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**PAPERWORK REDUCTION**

**Governmentwide Goals  
Unlikely To Be Met**

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# Paperwork Reduction: Governmentwide Goals Unlikely to Be Met

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The paperwork burden that the federal government imposes on the public, commonly measured in terms of “burden hours,” was estimated to total 6.7 billion hours in fiscal year 1996, down slightly from the 6.9 billion-hour estimate for 1995. Some paperwork, of course, is necessary and can serve a useful purpose. Nevertheless, agencies have a responsibility to keep the amount of paperwork as low as possible consistent with carrying out their missions.

Congress enacted the Paperwork Reduction Act of 1995 to impose discipline on the management of paperwork requirements. Among other things, the act requires the Office of Management and Budget’s (OMB) Office of Information and Regulatory Affairs to set a goal of at least a 10-percent reduction in governmentwide paperwork burden for fiscal years 1996 and 1997, a 5-percent reduction goal for each of the next 4 fiscal years, and annual agency goals that reduce burden to the “maximum practicable opportunity.”

In assessing progress toward achieving these goals, it is appropriate to recognize that the basic data used to measure paperwork burden has important limitations. For instance, considerable uncertainty exists about whether the Internal Revenue Service’s (IRS) paperwork burden-hour estimate—which has recently accounted for about 75 percent of the government’s estimated total paperwork burden—is overstated. These limitations need to be borne in mind when gauging burden and progress in reducing it.

On January 13, 1997, OMB instructed agencies to establish goals and timetables to achieve, by the end of fiscal year 1998, a cumulative burden reduction of 25 percent. This goal does not require the annual reductions contemplated by the act, but, if accomplished, could result in a similar reduction by the end of fiscal year 1998.

However, primarily because IRS expects its paperwork burden-hour estimate to decline a total of about 2 percent over the fiscal year 1996-1997 period, it appears unlikely that the federal government as a whole will meet the cumulative 25-percent reduction contemplated by the act by the end of fiscal year 1998. In addition to IRS, GAO looked specifically into two other agencies’ progress. Environmental Protection Agency (EPA) officials said they will not achieve a 25 percent net reduction by the end of fiscal year 1998, while Occupational Safety and Health Administration (OSHA) officials said they expect to meet this reduction goal.

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**Summary**  
**Paperwork Reduction: Governmentwide**  
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All three agencies—IRS, EPA, and OSHA—indicated that the statutory framework that underlies their regulations and/or continued actions by Congress requiring the agencies to produce regulations were major impediments to eliminating paperwork burden.

# Paperwork Reduction: Governmentwide Goals Unlikely to Be Met

Mr. Chairman and Members of the Committee:

I am pleased to be here today to update our testimony before the Committee last year regarding the implementation of the Paperwork Reduction Act of 1995, as amended.<sup>1</sup> As you requested, I will focus today on three issues: (1) the Office of Management and Budget's (OMB) efforts to fulfill its responsibilities under the act, particularly its responsibility for establishing and overseeing governmentwide and agency-specific paperwork reduction goals; (2) the likelihood of the government and particular agencies meeting those goals; and (3) any impediments the government faces in reaching the goals. At your request, we addressed these issues by reviewing selected aspects of the act's implementation at OMB and three agencies—the Internal Revenue Service (IRS), the Environmental Protection Agency (EPA), and the Occupational Safety and Health Administration (OSHA). Participants at the 1995 White House Conference on Small Business said these three agencies imposed the most significant paperwork burdens on small businesses.

## Background

Before discussing the results of our review, I believe some background information would provide useful context. The Paperwork Reduction Act of 1995 amended and recodified the Paperwork Reduction Act of 1980, as amended. The 1995 act reaffirmed the principles of the original act and gave new responsibilities to OMB and executive branch agencies. Like the original statute, the 1995 act requires agencies to justify any collection of information from the public by establishing the need for and ability to use the information, estimating the burden that the collection will impose on the respondents, and showing that the collection is the least burdensome way to gather the information.

The act also reauthorized the Office of Information and Regulatory Affairs (OIRA) within OMB. Under the act, OIRA has overall responsibility for determining whether agencies' proposals for collecting information comply with the act.<sup>2</sup> Agencies must receive OMB approval for each information collection request before it is implemented. OIRA also is required to keep Congress "fully and currently informed" of the major

<sup>1</sup>Paperwork Reduction: Burden Reduction Goal Unlikely To Be Met (GAO/T-GGD/RCED-96-186, June 5, 1996).

