quality of Federal statistics ...."

I believe the PRA authorities provide the framework in which greater coordination and efficiency can be achieved. In our judgement, the Paperwork Reduction Act, together with actions to strengthen confidentiality protections and new legislation allowing data sharing which I will discuss later, would build upon the strengths of the existing statistical system. Furthermore, modern information technology has greatly reduced the communication barriers that may have previously inhibited interagency collaboration and cooperation.

Current and Planned Initiatives

As noted, I believe we have a statistical system that has served us well. Its decentralized character has distinct advantages. But its efficiency could be strengthened by further cooperation and collaboration. The concerns that have been raised about the structure of the U.S. statistical system are real, but, as I will now discuss, they can be addressed through improved coordination among agencies pursuant to initiatives already authorized and underway. Taking each in turn, I first set out the concern (accepting for present purposes the validity of the complaint) and then our proposed solution.

CONCERN: PRIORITIES SHOULD BE SET AND COORDINATION STRENGTHENED FOR CROSS-CUTTING DATA AND CONCEPTS

By examining each agency's programs in isolation, without looking at how the system as a whole is serving its customers, we have not undertaken sufficient research or implemented enough changes to adapt the system to economic and demographic shifts in the Nation. This failure greatly limits the statistical system's ability to produce high quality data to inform public and private decisions.

To remain competitive in the dynamic global economy and relevant to the needs of our people, the United States needs to accelerate and facilitate the statistical agencies' efforts to address the shortcomings of Federal statistics. These changes must focus on rapidly changing areas of the economy and society, and must take account of how globalization, technological change, and demographic shifts affect our Nation. For example:

- The United States should continue to move rapidly to adopt the international standards for a System of National Accounts. In addition, satellite accounts in areas such as

research and development, natural resources, and pensions are needed to provide new views of the economy.

- Social statistics, such as those on children and on the elderly, are collected in several different agencies, but there has been insufficient coordination. We need to make it easier for policy-makers or for private data users to get a complete picture of these groups and how their status changes over time.

SOLUTION: INTERAGENCY COUNCIL ON STATISTICAL POLICY

The Paperwork Reduction Act of 1995 provides the vehicle for substantially improved coordination among the various statistical agencies -- namely, the Interagency Council on Statistical Policy (ICSP), which consists of representatives from the principal and smaller statistical agencies and is chaired by the Chief Statistician of the United States. In 1988, OMB reinstituted regular meetings of the heads of principal statistical agencies. Over the last few years, this Statistical Agency Head's Council has become increasingly effective in improving interagency communications and served as a model for the new body that is now based in statute.

We anticipate that the ICSP will assess crosscutting needs of the statistical system, suggest and elaborate proposals for consideration in OMB reviews used to set Government-wide priorities, and oversee the work of expert teams established to address key issues in the statistical system. We expect the ICSP to initiate projects that provide benefits for the statistical system as a whole.

CONCERN: STATISTICAL CONFIDENTIALITY PROTECTION SHOULD BE PROVIDED ON A CONSISTENT BASIS

A uniform confidentiality policy that substantially eliminates the risks of sharing confidential data for statistical purposes would allow us to explore significant improvements in data used for both public and private decisions without compromising public confidence in the integrity and security of reports to statistical agencies. The mechanisms to accomplish this change must be Government-wide. They must have the full force of both the Executive Branch and the Congress behind them--a commitment by the Executive Branch to a consistent and credible policy to assure the confidentiality of statistical data, and legislation that permits sharing of confidential data for exclusively statistical purposes while preserving the confidentiality privileges afforded to respondents under existing legislative and administrative authorities.

A policy that protects respondents' legitimate interests is one of the cornerstones on which public confidence in the Federal statistical system is built. The complexities of the Freedom of Information Act (FOIA) and various confidentiality statutes have created substantial uncertainties about the meaning of confidentiality pledges. All statistical agencies need to be able credibly to commit that data they have collected for statistical uses will never be disclosed for nonstatistical purposes.

SOLUTION: STATISTICAL ORDER ON CONFIDENTIALITY

On January 29, my office published for comment in the Federal Register a draft Administrative Order that would require each Executive agency to make all determinations affecting the confidentiality of statistical data under the Freedom of Information Act and other statutes prior to the time that data are collected. Under the mandate created by Congress in the Budget Accounting and Procedures Act and elaborated in the Paperwork Reduction Act, this Order would establish a uniform policy for protecting confidential statistical information in any agency of the Executive Branch.

CONCERN: STATISTICAL DATA SHARING SHOULD BE FACILITATED

Statutes that permit data to be seen only by employees of a single agency (e.g., Title 13 for the Bureau of the Census and Title 15 for the Bureau of Economic Analysis) do aid in maintaining the confidentiality of statistical data and hence confidence in the system. At the same time, having such statutes may present barriers to effective working relationships among statistical agencies, inhibit successful joint projects, and lead to duplication of effort or inconsistencies among related data sets. The fact that data sharing has been precluded has in many real ways affected our ability to even determine what opportunities may be available. We do know, however, that legal barriers have prohibited the sharing of business lists between the Bureau of the Census and the Bureau of Labor Statistics. Consequently, the two agencies maintain separate lists.

SOLUTION: STATISTICAL DATA SHARING LEGISLATION

Even though duplication of effort among statistical agencies is quite limited, virtually all statistical agencies agree that improvements in the ability of statistical agencies to share data solely for statistical purposes would offer important advantages. The sharing would have to take place under conditions that would still guarantee confidentiality and that would share data solely for valid statistical purposes. In cooperation with affected statistical agencies, we have drafted and are completing clearance of legislation to accomplish these goals. Passage of this more modest bill would provide a framework for improving the

efficiency and quality of Federal statistics while protecting the confidentiality of responses.

CONCERN: RESPONDENT BURDEN SHOULD BE REDUCED

At present some respondents provide the same or related information more than once to various units of the Federal statistical system. The system needs to strengthen the coordination and streamlining of its data collection processes to eliminate needless duplication of effort for agencies and their respondents.

SOLUTION: CONDUCT RESEARCH AND IMPLEMENT SOLUTIONS TO REDUCE RESPONDENT BURDEN

A key advantage of enacting the proposed data sharing law may well be its potential for reducing reporting burden on the public and particularly on business respondents. For example, with this legislation enacted, it should be possible to ask about corporate structure only once; businesses would not need to provide information about their parent or subsidiary companies to several different statistical agencies.

