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GOVERNMENT STATISTICS

Proposal to Form a Federal Statistical Service

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Government Statistics: Proposal to Form a Federal Statistical Service

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.

Government Statistics: Proposal to Form a Federal Statistical Service

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.

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.

[1]Government Reorganization: Issues and Principles (GAO/T-GGD/AIMD-95-166, May 17, 1995).

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 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,

[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).

[3]Statistical Agencies: Adherence to Guidelines and Coordination of Budgets (GAO/GGD-95-65, Aug. 9, 1995).

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 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

[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).

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 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

[6]Economic Statistics: Status Report on the Initiative to Improve Economic Statistics (GAO/GGD-95-98, July 7, 1995).

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 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 branches 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

[7]Commerce Dismantlement: Observations on Proposed Implementation Mechanism (GAO/T-GGD-95-233, Sept. 6, 1995).

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 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.

[8] Implementation: The Missing Link in Planning Reorganizations (GAO/GGD-81-57, Mar. 20, 1981).

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.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or Members of the Subcommittee may have.

Related GAO Products

Decennial Census: Fundamental Design Decisions Merit Congressional Attention (GAO/T-GGD-96-37, Oct. 25, 1995).

Commerce Dismantlement: Observations on Proposed Implementation Mechanism (GAO/GGD-95-233, Sept, 6, 1995).

Statistical Agencies: Adherence to Guidelines and Coordination of Budgets (GAO/GGD-95-65, Aug. 9, 1995)

Government Reorganization: Observations on the Department of Commerce (GAO/T-GGD/RCED/AIMD-95-248, July 25, 1995)

Economic Statistics: Status Report on the Economics Statistics Initiative (GAO/GGD-95-98, July 7, 1995).

Government Reorganization: Issues and Principles (GAO/T-GGD/AIMD-95-166, May 17, 1995)

Economic Statistics: Measurement Problems Can Affect the Budget and Economic Policymaking (GAO/GGD-95-99, May 2, 1995).

Measuring U.S.-Canada Trade: Shifting Trade Winds May Threaten Recent Progress (GAO/GGD-94-4, Jan. 19, 1994)

Bureau of the Census: Legislative Proposal to Share Address List Data Has Benefits and Risks (GAO/T-GGD-94-184, July 21, 1994)

Decennial Census: Focused Action Needed Soon to Achieve Fundamental Breakthroughs (T-GAO-GGD-93-32, May 27, 1993)

Gross Domestic Product: No Evidence of Manipulation in First Quarter 1991 Estimates (GAO/GGD-93-58, Mar. 10, 1993)

Census Reform: Major Expansion in Use of Administrative Records for 2000 is Doubtful (T-GAO-92-54, June 26, 1992)

Decennial Census: 1990 Results Show Need for Fundamental Reform (GAO/GGD-92-94, June 9, 1992)

Formula Programs: Adjusted Census Data Would Redistribute Small Percentage of Funds to States (GAO/GGD-92-12, Nov. 7, 1991).

1990 Census: Reported Net Undercount Obscured Magnitude of Error (GAO/GGD-91-113, Aug. 22, 1991).

Expanding the Role of Local Governments: An Important Element of Census Reform (GAO/T-GGD-91-46, June 15, 1991).

1990 Census Adjustment: Estimating Census Accuracy - A Complex Task (GAO/GGD-91-42, Mar. 11, 1991).

The Decennial Census: Potential Risks to Data Quality Resulting From Budget Reductions and Cost Increases (GAO/T-GGD-90-30, Mar. 27, 1990).

1990 Census: Overview of Key Issues (GAO/GGD-89-77BR, July 3, 1989).

Status of the Statistical Community After Sustaining Budget Reductions (GAO/IMTEC-84-17, July 18, 1984)

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