<sup>2</sup>The act requires the Director of OMB to delegate the authority to administer all functions under the act to the Administrator of OIRA but does not relieve the OMB Director of responsibility for the administration of those functions. Approvals are made on behalf of the OMB Director. In this testimony, we generally refer to OIRA or the OIRA Administrator wherever the act assigns responsibilities to OMB or the Director.

activities under the act and must report to Congress on agencies' progress in reducing paperwork. To do so, OIRA develops an Information Collection Budget (ICB) by gathering data from executive branch agencies on the total number of "burden hours" OMB approved for collections of information for the agency at the end of the fiscal year and agency estimates of the burden for the coming fiscal year.<sup>3</sup>

Finally, the 1995 act made several changes in federal paperwork reduction requirements. For example, it requires OIRA to set a goal of at least a 10 percent burden reduction governmentwide for each of fiscal years 1996 and 1997, a 5 percent governmentwide burden reduction goal in each of the next 4 fiscal years, and annual agency goals that reduce burden to "the maximum practicable opportunity."<sup>4</sup>

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### **Some Paperwork Is Necessary**

I also believe it is important to point out that some paperwork is necessary and can serve a useful purpose. Information collection is one method by which regulatory agencies carry out their missions to, for example, collect taxes, keep workplaces safe, and clean the environment. Without some such information, IRS would not know the amount of tax owed by the taxpayer, and EPA and OSHA would not know whether the intent of statutes such as the Clean Air Act and the Occupational Safety and Health Act is being achieved. However, under the act, agencies do have a responsibility to keep the amount of paperwork as low as possible.

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### **OMB and Agencies Set Burden Reduction Goals**

During the past year, OIRA published what its officials said were governmentwide and agency-specific burden reduction goals. Subsequently, OMB established multiyear governmentwide and agency-specific burden reduction goals that could, if implemented, accomplish the burden reductions that the Paperwork Reduction Act of 1995 envisioned would occur by the end of fiscal year 1998.

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### **Goal-Setting Is Useful but Caution Needed Due to Imprecise Data**

Before discussing the specifics of OMB and agencies' goal-setting efforts, it is appropriate to recognize that the basic data used to gauge paperwork burden have important limitations. Although the paperwork reduction concepts in the Paperwork Reduction Act of 1995 are a useful framework

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<sup>3</sup>Although OIRA consults with agencies in the preparation of their ICB submissions and refers to this data collection process as a "budget," OIRA's information collection budget does not limit the number of burden hours an agency is permitted to impose in the way that a financial budget limits expenditures.

<sup>4</sup>The original act contained burden reduction goals, but they had expired.

for imposing discipline on the government's management of paperwork requirements affecting the public, users of paperwork burden-hour estimates should proceed with caution. Estimating the amount of time it will take for an individual to collect and provide information or how many individuals an information collection will affect is not a simple matter. Therefore, the degree to which agency burden-hour estimates reflect real burden and the factors that cause changes to the estimates are often unclear. For example, as I will discuss in more detail later, considerable uncertainty exists about the accuracy of IRS' paperwork burden-hour estimate—which has recently accounted for about 75 percent of the government's estimated total paperwork burden. IRS' estimates may be off by as much as billions of burden hours and to the extent that the estimates are off, the estimates used to gauge progress in meeting the goals of the Paperwork Reduction Act would also be significantly flawed. Nevertheless, these are the best indicators of paperwork burden available, and we believe that they can be useful as long as their limitations are borne in mind.

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### **OIRA Published ICB Containing Agencies' Burden-Hour Estimates**

Last year I testified that as of the end of May 1996, OIRA had not set any burden reduction goals. However, OIRA staff told us at that time that OIRA would establish a governmentwide burden reduction goal of 10 percent for fiscal year 1996 in a then soon-to-be-published ICB. They also said that agency goals would reflect the end of fiscal year 1996 burden-hour estimates that the agencies would provide in their ICB submissions, unless changed as a result of OIRA review.

OIRA published the ICB for fiscal year 1995 in August 1996. The ICB stated that the act "set an annual government-wide goal for the reduction of total information collection burden of 10 percent during each of fiscal years 1996 and 1997 and 5 percent during each of fiscal years 1998, 1999, 2000, and 2001." OIRA officials told us that they believe this statement satisfied the act's requirement that OIRA establish governmentwide burden reduction goals.

In the August 1996 ICB, federal departments and agencies estimated that their burden-hour totals at the end of fiscal year 1996 (less than 2 months later) would average less than 1 percent below the end of fiscal year 1995 totals.<sup>5</sup> OIRA does not believe there is a contradiction between the

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<sup>5</sup>The agencies estimated that the total number of burden hours would decline from 6.90 billion hours on September 30, 1995, to 6.85 billion hours on September 30, 1996. Data from the Regulatory Information Service Center as of May 1997 indicates the agencies ended fiscal year 1996 with 6.75 billion burden hours.