Other opportunities for collaboration might include situations where the same respondents are asked related questions (one survey asking about characteristics of inputs, and another asking about characteristics of outputs for the same product or service); where similar adjustments are required (cases where two agencies make quality adjustments for the same product); or where similar industry analyses are planned (cases where BEA, BLS, Census, or industry-specific groups elsewhere in the Department of Commerce have identified the need to conduct research on an industry).

CONCERN: USERS SHOULD BE GIVEN EASIER ACCESS TO FEDERAL DATA

There is no single "place" where a user can go for Federal statistical information. For example, someone interested in the health of secondary school students and its effect on their suitability for employment would have to make separate inquires to the National Center for Health Statistics, the National Center for Education Statistics, and the Bureau of Labor Statistics. In addition, each agency has different dissemination policies, computer systems, and formats for the release of information. The extent to which on-line information is provided -- and the standards for gaining access to these on-line systems -- also vary across agencies.

SOLUTION: ONE-STOP SERVICE FOR USERS

To the maximum practical extent, we should create common agency data dissemination formats, graphical interfaces, and on-line access. Agency ownership of each data source would not be lost, and agencies would not develop a single physical data base of information products. Instead, the objective would be to make Federal statistical information dissemination standards and practices more consistent and transparent for our users. In addition, this approach would allow users who have questions but are not certain where to find answers, to approach a single first point of access and be treated, in large measure, as if they were dealing with a single centralized information dissemination organization.

Many statistical agencies have recently made tremendous progress in developing easy access to their data and databases through the Internet, and in particular, the World Wide Web (WWW). Data users accessing information from one Federal agency may even find out about related statistics available from another agency, thanks to cross-agency links that some agencies are providing.

Realizing the tremendous opportunity to continue to build on this foundation, the Office of Management and Budget (OMB) and the Office of Science and Technology Policy (OSTP) initiated a coordinated interagency approach last August to improve access to Federal statistics. Under the auspices of OMB's Interagency Council on Statistical Policy, representatives of the major statistical agencies, with technical coordination and development from OSTP, have developed briefing rooms for economic and social statistics that will be accessible through the WWW next month. These virtual briefing rooms will provide the general public quick, easy, informative access to key current economic indicators and social statistics as well as to the wealth of other statistical products these agencies provide to measure our national performance.

SUMMARY

At the outset, I referred to criticisms of the Federal statistical system. As noted in the text, some of these criticisms are well founded and well taken. The question is whether to solve these problems we need a legislative reorganization of the system or whether significant though incremental administrative and legislative changes can more promptly and economically achieve the objectives we share. We believe that the actions I have described are the right way to respond to the challenges and criticisms we currently face.

Mr. Chairman, we thank you for the concern about the effectiveness of our Nation's statistical system that you have evidenced in introducing H.R. 2521, and look forward to working with you on solutions that will create a system that better serves the American public.

I would be pleased to answer any questions that you may have.

Mr. HORN. Well, thank you.

Let me just make one comment before I turn to the GAO to summarize all of this, wrap it up, and sort it out. Having been in and around government since 1959 and the Eisenhower administration, I understand the role of the OMB in representing the President's interest and positions.

Having said that, I understand why you say budget constraints are the only reason we are discussing this issue today. Then we make an abrupt shift, and begin a defense of a decentralized statistical system against arguments for a centralized statistical system. This bill does not address the merits of a decentralized over a centralized statistical system or vice versa.

We are talking about trying to improve the working relationship of the three primary economic statistical agencies and how better to protect the integrity of their work. That is all we are doing. We have not said, "Hey, let us get every statistical agency and count cows," and all the rest of it in there. We have not said that.

We are just saying Census, BLS, and BFA, common sense says in terms of field surveys, and what not, there are a lot of things they can share and make still further economies if they have to think in those terms with an administrator that can relate to both of them.

Anyhow, I now am delighted to have Mr. Stevens, whether you play with saxophones or trombones we don't really care, just as long as you give us a decent analysis. Mr. Stevens is Director of the Federal Management and Workforce Issues, General Government Division, General Accounting Office. How more general can we be?

Mr. STEVENS. Thank you very much. I will not attempt to meet your charge of summarizing everything that has been said, but perhaps I can just take a moment. I will try to be very, very brief in view of the hour to provide a framework for the committee's analysis of the various considerations that go into reorganization proposals. I am basing this primarily on principles enunciated by the Comptroller General in earlier testimony on the dismantlement of the Commerce Department proposal.

First, he noted that any successful reorganization demands a coordinated approach. I think this bill certainly recognizes that principle. It certainly does not resolve all of the coordination problems in this tremendously decentralized system with over 70 agencies and well over a couple billion dollars spent in this area.

It does not spell out also or detail the relationship between the relatively weak position in OMB of the Chief Statistician and what would be a quite high level position within the hierarchy of the Administrator of the FSS, who would commend thousands of jobs and millions of dollars and budget, and be by far the dominant statistical agency with authority to report, testify directly before Congress on these matters.

While it is consistent with earlier work we have done, the ability to share data is the principal cause of duplication and inefficiency among the statistical agencies. I know that the bill does not actually remove those impediments, though it does recognize them.

Second, we believe that reorganization should have specific, identifiable goals in mind. Cost savings, as Ms. Katzen recognized,

could be one of those goals, others could be enhancement of meeting professional standards and greater clarity in the choice of priorities among statistical issues and addressing deficiencies in data quality such as those addressed by the Boskin initiative in 1991.

A third principle is to choose the right vehicle to achieve those goals. H.R. 2521, as you just pointed out, Mr. Chairman, is a significant but only a partial consolidation. Statistics Canada provides a model of an even more sweeping consolidation, but that would admittedly be much more difficult to achieve in our less centralized political system.

We do suggest that the subcommittee may want to task the Federal Statistical Service looking at alternatives to direct Federal data collection, such as privatization of some statistical activities.

A fourth principle is that careful and detailed implementation planning is essential to the access of any reorganization. Our past work has shown that it has all too often been lacking. I think that is certainly one reason why Ms. Katzen's observation that savings have been illusive, why that has been the case. Implementation is often an afterthought of these matters, and it should be dealt with very clearly up front.

Finally, the role of Congress itself, is something the Comptroller General always brings up, is the key to any successful initiative in the executive branch through oversight. The Government Performance and Results Act provides a comprehensive framework for Congress to hold agencies accountable for meeting goals, that it would be agreed on with Congress and other stakeholders.

