

GAO

Testimony

For Release
on Delivery
Expected at
9:30 a.m. EDT
Wednesday
June 28, 1989

Government Printing Costs and Printing
Management at Five Selected Departments

Statement of
L. Nye Stevens, Director
Government Business Operations Issues

Before the
Subcommittee on Procurement and Printing
Committee on House Administration
House of Representatives



4582 138966

GOVERNMENT PRINTING COSTS AND PRINTING MANAGEMENT
AT FIVE SELECTED DEPARTMENTS

SUMMARY OF STATEMENT BY
L. NYE STEVENS
DIRECTOR, GOVERNMENT BUSINESS OPERATIONS ISSUES
GENERAL GOVERNMENT DIVISION

Identifiable federal government printing costs for fiscal year 1988 were about \$1.1 billion, but the total cost is unknown. Printing cost data included in the federal budget is fragmented among the different object classes used to report budget expenditures and, within them, expenditures related to printing are not separately identified. Printing costs reported to the Joint Committee on Printing may not include some costs at one agency that are reported by another, principally because duplicating functions that may be printing are not clearly defined. Additionally, many printing overhead costs are not included in those reports.

The Government Printing Office (GPO) billed the Departments of Agriculture, Air Force, Navy, Transportation and Treasury, together, for about one-third of the printing GPO did or procured for all federal agencies. These five departments individually obtain from two-thirds to nine-tenths of their own printing from GPO, compared to printing in-house or that which they procured directly from private contractors under GPO waivers, based on the money they spent for printing from these three sources.

The printing management approaches of the five departments range from being strongly centralized to highly decentralized. Agency printing cost accounting procedures varied widely and the types of printing included under central management oversight differed from one agency to the other.

Each of the five departments have cut back the size of their in-house printing capabilities since 1983 when the Office of Management and Budget did a study of agency in-house printing and ordered many cutbacks. However, most believed that the study did not focus correctly on identifying printing needs before the cutbacks were ordered.

Each department believes that printing in the federal government will be affected by new technology, such as electronic publishing. One effect of the new technology could be to increase the decentralization of printing management within the federal government.

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to appear before the subcommittee again as you continue developing information that may lead to possible changes in Title 44 and the role of the Government Printing Office (GPO) in the coming years. On May 23, Mr. Ray Rist testified before this subcommittee on the GPO's future direction.

We see our role in these hearings as a broad one of helping to set the stage for understanding the scope of government printing and how it is structured. Today we present information we collected from a number of sources, including interviews with printing executives of five of the agencies scheduled to present testimony at this hearing. Together, those five department-level agencies - Agriculture, Air Force, Navy, Transportation, and Treasury - manage about one-third of the dollar volume of printing procured through the GPO. We did not have time before this hearing to verify the information we were given or to develop the costs of government printing in any great depth.

GOVERNMENT PRINTING COST

One objective of our work was to determine what the federal government spends for printing annually. We cannot say that we developed a definitive total, but we have aggregated some numbers

from various sources that we believe have not been combined before.

GPO and Agency-reported Printing Costs

We obtained data from GPO on its fiscal year 1988 billings to federal agencies for printing done at its main plant in Washington, its regional printing plants, and for printing it procured for federal agencies through private contractors. From the Joint Committee on Printing (JCP), we obtained fiscal year 1988 data on what federal agencies reported to the committee on JCP Form 2 as the cost of printing they procured directly from contractors.

Also from JCP, we obtained data agencies reported on JCP Form 1 for the costs of 227 of the 235 agency printing plants authorized by that committee. JCP Form 1, which was last revised in 1971, requires that facility costs be reported at \$1.74 per square foot per year, a figure that no longer accurately reflects true facility costs. Therefore, we adjusted the total costs reported on all Form 1s using the General Services Administration's (GSA) fiscal year 1988 nation-wide average cost for light industrial facilities, which is GSA's space category that includes printing facilities. GSA said that figure was \$10.90 per square foot per year for fiscal year 1988.

The pie chart before you shows fiscal year 1988 printing costs, using the sources described, of \$1.14 billion. As you can see, more than three-fourths of the kinds of printing costs captured by these sources was obtained through GPO. However, we believe the total shown understates actual printing costs for the following reasons:

- The facility costs are probably too low, even after having been adjusted. The nationwide highest and lowest annual costs for light industrial facilities in fiscal year 1988 ranged from approximately \$2.15 per square foot at one location in Detroit to \$35.70 per square foot at a location in the state of Washington, according to GSA. However, because the distribution of government activity does not mirror that of industry, many of the agency printing plants may be located in facilities with higher costs than GSA's nationwide average cost of \$10.90 per square foot for light industrial facilities, particularly those in the relatively high-cost National Capital area.

- The JCP Form 1 reports focus on agency printing plant costs, but do not capture many overhead costs of other agency printing functions, such as management oversight, contract printing procurement, or budgeting and billing, particularly if those functions are not physically located at the printing plant.

- Some reproduction functions which might be printing but which are not clearly defined as printing may not be captured in the printing cost information sources used, particularly some duplicating and copying activities.

- The costs for eight JCP-authorized printing plants are not included because they are exempt from reporting to the committee or have been consolidated with another plant since they were authorized; the costs of those which are not required to report would increase the \$1.14 billion total.