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governmentwide burden-hour reduction goal of 10 percent for fiscal year 1996 and the fact that the agency-specific goals for that year averaged less than 1 percent. OIRA officials believe this apparent contradiction can occur because the act specifies that individual agencies' goals should reduce information collection burdens to the "maximum practicable opportunity." The sum of these maximum practicable agency goals may not total to 10 percent governmentwide. Nevertheless, we believe that it is logical to assume that agency-specific goals would be the means by which the governmentwide goal would be achieved. We also believe that the 1995 act's legislative history indicates that Congress contemplated a connection between the governmentwide and agency-specific goals.<sup>6</sup>

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## **OMB Has Set a 25 Percent Burden Reduction Goal**

On January 13, 1997, OMB issued Bulletin 97-03, which instructed executive departments and agencies to prepare and implement an ICB for fiscal year 1996 and an Information Streamlining Plan (ISP). The bulletin said each agency's ISP should include "goals and timetables to achieve, by the end of (fiscal year) 1998, a cumulative burden reduction of 25 percent from its (fiscal year) 1995 year-end level, consistent with the governmentwide burden reduction goals in the Paperwork Reduction Act of 1995." The bulletin also said that each agency should identify in its ISP submission specific administrative changes, program restructures, regulatory reinventions, and legislative proposals that would reduce its total paperwork burden on the public and streamline the paperwork it imposes.

OIRA staff said that progress toward the 25-percent goal will be measured against agency burden-hour estimates as of September 30, 1995, and that agency and governmentwide reductions would have to take into account any burden-hour additions that occurred while the reductions were taking place. For example, if an agency was able to reduce its September 30, 1995, paperwork burden by 25 percent, but new regulations that the agency issued during that period added the equivalent of an additional 10 percent, the agency would get credit for having accomplished only a 15 percent reduction in burden hours.

OMB's goal of reducing the number of burden hours by 25 percent by the end of fiscal year 1998 could, if accomplished, achieve a similar reduction to what the act contemplated through its requirement that OIRA set goals

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<sup>6</sup>The act's conference report states that "individual agency goals negotiated with OIRA may differ depending on the agency's potential to reduce the paperwork burden such agency imposes on the public. Goals negotiated with some agencies may substantially exceed the Government-wide goal, while those negotiated with other agencies may be substantially less."

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of 10 percent for fiscal years 1996 and 1997 and 5 percent for 1998. OIRA officials told us that the 3-year goal was established because paperwork reductions typically take several years to implement, and therefore a multiyear goal was more workable.

OIRA officials said that as of the end of May 1997, most of the agencies had submitted their ISPs and that OIRA staff were reviewing their submissions. They also said they were scheduling hearings to review the ISPs with top officials in each agency and anticipated that the hearings would be completed by the end of June 1997.

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**Measuring Progress  
Toward the Goal**

In previous years, OIRA used ICB information to assess agencies' progress in reducing paperwork burden. Changes in burden-hour estimates from year to year were classified as caused by either "program changes" or "adjustments." Program changes were defined as additions or reductions to existing paperwork requirements imposed either through new statutory requirements or an agency's own initiative. Adjustments were changes in burden estimates that were caused by factors other than changes in the actual paperwork requirements, such as changes in the population responding to a requirement or agency reestimates of the burden associated with a collection of information. OIRA counted both program changes and adjustments when calculating an agency's burden-hour baseline at the end of each fiscal year. OIRA did not count changes due to adjustments in determining whether an agency had achieved its burden reduction goal.

OIRA officials told us that they will continue to use information from the ICBs in judging agencies' progress toward the goal of reducing burden by 25 percent by the end of fiscal year 1998. The ICB for fiscal year 1996 is currently scheduled to be published in June 1997. OIRA officials also told us that they will measure and report on both program changes and adjustments, but they have not decided whether to count adjustments when judging agencies' accomplishments. If OIRA decides to count adjustments, agencies could meet their 25 percent burden reduction goals by reestimating the burden of their existing information collections.

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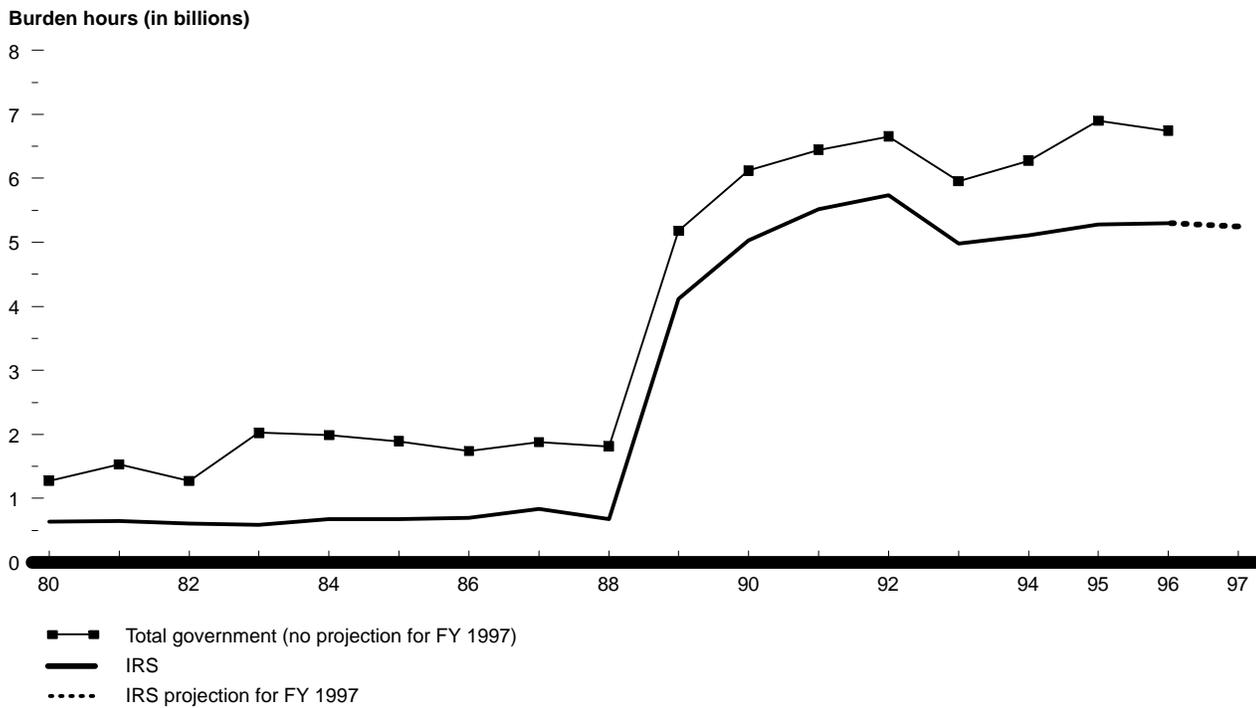
**Recent Changes in  
Paperwork Burden  
Suggest Burden  
Reduction Goals  
Unlikely to Be Met**