We think that Congress should use that in its dealings with these agencies, whether they are in a consolidated format or remaining where they are. That is just a very short summary, Mr. Chairman, but we will respond to any questions you have.

[The prepared statement of Mr. Stevens follows:]

GOVERNMENT STATISTICS: PROPOSAL TO FORM A FEDERAL STATISTICAL SERVICE

Statement By L. Nye Stevens,
Director, Federal Management and Workforce Issues

As Congress considers H.R. 2521, which would consolidate the Bureau of the Census, Bureau of Economic Analysis, and Bureau of Labor Statistics into a new Federal Statistical Service, GAO suggests that Congress use as criteria five key principles that the Comptroller General has identified as useful in efforts to reorganize or streamline government agencies.

First, reorganization demands a coordinated approach. The current federal statistical system is complex. It consists of 72 agencies and GAO has identified over 200 statutory references to uses of statistics produced by the 11 principal agencies alone. While H.R. 2521 describes a continued role for the Chief Statistician of OMB in coordinating the system, it would also be useful to more explicitly describe the relationship Congress envisions between OMB and the proposed Federal Statistical Service, which would be the dominant statistical agency. Also, H.R. 2521 does not remove any confidentiality provisions which currently limit sharing data among the three agencies.

Second, the key to a successful reorganization is delineating specific, identifiable goals. GAO's work suggests several possibilities that Congress may find useful: enhancing the efficiency of operations and achieving cost savings; enhancing adherence to professional standards, such as those of the National Academy of Sciences; establishing clear national statistical priorities; and ensuring the quality of data, for example by fixing deficiencies identified by the 1991 Economic Statistics Initiative.

Third, choose the right vehicle--organizational structure and tools--to meet the goals. In addition to the consolidation proposed in H.R. 2521, Congress may want to consider other potential options, such as greater reliance on the private sector; improved coordination and data sharing within the current system; or a broader consolidation along the lines of Statistics Canada.

Fourth, implementation planning will be crucial to any successful reorganization. Past reorganizations have suffered from poor implementation. Planning for implementation should ensure that the new agency has an effective and reliable financial management system.

Finally, congressional oversight is needed to ensure effective implementation. Effective oversight may entail realignment of committee jurisdictions and regular oversight hearings.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the proposed creation of a new Federal Statistical Service, which would be formed by consolidating the Bureau of the Census and the Bureau of Economic Analysis (BEA) from the Department of Commerce and the Bureau of Labor Statistics (BLS) from the Department of Labor. H.R. 2521 would bring these agencies together into a new independent agency to be headed by an Administrator appointed by the President and confirmed by the Senate.

Our testimony today applies five key principles that the Comptroller General has identified as useful for consideration in efforts to reorganize or streamline government agencies.[1] These principles are:

-- Reorganization demands a coordinated approach.

-- Reorganization plans should be designed to achieve specific, identifiable goals.

-- Once the goals are identified, the right vehicle or vehicles must be chosen for accomplishing them, including organizational structure and tools.

-- Implementation is critical to the success of any reorganization.

-- Oversight is needed to ensure effective implementation.

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[1] Government Reorganization: Issues and Principles (GAO/T-GGD/AIMD-95-166, May 17, 1995).

In applying these principles to the proposed bill to create the Federal Statistical Service, we have drawn on our previous work on the statistical agencies (see appendix) as well as ongoing work requested by the Chairman of the House Committee on the Budget, who raised no objection to our discussing the preliminary results from this work on statistical agency funding, legal mandates, and the organization of the Canadian statistical system.

BACKGROUND

Statistical activities are spread throughout the federal government. The mission of the agencies forming the federal statistical system is, in general, to collect, produce, and disseminate statistical information that is relevant to the needs of data users both within and outside the government itself. The agencies are to ensure that the information is accurate, reliable, and free from political interference and are to impose the least possible burden on individuals, businesses, and others responding to data collection requests.

The Office of Management and Budget (OMB) has identified 72 agencies as comprising the federal statistical system. Its criterion in identifying these agencies was that each spend at least $500,000 annually on statistical activities. Together, these 72 agencies requested over $2.7 billion for fiscal year 1996. Of the 72 agencies, 11 are considered to be the principal statistical agencies. These 11 agencies, which include Census, BEA, and BLS, together spend

approximately $1.1 billion.[2] Census, BEA, and BLS accounted for $796.6 million of this total.

A COORDINATED APPROACH

Meeting the government's needs for information in an efficient manner is a complex undertaking that requires coordination among the different statistical agencies. H.R. 2521 takes note of this, finding that "improved coordination and planning among the statistical programs of the Government is necessary to strengthen and improve the quality and utility of federal statistics and to reduce duplication and waste in information collected for statistical purposes."

The needs for statistical information for government decisionmaking and administration are extensive. Some of these needs are well known, such as the use of the Consumer Price Index (CPI) to adjust individual income tax brackets and Social Security payments to offset inflation or the use of Census data in formula grants to states and to apportion congressional and other legislative representation. There are many others. Work that we are doing at the request of the Chairman of the House Committee on the Budget has identified over 200 statutory

[2]The other eight principal statistical agencies are the National Center for Health Statistics (Department of Health and Human Services), Energy Information Administration (Department of Energy), National Agricultural Statistical Service and the Economic Research Service (both in the Department of Agriculture), Statistics of Income Division (Internal Revenue Service, Department of the Treasury), Bureau of Justice Statistics (Department of Justice), and Bureau of Transportation Statistics (Department of Transportation).

references to uses of statistical information and reporting requirements relative to the 11 principal statistical agencies.

Under the Paperwork Reduction Act of 1980, OMB is charged with coordinating the budgets and statistical activities of the agencies in the federal statistical system. As we have noted in the past, there are concerns that OMB's effectiveness in this role is limited by the small staff available to carry out the function of coordination.[3] While H.R. 2521 describes a continued role for the Chief Statistician in OMB in coordinating the system, it also would be useful if the bill were to more explicitly describe the relationship that Congress envisions between OMB and the proposed Federal Statistical Service, which would be the dominant statistical agency. It would also be instructive to consider whether the protections the bill contains to ensure that the new Service would be free from political interference might also complicate OMB's task of coordinating the federal statistical system.