OMB's January 13, 1997, bulletin stated that "agencies have made substantial progress in reducing paperwork burden" since the original Paperwork Reduction Act was enacted in 1980. However, the governmentwide burden-hour estimate actually rose substantially during that period. Figure 1 shows changes in reported burden-hour estimates governmentwide and at IRS between September 30, 1980, and September 30, 1996. The figure also shows IRS's estimate of its burden-hour total at the end of fiscal year 1997 that was presented in its ICB submission for fiscal year 1996.

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Figure 1:

# GAO Trends in Estimated Paperwork Burden Governmentwide and for IRS



Note: Data are as of September 30 each year.

Source: Regulatory Information Service Center and Department of the Treasury.

As you can see, the governmentwide burden-hour estimate rose from about 1.5 billion hours in 1980 to more than 6.7 billion hours in 1996. However, the near tripling of the governmentwide burden-hour estimate during fiscal year 1989 was primarily because IRS adopted a new methodology for computing burden, which increased its paperwork

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estimate by about 3.4 billion hours. In each year since fiscal year 1989, IRS' estimated paperwork burden has accounted for more than three-quarters of the governmentwide total. Because the current estimate of IRS' paperwork burden is such a large portion of the governmentwide estimate, increases or decreases in IRS' estimated number of burden hours have had—and may in the future have—a dramatic effect on the governmentwide estimate.

The governmentwide 6.7 billion burden-hour estimate for 1996 is down from just over 6.9 billion hours in 1995. Notably, this decline occurred despite the fact that IRS's burden-hour estimate rose slightly between 1995 and 1996 (from 5.28 billion hours to 5.30 billion hours).<sup>7</sup> In general, however, reducing the burden imposed by IRS will be an important component of any governmentwide effort to reduce paperwork burden.

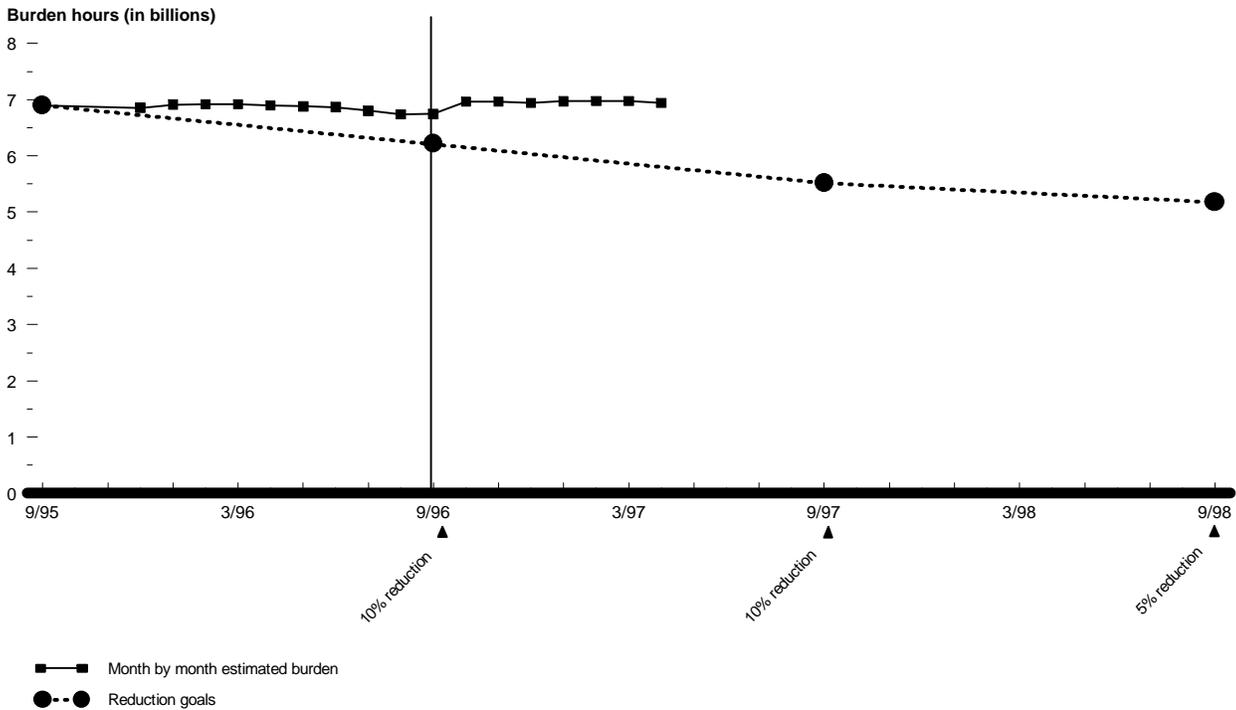
Figure 2 shows the month-by-month changes in the estimated governmentwide paperwork burden between September 30, 1995, (the day before the 1995 act's effective date) and April 30, 1997 (the most recent date for which data were available). The figure also shows what the burden-hour totals would have been if the agencies had achieved the 10 percent reductions contemplated in the act for fiscal years 1996 and 1997 and the required additional 5 percent reduction for fiscal year 1998.

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<sup>7</sup>OIRA officials noted that except for IRS, the paperwork estimate for the rest of the government declined by more than 10 percent during the act's first year of implementation.

Figure 2:

# GAO Changes in Estimated Governmentwide Burden and Burden Reduction Goals



Note: Data are as of the end of each month.

Source: Regulatory Information Service Center and GAO.

The figure shows that as currently measured, the federal government had not achieved the 10-percent reduction in burden hours contemplated by the act by the end of fiscal year 1996. Also, because IRS expects to achieve only a 1-percent reduction in its burden total by the end of fiscal year 1997, and because IRS officials told us that they anticipated achieving another

1-percent reduction by the end of fiscal year 1998, it appears unlikely that the federal government as a whole will meet the 25-percent reduction contemplated by the act by the end of fiscal year 1998. If IRS cannot reduce its burden-hour total by more than 2 percent between fiscal years 1995 and 1998, achieving a 25-percent reduction in the governmentwide burden-hour total during that period would require that all other federal departments and agencies virtually eliminate their information collections.

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## **Specific Burden Reduction Actions at IRS, EPA, and OSHA and Likelihood of Agencies Reaching Their Goals**

We examined the ICB and ISP submissions for IRS, EPA, and OSHA to determine what actions they said they have taken to reduce their estimated paperwork burden and whether the agencies believe they will meet the 25 percent burden reduction goal by the end of fiscal year 1998. Although all three agencies indicated they had undertaken numerous burden reduction efforts, the agencies differed in the degree to which they expected those efforts to reduce their burden-hour estimates.

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### **IRS Said It Has Taken Actions but Cannot Achieve the 25 Percent Burden Reduction Goal**

IRS's draft ISP submission describes a number of actions the agency said it has taken to reduce its information collection burden. For example, IRS said it produced a set of streamlined instructions for its Form 1040, switched over 400,000 filers from Schedule C to Schedule C-EZ, and deleted 20 entries from Form 1040 and its instructions that resulted in a reduction of nearly 60 million burden hours. In another change, IRS said that it was raising the threshold for which a receipt is required for substantiation of a business expense for travel from \$25 to \$75, reducing the burden on taxpayers by an estimated 12.4 million hours.

However, after reviewing its 15 largest information collections as of September 30, 1995, IRS said it was unable to identify burden reductions that would allow it to achieve a 25-percent reduction in its baseline of 5.3 billion hours. As I mentioned earlier, the agency estimated that its total information collection burden by September 30, 1997, will decline by about 1 percent from the previous year. However, IRS estimated its information collection total would still stand at nearly 5.25 billion hours. IRS officials told us that the agency would probably be able to accomplish another 1-percent reduction in its burden-hour totals by September 30, 1998.

In its draft ISP, IRS said it could not reach the 25 percent burden reduction goal because its major information collections

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“request information that is mandated by the Internal Revenue Code and which IRS needs to collect the required amount of individual and corporate income tax revenue. Reducing the paperwork burden of these items would make it more difficult, if not impossible, to administer the Internal Revenue Code. We will continue to search for new opportunities to reduce burden, but the only way to achieve major burden reduction is to simplify the tax laws.”