Coordination within the federal statistical system has also been limited by statutes that restrict data sharing among statistical agencies in order to protect the confidentiality of individuals, businesses, and organizations that provide data. Sharing data would allow statistical agencies to meet the needs of data users without imposing added burdens on data providers. We would expect that consolidating Census, BEA, and BLS is intended to enable these three

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[3] Statistical Agencies: Adherence to Guidelines and Coordination of Budgets (GAO/GGD-95-65, Aug. 9, 1995).

agencies to share data more efficiently than they can today and to coordinate their data collection and analysis activities more effectively. However, H.R. 2521 does not specifically authorize the three agencies to share data or specify any revision to current confidentiality limitations. Nor does it authorize data sharing among or between the other 69 agencies in the rest of the federal statistical system. Without the explicit authority to share data, the three agencies may not be able to realize the coordinative benefits H.R. 2521 aims to achieve.

SPECIFIC, IDENTIFIABLE GOALS

As the Comptroller General has noted, the key to any successful reorganization plan--and the key to building a broad consensus supporting it--is the delineation of specific, identifiable goals the reorganization is intended to achieve. By designing the proposed consolidation with such goals in mind, there is a greater chance of a shared understanding among decisionmakers of what changes will be sought in a reorganization or consolidation. Focusing on these goals would then provide the Administrator of the proposed Federal Statistical Service with guidance on how to balance competing objectives, such as cutting costs or ensuring better quality of services, and how to create not only short-term advantages but sustained, long-term gains. Specific, identifiable goals will also help Congress and the President hold the new agency accountable for meeting them.

While deciding on the goals to be reached by consolidating federal statistical activities is a policy decision for Congress to make, our work suggests several possibilities that Congress

may find useful in its deliberations. These include:

-- enhancing the efficiency of operations,

-- enhancing adherence to professional standards,

-- establishing clear national priorities for statistical programs, and

-- ensuring the quality of data.

Enhancing the Efficiency of Operations

In a time of declining budgets, making government operations more efficient is a constant goal. Eliminating duplication of government operations through a consolidation presents opportunities for increasing such efficiency. Two potential sources of greater efficiency and cost savings are the avoidance of duplicative data collection by agencies and the use by one agency of another agency's staff to collect data when that use would be more economical. Our work has shown significant areas in which these three agencies have avoided duplication by relying on one another for data collection, on both a reimbursable and nonreimbursable basis. For example, Census now conducts the Consumer Expenditure Survey for BLS; data from this survey are used in developing the market baskets that underlie the Consumer Price Index. Thus, some of the savings that might be sought in a consolidation may have already been realized. However, the statistical agencies' inability to share data has led to a duplication in data collection efforts; such duplication can increase both the cost of operating the statistical activities and the burdens on data providers. While we do not know how much

might be saved if these three agencies had a greater ability to share data, we have identified instances where duplication of effort exists between Census and the other agencies included in the proposed consolidation. For example, because of an inability to share data, both Census and BLS survey businesses, and each has had to compile its own list of businesses.

Enhancing Adherence to Professional Standards

The statistical agencies do many things well today, and efforts to consolidate them should recognize and ensure that the consolidated agency will be at least as able, and ideally better able, to adhere to professional standards compared to its predecessor agencies. In August 1995, we evaluated the adherence of four statistical agencies, including Census, BEA, and BLS, to guidelines for the operation of an effective federal statistical agency.[4] The guidelines were proposed by the Committee on National Statistics of the National Academy of Sciences and represent statements of "best practices."[5] While they are not scientific rules or legal requirements, the guidelines are intended to be consistent with current laws and statistical theory and practice. Our review concluded that the agencies generally adhered to the guidelines, although in some cases individual agencies had not sufficiently communicated to data users the procedures that they had in place to ensure their independence from political interference. We also concluded that laws intended to protect confidentiality had limited

[4]GAO/GGD-95-65, August 9, 1995.

[5]Committee on National Statistics, National Academy of Sciences, Principles and Practices for a Federal Statistical Agency (Washington, D.C.: 1992).

agency efforts to coordinate their activities and share data, contrary to the committee's guidelines.

Establishing Clear National Priorities for Statistical Programs

Our work as well as work done by others has shown that the United States lacks an effective means for setting national priorities for the use of funds for statistical activities. This is due, in part, to the independent manner in which each agency in the federal statistical system decides how to use its funds and, in part, to the limits on OMB's ability to influence decisions on allocating funds by other agencies. The proposed bill should resolve this issue for the three agencies to be consolidated to the extent that the head of the proposed Service would be able to set priorities for the use of its funds. Although H.R. 2521 would create a Federal Council on Statistical Policy, the proposed bill does not directly address the issue of setting funding priorities for the other 69 federal statistical agencies.

Ensuring the Quality of Data

Another goal that could be set for a consolidated agency is resolving existing concerns with the quality of statistical data collected. Most notable are the concerns identified in the Economic Statistics Initiative, led by Michael Boskin who was Chairman of the Council of Economic Advisers for President Bush. Completed in 1991, this initiative resulted in 38 recommendations to address well-known problems in economic statistics for which action was

feasible in the near term. Among the recommended actions were (1) accelerating improvements in estimates of international trade in services, including financial services; (2) better measuring service sector production and prices; (3) separating quality and inflationary changes in prices; (4) revising the current U.S. National Income and Product Accounts to be consistent with the System of National Accounts used by most other major industrialized nations; and (5) making it easier for statistical agencies to share data for statistical purposes. In reviewing the status of these recommendations, we found that the agencies had made plans to implement most of the recommendations.[6] However, only about half of the recommendations were funded, and the funding levels varied considerably among the different agencies producing economic statistics. Agency consolidation alone would not address the problems with the quality of data. Accordingly, the Subcommittee may want to include provisions in the bill to address these issues of quality, such as a requirement for an action plan for fixing them.

RIGHT VEHICLE

In considering any change in the organizational structure of the federal statistical system, an important question is whether consolidation is the most effective way of ensuring that the system produces the high-quality statistical information needed by decisionmakers and that it does so in a cost-effective manner that avoids needlessly burdening individuals and

[6]Economic Statistics: Status Report on the Initiative to Improve Economic Statistics (GAO/GGD-95-98, July 7, 1995).

businesses. At least four options, viewed independently or in some combination, seem conceivable for addressing problems associated with the federal statistical system. Understanding these options, we believe, will provide a conceptual framework useful for considering the merits of H.R. 2521.

One option would be to consider alternatives to the dominant paradigm of having federal employees collect, analyze, and disseminate information through the use of appropriated funds. Alternatives include the privatization of at least some aspects of data collection, analysis, or dissemination; additional contracting out; or the imposition of user fees. We have not explored these alternatives for the federal statistical system and are, therefore, not in a position to elaborate on them. However, we believe that the Subcommittee should consider charging the proposed consolidated agency with exploring the best tools for accomplishing the goals desired from consolidation.

A second option would be to consider alternatives for improving the current decentralized federal statistical system. One approach could entail enacting legislation that allows the three agencies to share data and information with appropriate safeguards to protect against breaches of confidentiality. Proposals to enable greater data sharing among statistical agencies have been made in the past; both the Economic Statistics Initiative under President Bush and the National Performance Review under President Clinton have recommended such actions. The proposals have not been adopted, in part because of general concerns that greater data sharing might endanger the privacy of individuals. Other actions could be to strengthen OMB's

ability to set priorities for use of the agencies' funds and provide mechanisms that would enable the agencies to shift resources, including staff, easily. OMB previously played a stronger role in setting priorities for use of statistical agency funding when it had more staff assigned to this function.

A third option would be to consolidate the three major agencies as proposed in H.R. 2521. Potential advantages of such a consolidation seem to include better quality data through such means as the use of common data collection methods and more efficient survey designs; a better use of funds through clearer priorities; and cost savings and reduced burden on data providers through a greater sharing of data and agency resources, thereby avoiding duplication. Potential disadvantages could include the possible lessening of the responsiveness of the consolidated agencies to the needs of their current parent departments and their constituencies, the possibility of breaches of confidentiality by housing so much information about individuals and businesses in one agency, and the possible power such an agency might have, given its possession of so much information.

A fourth option would be to consolidate more than the three agencies covered in H.R. 2521. In exploring this option, it might be helpful to consider models in other countries. Because Canada has long had a single statistical agency, Statistics Canada, it is often used as a reference point for considering proposed consolidations in the United States. We are currently preparing a report for the Chairman of the House Committee on the Budget that describes the Canadian statistical system. While this report is not yet complete and we did

not evaluate the effectiveness of the Canadian system, we did identify several clear differences between the Canadian and the U.S. systems.

The Canadian system is much more centralized, with Statistics Canada containing many of the activities currently divided among the 11 principal U.S. statistical agencies and being responsible for the majority of the government's statistical information. The head of Statistics Canada has a higher level position than that of the U.S. Chief Statistician, has direct control over the agency's budget, and can set and change priorities and shift resources easily. Statistics Canada also (1) has access to all of the government's administrative records, (2) can share survey and other data among its components and other government agencies and nongovernmental organizations, and (3) is subject to strict and uniform privacy requirements. According to Statistics Canada officials, these privacy requirements also help ensure a high voluntary response rate to data collection efforts.

While Canada's centralized system may appear to offer several advantages over the U.S. system, several factors need to be considered as part of the comparison. These factors include the following:

-- Canada's parliamentary system of government may lead to a clearer definition of government policy and priorities and the ensuing needs for statistical information than our system, which contains different brancnes of government sharing power.

-- The United States is a much larger nation and has a larger and more complex economy than Canada. Canada, with a population of 29 million people, is also much smaller than the United States, which has a population of 264 million. The task facing the federal statistical system in the United States thus is larger and more complex than that facing Statistics Canada. For example, financial markets in the United States involve greater reliance on sophisticated financial products, such as futures and other derivatives, than their Canadian counterparts. The volume of transactions conducted in the United States using derivatives and similar financial products is difficult to measure for statistical purposes.

-- The Canadian statistical system is much smaller than the U.S. system. For example, the fiscal year 1996 budget for Statistics Canada was about $210 (in U.S. dollars) million compared to the nearly $800 million combined budget for BEA, BLS, and Census; the approximately $1.1 billion budget for the 11 principal agencies, and the $2.7 billion budget for the entire federal statistical system.

-- The Canadian public has accepted that a government agency will have broad access to all government records for statistical purposes. Statistics Canada officials attribute this acceptance to strong controls designed to ensure confidentiality of individual data and to the Canadian policy of identifying the intended uses of data to data providers. While similar confidentiality controls exist in the United States, proposals that would

allow data sharing and broaden statistical agency access to other data have not been approved.

PLANNING FOR IMPLEMENTATION

In earlier testimony before this Subcommittee,[7] we noted that our 1981 report on six new or reorganized agencies formed under the Reorganization Act of 1977 found that reorganized agencies experienced problems as a result of inadequate planning for the implementation of the reorganization.[8] The problems that the new agencies experienced included delays in (1) obtaining the participation of key agency officials and adequate staffing and office space and (2) establishing support functions, such as accounting and payroll systems. In our 1981 report, we recommended that future reorganization plans establish a high-level task force or other mechanism to facilitate implementation of the reorganization. In particular, we said that agencies that would lose or gain resources or functions and support agencies, such as OMB, the General Services Administration, and the Office of Personnel Management, should be represented on the task force.

In our view, reorganizing statistical agencies would impose similar requirements for successful implementation. Under the proposed bill, staff and responsibilities would be moved

[7]Commerce Dismantlement: Observations on Proposed Implementation Mechanism (GAO/T-GGD-95-233, Sept. 6, 1995).

[8]Implementation: The Missing Link in Planning Reorganizations (GAO/GGD-81-57, Mar. 20, 1981).

out of two cabinet departments and into a newly created Federal Statistical Service. This Service would need to provide the supporting systems, such as personnel, payroll, and accounting, required for continued operation of Census, BEA, and BLS functions. Requiring that the heads of these agencies, appropriate personnel from the Departments of Labor and Commerce, and representatives from OMB and other support agencies participate in planning the consolidation should increase the chances that the proposed reorganization would occur while minimizing disruption of the work of the consolidated agencies and their current parent departments.

Similarly, we have frequently noted that government financial systems need to be strengthened to provide agency leadership with the timely and accurate information needed to control costs, measure performance, and achieve needed management improvements. In too many cases, however, weaknesses in these systems prevented the achievement of these goals. Again, ensuring that an effective and reliable financial system is in place should enhance the ability of the proposed Administrator of the Federal Statistical Service and other managers of the new agency to accomplish their missions. Such a system will be essential if the new Service is to be able to comply with standards established by the Government Performance and Results Act, the Government Management Reform Act, and the Chief Financial Officers Act. These three laws are intended to establish a framework for enhancing the management, performance, and operations of federal agencies. In this regard, the Subcommittee may wish to require that a Chief Financial Officer be appointed for the Federal Statistical Service.