However, in considering such simplifications, Congress must weigh several, sometimes competing, issues. These include the revenue implications of any change, the goal to promote equity and fairness, and the desire to achieve certain social and economic goals. Achieving a balance among these issues while making it easier for taxpayers to comply presents a significant challenge to Congress.<sup>8</sup>

IRS officials also told us that many of the burden reduction efforts the agency has made are not reflected in the burden-hour estimates because they are not counted. For example, they said that 32 notices and letters that were previously sent out 22 million times a year were eliminated this year, reducing taxpayer burden and saving IRS over \$17 million. They said that this burden reduction was not reflected in IRS’s burden-hour estimates because the notices and letters that were eliminated were not subject to the Paperwork Reduction Act. They also said that some taxpayers are not taking full advantage of IRS initiatives to reduce burden, such as TeleFile and electronic submission of tax information. As noted later in my testimony, IRS is working on a new methodology to measure taxpayer burden.

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**EPA Says It Has Taken  
Actions but Will Not  
Achieve the 25 Percent  
Burden Reduction Goal**

EPA has had its own effort to reduce paperwork that began before the Paperwork Reduction Act of 1995 took effect.<sup>9</sup> However, despite this effort and actions designed to meet the burden reduction goals contemplated in the act, EPA said it will not achieve a 25 percent net reduction of its fiscal year 1995 information collection burden by the end of fiscal year 1998.

According to its draft ISP, a primary focus of EPA’s burden reduction efforts has been on the agency’s 21 information collections with the greatest estimated burdens. Of these, EPA said 16 will have their burdens reduced significantly by the end of fiscal year 1998, and 2 others will be

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<sup>8</sup>Tax System Burden: Tax Compliance Burden Faced by Business Taxpayers (GAO/T-GGD-95-42, Dec. 9, 1994).

<sup>9</sup>Environmental Protection: Assessing EPA’s Progress in Paperwork Reduction (GAO/T-RCED-96-107, Mar. 21, 1996).

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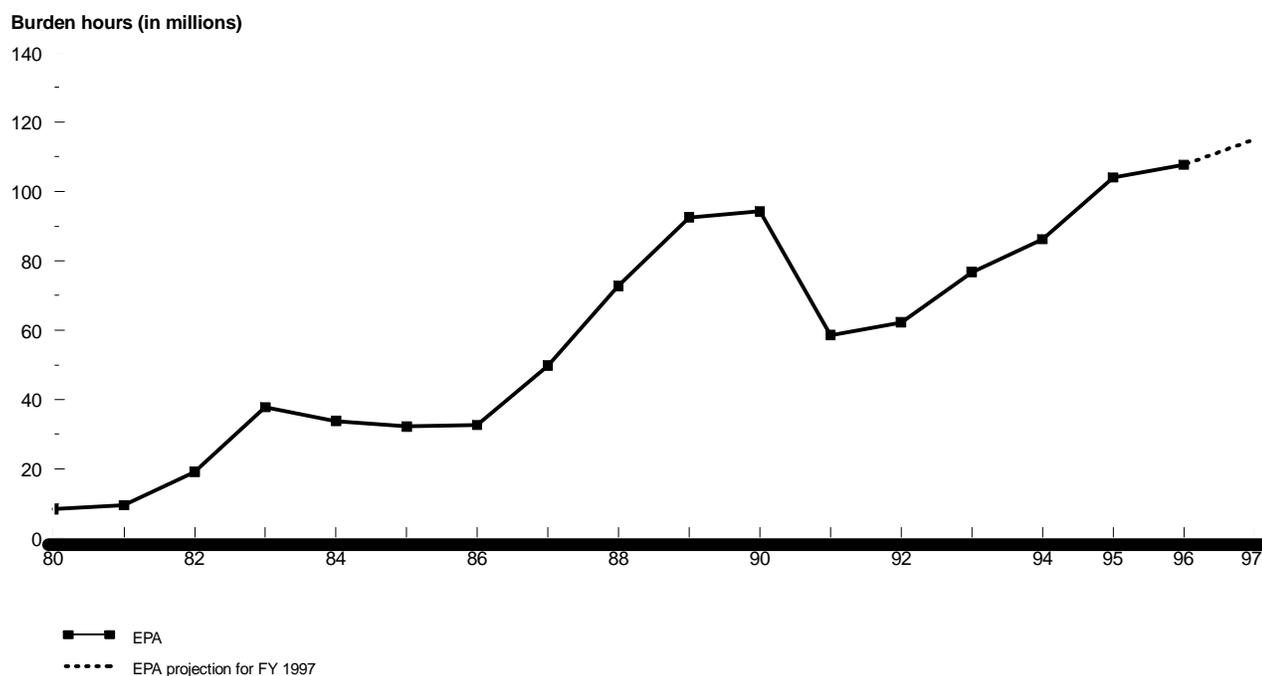
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reduced by the end of the decade. For example, EPA said the burden associated with its Discharge Monitoring Reports would be reduced by nearly 4.7 million hours. EPA said that the information collections associated with its September 30, 1995, total estimated paperwork burden of 104.1 million hours would be reduced by 21.8 million hours by the end of fiscal year 1998—a 21-percent reduction. EPA also said that it would reduce 4.1 million hours from new additions to the baseline, so its total projected reduction was 25.9 million hours.

However, EPA's draft ISP also said that these reductions would be more than offset by 30.3 million burden hours added during this period. EPA estimated in its draft ICB that its burden as of September 30, 1997, would be more than 115 million hours. (See fig. 3.) EPA's draft ISP estimated that its total paperwork burden by September 30, 1998, would be 108.5 million hours—a decrease from the 1997 estimate but an increase of about 4 percent from the fiscal year 1995 baseline. However, EPA noted that this estimate did not include "a potentially large increase related to the Safe Drinking Water Consumer Confidence Report."

Figure 3:

# GAO Changes in EPA's Estimated Burden Hour Total Since 1980



Note: Data are as of the end of each month.

Source: Regulatory Information Service Center and EPA.

EPA's draft ISP said the increases in its estimated burden hours between fiscal years 1995 through 1998 were driven by four factors: (1) 5.5 million burden hours associated with the Toxic Release Inventory's Form R that

had not been counted in the past;<sup>10</sup> (2) recalculations of burdens for existing information collections (e.g., a 2.4 million hour increase for the Hazardous Waste Manifest); (3) nearly 14 million hours added in support of expanded community-right-to-know efforts;<sup>11</sup> and (4) new regulations under the Clean Air Act Amendments and other rules.

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**OSHA Says Its Actions Will  
Achieve the 25 Percent  
Burden Reduction Goal**

In contrast to IRS and EPA, OSHA said it has already made substantial progress toward achieving a 25-percent reduction in its fiscal year 1995 paperwork burden estimate. As figure 4 shows, OSHA's paperwork burden estimate increased dramatically just prior to the 1995 act's effective date. This increase occurred because OSHA and other agencies were trying to get proposed information collections approved before the new act took effect on October 1, 1995. However, the Department of Labor's ICB submission indicated that OSHA had reduced its September 30, 1995, baseline of 207.6 million hours by 25.1 million hours (12 percent) as of September 30, 1996, and estimated that OSHA would be able to reduce its total by another 17.3 million hours by September 30, 1997. If so, OSHA will have reduced its total paperwork burden by more than 42 million hours—a 20-percent decrease from its fiscal year 1995 baseline. OSHA officials told us that they expect the agency to achieve the 25 percent burden reduction goal by the end of fiscal year 1998.

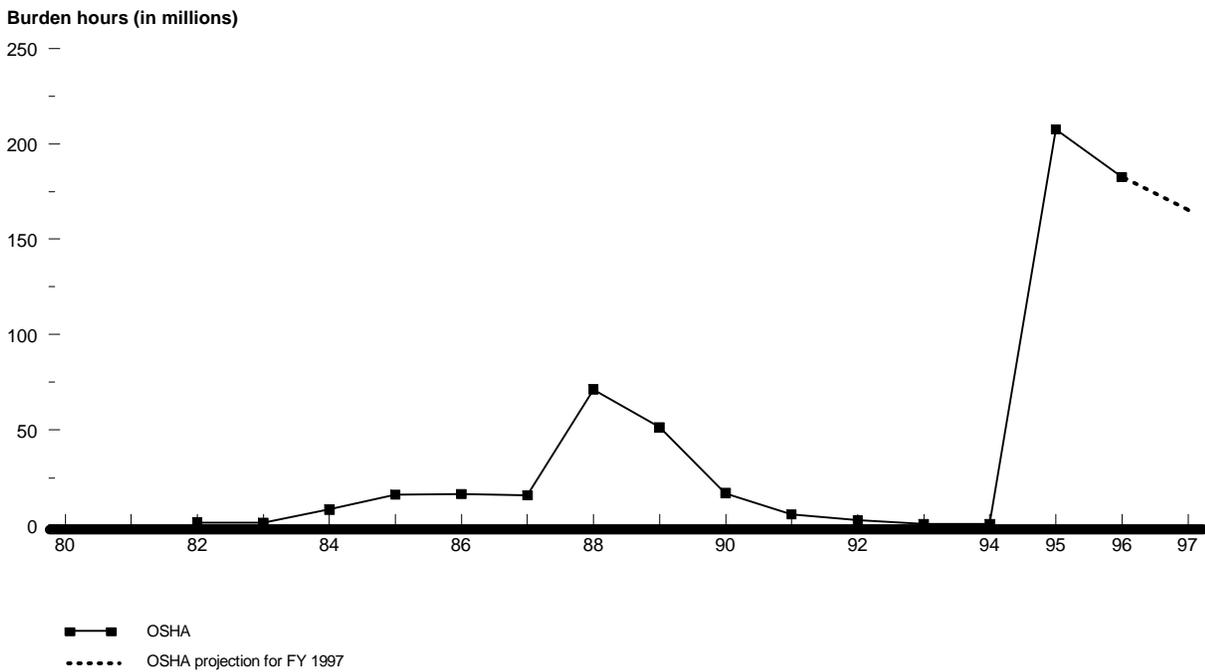
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<sup>10</sup>The 1993 appropriations bill for EPA (P. L. 102-389) effectively provided an exemption from the Paperwork Reduction Act for EPA's Form R until such time as revisions to the form are made in accordance with law. OMB subsequently dropped this information collection from its ICB tracking system when its information collection clearance expired. The recent revision of Form R and the reinstatement of OMB clearance for this collection will add 5.5 million hours to EPA's burden-hour total but will not impose any additional burden on the public because the form was used continuously throughout this period.