Finally, as part of planning for the implementation of the proposed consolidation, it would be important to identify the operating efficiencies and cost savings anticipated, the specific areas from which the savings are to be achieved, the specific steps that need to be taken to produce the desired savings, and the individuals responsible for achieving them. In our opinion, the likelihood of actually making operations more efficient and capturing savings is critically dependent on careful and comprehensive implementation planning. This planning must also take into account the resulting need for realignment of support functions at the Departments of Commerce and Labor. Such realignment could be significant. Census and BEA together account for 22 percent of the full-time equivalent staff of Commerce, and BLS accounts for nearly 15 percent of Labor's total staff.

OVERSIGHT

Sustained congressional oversight will be needed to ensure the effective implementation of the reorganization envisioned under H.R. 2521. Congress may need to realign its committee jurisdictions and budget account structure if it is to provide coherent direction to and consistent oversight of the new Federal Statistical Service.

In earlier statements on principles for government reorganizations, we also have suggested that one key step would be for congressional committees of jurisdiction to hold comprehensive oversight hearings, annually or once during each Congress. In the case of the proposed Service, such hearings should examine performance information that the Service

would be required to generate to comply with the Government Performance and Results Act. Such hearings should also examine the audited financial statements that are to be developed to comply with the Government Management Reform Act. Additional information from congressional support agencies including us; Inspector General reports; performance evaluations of the proposed Service's operations, which it would conduct; and expert assessments of its operations and the quality of its statistical products should be key components of such hearings.

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Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or Members of the Subcommittee may have.

Mr. HORN. OK. We will open it up for questions. Let me first ask the statistical community based on the three panels now—yourself, your colleagues, and now the third panel is with you, representing the administration and GAO, and the first panel are the people that produced the data—I wonder, are you in agreement on a lot of these things?

I would like to sort of separate out what the issues are and how various representatives of the broader statistical community as a discipline look on it either organizationally or individually. If you do not want to speak for your organization, make that clear, then fine. An idea is an idea. We do not care what the source is, as long as it is a good idea.

Who would like to comment on what they have heard this morning? Yes?

Ms. HAVER. I would. One thing as a business person that I see missing in our current system is leadership, someone that manages the process. I know, as someone who runs my own business and also as someone who works with peers in an association, that it is much easier to get things done when you are running the operation.

I think everyone in these agencies certainly have the best of interest for the overall system. However, in terms of making things happen, they often get slowed down because of the fact that there is no one really leading the process. It does not seem to me that the Chief Statistician has really had the power to do that. The Chief Statistician has not been a manager, but perhaps at best a coordinator.

I do think that despite all the statements that there are no redundancies, I do look at a web site at BLS, which looks different than the web site at Census, which is different again from Stat USA where the Department of Commerce releases their data.

Now, this of course does not account for a large number of dollars. I do believe if we bring these agencies together under someone with the power to make some changes, clearly a well-informed, proper, professional person, that there are efficiencies to be found and the end result will be a better, sounder system.

I would like to just add one thing where I agree very strongly, that data sharing across this group is essential. If we bring these three groups together without sharing, we have accomplished very little.

Mr. HORN. Any comments, Dr. Knapp?

Mr. KNAPP. I think that we are all agreed on some very important points about the integrity of the Federal Statistical Service, that the quality is very important, the need for data sharing, the importance of confidentiality, the importance of professionally qualified nonpolitical staff involvement in producing these important statistics.

I think most of us have recognized that cost savings from consolidation are problematic. You would have to really get in and work it through. You cannot say at this stage of the game how much cost saving, if any, there would be.

My group, and I think the other groups, seem to be saying, though, that the important thing here is that a reorganization

might aid, along with adequate funding and these other factors in producing a statistical system as we go into the 21st century.

Certainly, the approach of marketing of coordination, there seems to be some real advantages there. Of course, we all welcome the improvements that have occurred on the Internet and such, but that is somewhat of a Band-Aid system of sticking the agencies together through a briefing room or whatever. There is lots of room for more coordination.

I would agree with you, Maurine, about the central focus on statistics and the importance of leadership. Another point that we have recognized, COPAFS has recognized, is that this may be a start toward a broader Federal statistical agency. Admittedly, we are just focusing on the three major economic statistical agencies.

I think according to this book, if you look in terms of dollars, maybe they account for about 35 percent of the dollars directly spent on Federal statistics. But we think it would be a very important start and provide a nucleus, a building basis, for eventual greater coordination of the Federal statistics.

One last point. We certainly concur with the others that we don't want to do anything to impair or mess up all the gains that we have made through our Federal Statistical System, and that a gradual approach of course is very important as if one were to merge agencies like this. You would have to go very carefully to ensure that the ongoing programs are maintained and we continue to have the quality that we want.

Thank you.

Mr. HORN. Well, it is very helpful. I want to make the offer now that I want to hear Dr. Billard. All of you are very bright. You know this field intimately. I wish you would take a copy of our bill. On some of those goals and objectives, write in what you think the goals ought to be that would achieve the kinds of ends I think most of us are talking about. Organizations should be reflexive of serving the consumer, the customer; namely, you the taxpayer as well as the professional.

Dr. Billard, please?

Ms. BILLARD. I will speak mostly for myself. In terms of efficiencies or the idea, Should we have a consolidated or a coordinated or a centralized, whatever word you want to use, system, as opposed to a decentralized system, I cannot imagine that there would not be efficiencies of scale and economies of scale.

I find it very interesting that most of the industrialized and western countries of the world have centralized systems. Really the only one that is not centralized at the moment outside of ours is the one in the United Kingdom and they are in the process of going toward a centralized system.

I do not have the data for our agencies and what it costs, but I just cannot believe other than intuitively that there have to be economies of scale. I also think that if you were to try to do it too fast, too quickly, without going into it carefully, you will spend a lot of money that you need not have spent, as well. I do think it has to be done carefully, and learn from other countries.

I mean, I know that in the first panel, and Dr. Norwood in particular, talked a lot, very impassionately, but I believe very correctly, about the need for research. She was talking about research

really in that context of the types of data one should be collecting, how you should go about it. I absolutely underscore every word that she said there. I would say it again, but I have said it again for you.