<sup>11</sup>Right-to-know requirements involve the disclosure of health and environmental information to the public and are contained in such statutes as the Safe Drinking Water Act, the Emergency Planning and Community Right-to-Know Act, and the Residential Lead-based Paint Hazard Disclosure Act.

Figure 4:

# GAO Changes in OSHA's Estimated Burden Hour Totals Since 1980



Note: Data are as of the end of each month.

Source: Regulatory Information Service Center and the Department of Labor.

The Department of Labor's draft ICB and ISP identified a number of specific actions that it said caused the sharp decline in burden hours. For example, the documents indicated that OSHA had achieved an estimated 18 million-hour reduction in its paperwork burden as a result of changes to its Process Safety Management standard. They also indicated that OSHA

had reduced the burden associated with its Hazardous Waste Operations and Emergency Response standard from 18.7 million hours to about 2.2 million hours.

Nevertheless, the draft ISP also indicated that burden reductions for a number of its standards would not be possible without statutory change. For example, the ISP said that OSHA's review of one of its standards "did not identify any method of reducing paperwork that does not simultaneously increase significant risk. OSHA is precluded from taking any regulatory action that will increase such risk." The ISP also noted that OSHA's Lead in Construction and Hazardous Waste Operations and Emergency Response rules were congressionally mandated and "would require the consent of Congress to revise."

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## **Impediments to Reaching Burden Reduction Goals**

Although each of their burden reduction experiences differed, IRS, EPA, and OSHA all indicated in their ICB or ISP submissions that the statutory framework that underlies their regulations and/or continued actions by Congress requiring the agencies to produce regulations were major impediments to eliminating paperwork burden. As I mentioned earlier, IRS said that it cannot reach the 25 percent burden reduction goal of eliminating more than 1 billion burden hours of paperwork under the current statutory framework and still carry out its mission. The agency said paperwork reductions of that scale are possible only through a major simplification of the tax laws. EPA said that its burden reduction efforts have allowed the agency's baseline to remain relatively constant "despite the passage of new legislation and the increasing call by the public for additional information." The Department of Labor said "reductions in information collection requirements which are statutorily mandated can only be achieved through legislative changes" and subsequently identified several such instances in OSHA regulations.

As I mentioned earlier, information collection is one method by which agencies carry out their missions, and those missions are established by Congress through legislation. If agencies' paperwork requirements are truly statutorily mandated, then burden-hour reductions of the magnitude envisioned by the act may not be achievable without changes in the legislation underlying those requirements. However, we have not assessed the extent to which the paperwork burden that agencies impose is directly attributable to statutory requirements and, therefore, is out of the agencies' control. Even though a statute may require an agency to take certain actions, the agency may have discretion regarding whether

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paperwork requirements need to be imposed and, if so, the manner or frequency with which the information is collected. For example, although several statutes require employers to provide training to employees, OSHA may have discretion to determine whether employers need to generate paperwork to demonstrate their compliance with these provisions.

Another factor that we believe affects agencies' ability to meaningfully reduce paperwork burden is the difficulty agencies have experienced in measuring that burden. The paperwork metric agencies currently use is "burden hours," which is supposed to reflect how long it takes respondents to complete agencies' information collections. However, the frequency with which agencies reestimate their burden-hour totals and the magnitude of those adjustments indicate that those measurements are far from precise.

For example, the huge increase in the governmentwide burden-hour total in 1989 was a consequence of IRS reestimating the burden associated with its information collections. However, a recent analysis of the methodology that formed the basis of the 1989 reestimate concluded that IRS may now be significantly overstating businesses' paperwork burden.<sup>12</sup> IRS recently drafted a statement of work for a new study of IRS tax compliance burden, but the results of that study will probably not be available for several years. If the study confirms that IRS's current burden-hour estimates are, in fact, significantly overstated, the agency's and the governmentwide burden-hour totals could fall back to their pre-1989 levels—far below the burden reduction goals contemplated in the act. However, because only the measurement system would have been altered, the actual paperwork burden felt by the public would remain unchanged.

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Mr. Chairman, this completes my prepared statement. I would be pleased to answer any questions.

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<sup>12</sup>In the early 1980s, IRS commissioned Arthur D. Little, Inc., to develop a methodology to estimate the burden each tax form imposed on taxpayers. In a paper prepared for a 1996 Brookings Institute forum, Professor Joel Slemrod concluded that the Little methodology overstated business taxpayer paperwork burden by a factor of five. IRS officials said that after working with analysts in the Office of Tax Analysis in the Department of the Treasury, Professor Slemrod now believes the appropriate adjustment factor for business taxpayer paperwork burden is about 3.8.

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