I think you also want to add to that the research of how you integrate the agencies. It is not just simple merging into two stacks and putting into one stack the data that you have. That is not as simple as that, and there are problems. One would need to do the research to see how it should be done correctly.

Once it is done correctly and once we take however many years it takes to do it, I think there have to be economies of scale. I think whatever we do, and now I would speak for myself, but I am sure my association would agree with this as well, as part of a basic principle of statistical practice is that whatever we do we have to have high credibility. Statistics information is only as good as it is believed.

If no one believes it, in our information, no believes our agency, no one believes our Government. It is very important that whatever we do we have practices which guarantee high, public credibility. Of course, there are many aspects that go into this, but fundamental that it be free from any undue political influence. I use "political" in the broad sense.

There could be partisan conflict of interest. Data, for example, that becomes available should be available to every single person. There should be no priority data. We absolutely have to have an ironclad guarantee of confidentiality.

If we have confidentiality, if we protect the privacy, I think we will get better data from surveys. We will get better cooperation. We will somewhere along the line have better data and have better information, and the cycle goes back.

I would think those are the most important principles, that we have public credibility, that they be free from undue political influence, and that there be ironclad guarantees of confidentiality of data.

Ms. KATZEN. Mr. Chairman, may I address that question in slightly different way?

Mr. HORN. Please. I was headed for you.

Ms. KATZEN. Probably with a different question. As I sit and listen, I am concerned that we are speaking about a lack of leadership or a relatively weak position of the Chief Statistician.

I would like to give a slightly different perspective on that wholly apart from the person who fills the job now, Katharine Wallman, who is a very well-qualified statistician. I have the sense that she spends most of the time doing her job and very little time promoting herself. As a result, some of the things that she has accomplished and that some of her predecessors have accomplished are not fully appreciated.

I say this because we are hearing, I hear—I guess people tend to hear what they want to hear—the importance of professionalism. I hear the importance of nonpolitical leadership in the statistical realm. One of the things that I do, as the political official to whom she reports, is stay out of her way and not try to affect the decisions but support her initiatives.

Again, without making it personal, there has been leadership. We have heard this morning that the two most important things are confidentiality and data sharing. We have an administrative order which has been well-received, universally applauded that is already published in the "Federal Register." The comment period closes in a scant week's time. I suspect that the final order will be out this spring.

We have legislation on data sharing which has, crosses her fingers, finally cleared the OMB internal clearance process. These are things which have been in the works for a number of years that the Chief Statistician and OMB support have made happen.

I hope that as we talk about what needs to be done we give some credit to the work that has been done, particularly recently, by a nonpolitical, very effective, professional statistician, who is a coordinator but is bringing the best of what we have to bear and is not in the context of having to be a political animal, the way many of us are in this town.

Mr. HORN. Yes, Dr. Haver?

Ms. HAVER. Mr. Chairman, certainly I know Katharine Wallman. I think she is a very professional, competent person. I certainly did not mean anything against her leadership or what she has accomplished. I simply mean that I believe an independent agency with a manager is important to the very existence of some of our key economic data.

I also believe that confidentiality becomes an issue when the statistical agency is part of the Government, in other words, part of the Department of Labor, or part of the Department of Commerce.

I feel very strongly that if the statistical agency were freestanding that businesses would not have the concerns of confidentiality that they have today. In other words, I do not believe that most businesses are concerned about the Bureau of Labor Statistics getting the data collected by the Bureau of the Census only insofar as they want to be assured that the data is collected for statistical purposes only.

By segregating and separating the statistical agency, I think we in large part address the problem of confidentiality. Therefore, that would facilitate data sharing, which I certainly hope will be accomplished. It has been tried many times in the past. Although, we are en route perhaps to making it happen, it is certainly not a certainty.

Mr. HORN. Any other reaction?

Ms. BILLARD. You had asked a question right at the beginning about the role of the Chief Statistician.

Mr. HORN. Right.

Ms. BILLARD. Dr. Haver here has sort of addressed it a little bit again. I did have a couple of thoughts. I think your particular question was, should this person be a trained statistician, per se, as distinct from a manager?

Mr. HORN. That does not mean you cannot have both.

Ms. BILLARD. That is right.

Mr. HORN. Usually it is very rare if you are in the top professionally, usually unless you have managed a major scientific laboratory and you have long since gotten away from being up on the top of the profession, but you have prestige or something, there are

combinations, we all know. Some people can do it, some people cannot.

Ms. BILLARD. Well, you are absolutely right. What is important at that point is that it be someone who is a good administrator and a good manager.

You also want in that person someone who, even if they do not know the highly specialized statistical techniques, it is certainly someone who can appreciate what statistics can or cannot do, how one goes about collecting the right sorts of statistics to get the right sort of information, to make the right sort of policy, and all the rest of it, someone who is able to step back and has that broad perspective and has some sort of vision of statistics and its uses as a field.

I do think that relative to this particular legislation, to me there are really two Chief Statistician roles: The one that is currently occupied by Katharine Wallman's position, and I agree she does a great job. She is not on trial here.

The other "Chief Statistician" job that I see in this legislation is the administrator of the whole Federal Statistical Service. I would think that with time it is that person that other countries will recognize as the Chief Statistician.

Mr. HORN. You might be right. It is sort of like Pat Moynahan dreaming up the World Trade Organization, when it was just a little group of guys sitting in Geneva, and suddenly it becomes an international conspiracy.

When we say "Federal Statistical Service," obviously that is puffing it a little because we are talking about two very fine agencies and a little small agency in between. We are not taking over the whole statistical service of the Federal Government.

On the other hand, there is no question if you have a decent, independent statistical service, respected as a professional operation, they obviously could give a lot of guidance that is now being given to OMB, not that that is wrong. The President needs that to be done. Again, on the decentralization bit, you can do that in various ways. You do not have to have everything in the White House to run a good government.

Ms. BILLARD. I would think that it is important that this person be above partisan influences in either of those two positions, and that they be a career service person.

Mr. HORN. We need to think about the length of the term. Right now, for example, the Comptroller General is about to retire. There will be a new Comptroller General picked. As I remember, that is 14 years, is it not?

Mr. STEVENS. Fifteen.

Mr. HORN. It is 15?

Mr. STEVENS. Fifteen now.

Mr. HORN. Fifteen years. Some are talking about reducing it to 10, et cetera. The whole purpose is, just like a Federal judge, to give that person independence. Whatever they did in their past or most previous occupation, prior to being Comptroller General of the United States, just like Chief Justice of the United States, they are supposed to be independent, and they try to be and call them as they see it. It does not matter whose toes they are stepping on. That is the job.

In a way, that is this job, as we see it. When I heard that maybe they should chair the Advisory Board, I have been on a number of part-time assignments for about six presidents. The model in a way of a good Advisory Board is the National Institute of Corrections, where actually the lay members do recommend to the Attorney General who the director should be. The lay members set the agenda of the agency.

It has worked because the Attorney General in their appointments, and I think I served 11 Attorneys General, if you can believe, it in 18 years on that board, they can sort out, we put in criteria, people like me who are not professionals in corrections, and just ask them questions like, "Why?" That is always a good question, if you do not know what else to do. Then they all say, "Gee, I do not know."

You have earned your stipend for the day. They had a good mix of national practitioners, people of distinction, people affiliated with corrections. You covered a whole range of people that, I'm sure, you have exactly those nuances in the statistical profession.

I mean, it is represented by the three of you. You come at it from different perspectives: a university perspective; a business perspective; and then the professional association itself, and you have got more than one apparently. Of course, there is only one, I mean, I realize that.

If you can get that mix of people, usually you will have a pretty good board of people that know what they are talking about and will defend its integrity. I think that is what we are all after here.

You would like to?

Mr. STEVENS. Well, since we seem to be talking about qualifications, Mr. Chairman, I would add another one that would apply equally to the Comptroller General as to, I think, the administrator of the Federal Statistical Service; and that is, an ability to deal with Congress.

Ultimately Congress is going to have to understand the issues involved in making decisions that will affect the statistical community, the confidentiality problems that cannot really be solved until the Congress understands them, the data sharing problems, problems of preparation for the year 2000 census.

All of these demand an ability to explain what the statistical community knows to be true, to members who have many other concerns, and not much background. I am not really talking about a partisan political capability here.

Mr. HORN. Yes. Well, that is an excellent point. You see it in higher education. As president of a university, I was part of what is now a 22-campus system. We went through three chancellors. There is finally one there now that knows what the mission is. The mission is to get the resources out of the State government in Sacramento. If you cannot succeed in that, forget all the other nonsense you engage in.

You are right that this individual has to relate to the resource base which is the Congress. If we do not put it in the budget, it is not going to happen. The President can veto it. The President can maybe have a Line Item Veto, if we ever get it through here. However, if we do not put it in to start with, there is not much he can do about it. He cannot make it out of thin air.

Ms. BILLARD. Well, I think if this Statistical Service were a standalone agency, as apart from being embedded in some other agency, I think it can have, you know, a lot more stature, I think. It will gain the sort of stature I think it should have.

The administrator or chief statistician or whatever you call that person, I think, has to be just one step away or one office away from the heads of all of the other agencies and appointments political and otherwise. I think that they have got to be accountable, but they have got to be independent as well. They have got to be able to reach them and be able to sort of know what it is that is needed.

Mr. HORN. I think that a model, that some of you will remember in this city, was Jim Webb, the administrator of the National Aeronautics and Space Administration. He was one of the great entrepreneur public servants that has been in Washington in the last half century. There are others we could name in the first half century.

He was not an expert in space, he was not an engineer, but he put all the pieces together. He related to Congress, related to the President, related to the broader community, and got the job done. He did it superbly. There are some people like that. They have got generalist skills or whatever and the ability to communicate, which is what Mr. Stevens was suggesting here.

I realize you have got some other appointments, Ms. Katzen, I am sure they all do. How would you respond to those who say that the quality is uneven in a decentralized statistical system? Would greater consolidation produce better data overall? What do we know about that? Have we got any case studies or punches from interacting with all these agencies?

Ms. KATZEN. Apart from the three agencies that are the subject of the bill, and focusing for this purpose on sort of the 11, the next tier, one of the important components is that they are located in the departments that use their product and that call on them to do the kind of analysis that is necessary for that particular constituency.

The comment I make in my written testimony is that in the corporate world sometimes corporate R&D works. Sometimes it is more successful to have it in the program offices where it can be responsive to the demands. What we have in some of these areas, whether it be Energy, Health, Agriculture, of the bigger, smaller agencies, is a customer awareness that I think is important to drive those particular agencies.

One of the things that the Interagency Council has done, under the Paperwork Reduction Act, and its predecessor the Statistical Agency Heads Council is to identify data gaps. That is our economic statistics initiative, is to see where it is that we are missing something out of all of this.

Whether a gap is due to a failure of a particular entity to product it or whether it comes about because not all bases are covered is something that I do not think is clear in each instance. It can be attributable to either or both.

My impression, after having served in two aspects of the executive branch in different capacities, is that usually the quality of the work is a function of the leadership that is given, the resources that are available, and those have not always been adequate, as

you have noted. The environment in which they are functioning. I think those are the more compelling and driving than whether or not they are co-located or better coordinated, I would say.

Mr. HORN. OK. If the staff does not have any more questions, and the staff will be sending you some, then we will just reserve for that, not to take your time here; although, we will miss the followup. We might send you some followup questions.

If you would take the time to answer them, we would appreciate it. We will not try to overburden you. Obviously, you are still under oath, not that you can do too much in statistics, except for Mark Twain's famous phrase. That is what they were thinking of "an oath" in this committee, but we do it for everybody.

Let me just thank those that have prepared this hearing. I have learned a lot. I appreciate it, because I would not have learned without all of you coming with all your rich experience: Our Staff Director J. Russell George is over there watching what we are doing, staff director and counsel. To my left is Council Nedd, the professional staff member, who specifically was assigned and did, I think, a terrific job in setting up this hearing.

Anna Miller has been here, the financial expert on the subcommittee. Andrew Richardson, our clerk is usually around doing good deeds. Then Jennifer Williams of the Congressional Research Service, like the GAO, Congress' own. They do a superb job of backing us up on research. Joy D'Asaro, the subcommittee assistant. I do not see her in the room now. Minority staff, David McMillen and Mark Stephenson, professional staff members. Our faithful recorder and official reporter Oveda Hancock. Thank you all. With that this meeting and hearing is adjourned.

[Whereupon, at 1:15 p.m., the subcommittee was adjourned.]

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