Federal Budget Object Class 24

Another source we examined to try to determine federal printing costs is the federal budget. Object class 24 is the federal budget category for printing. The amount shown in the fiscal year 1988 budget was about \$1.8 billion. However, GPO officials said that this figure is inaccurate and overstates the actual amount that should be included in object class 24, because both GPO and federal agencies report the cost of printing procured by GPO for the agencies and the amounts are added together in the budget. The double-counted amount, \$624 million according to GPO, when subtracted from the amount reported in object class 24 for fiscal year 1988, leaves about \$1.2 billion as the total for printing costs included in that object class. Coincidentally,

this figure is close to the one we obtained using the sources described earlier.

We believe it is coincidence because the adjusted figure for object class 24 also understates the cost of federal printing. The Office of Management and Budget (OMB) Circular A-11, Preparation and Submission of Budget Estimates, provides instructions to federal agencies for budgetary information reporting and includes identification of the types of costs that should be counted in the different object classes. Costs to be included in object class 24 are for all contractual printing and reproduction, and the related composition and binding operations. However, it does not include the salary and benefits costs for printing personnel, the costs for purchases and rentals of printing equipment, the cost of space for printing facilities, the cost of supplies such as paper and ink, and other printing-related costs. These costs are aggregated under other object classes, created to report a broad range of similar costs for other activities, and printing-related costs in these classes are not separately identified.

We have concluded, based on information we gathered, that we do not know what total federal printing costs are. We do, however, believe actual costs are higher than the \$1.1 billion we could identify.

RESULTS OF INTERVIEWS WITH 5 SELECTED AGENCIES

Another objective of our work was to develop information about the printing management and cost control procedures used by the five executive branch agencies that were also requested to testify before this committee. We visited each of the five - the Departments of Agriculture, Air Force, Navy, Transportation and Treasury - and spoke with printing management executives. We found that the management approach used at these five agencies ranged from strongly centralized to highly decentralized. Agency printing cost accounting procedures varied widely and the types of printing included under central management oversight differed from one agency to the other.

Agency Cost Figures

We analyzed the costs at each of the five agencies for printing jobs GPO billed each agency and for costs they reported to the Joint Committee on Printing using JCP Forms 1 and 2. The first bar graph reflects the agency total costs for printing obtained from the three sources: GPO, agency in-house plant costs reported on JCP Form 1, and direct procurement from private contractors reported on JCP Form 2. Of the total of \$1.14 billion for all federal printing obtained through these sources, these five spent about \$379 million, or about 33 percent. The graph shows that most of each agencies' cost was for printing obtained through

GPO, although the three civilian agencies procured proportionately more of their printing through GPO than the two military services did.

The second bar graph more clearly shows the percentages of the dollar volume of printing each of the five agencies procured through GPO, compared to printing they did in their own plants or procured directly from private contractors. Altogether, these five agencies procured about one-third of the total dollar volume of printing procured through GPO by all federal government agencies. The Departments of the Treasury and Transportation, at 90 percent or more, were the highest proportional users of GPO. The other three agencies obtained from about two-thirds to about three-fourths of the dollar volume of their printing from GPO.

Printing Management at the Five Agencies

All five agencies exercise some central printing management oversight. Each of the agencies has a printing regulation which identifies agency printing policies and procedures. All agencies collected cost information on their printing activities, using some sort of working capital fund through which users were billed for the printing provided. However, billing techniques differ among the agencies and costs they report may not be comparable. Furthermore, the oversight and control exercised by each agency

varies. Based on our evaluation of the information we obtained during interviews with printing executives of the five departments, we found the Department of the Navy exercised the strongest central management control over all facets of Navy printing activities. The Department of Transportation used the most decentralized printing management approach by issuing broad printing policy, but letting sub-organizations manage and oversee their own printing operations. We would place each of the other three agencies closer to the decentralized end of the spectrum represented by Transportation than to the strongly centralized end represented by the Navy. However, we did not gather enough information to determine whether centralized printing management or management that is delegated to sub-organizations provides more effective control and oversight.

Criteria for In-house Printing

All five agencies had criteria for making decisions about whether to do printing in-house or to procure it through GPO. Criteria for doing printing in-house included printing requiring a fast turn-around time, classified information printing, and printing jobs that private printing contractors would not want to undertake, based on an agency's past experience. Criteria for fast turn-around printing to be done in-house varied. For instance, Navy uses 5 days and Treasury uses 3 days. Agriculture uses direct deal contracts when rapid response is

required. Three agencies indicated that they did some printing in-house to keep utilization levels high in their printing plants.

Duplicating and Copying

Four of the five agencies we visited said that some duplicating and copying activities came under the control and oversight of the printing management executives. Only at the Department of Agriculture was duplicating and copying not included as a printing management responsibility; instead responsibility for duplicating and copying control and oversight came under the department's Office of Operations. However, we did not find a common definition for duplicating and copying at the five agencies. We believe some types of reproduction classified as a printing activity at one agency might not be classified as a printing activity at another. We did not determine how much of the agencies' costs for duplicating and copying are being reported as printing costs.

1983 OMB Study

The three civilian agencies said their printing activities were significantly affected by OMB's 1983 study of agency printing plants. Each said that they had plants closed or reduced in size as a result of the study. While the two military services said

that they were not affected by the 1983 OMB study, both said they had either consolidated printing activities or reduced the number of printing plants based on their own evaluation of their printing needs since the OMB study was done. Three of the five agencies did not believe that the 1983 OMB study adequately evaluated needs for the printing activities before they were forced to close or take reductions.

Reducing Printing Costs;

Problems with GPO

All five agencies had ideas about what could be done to reduce federal printing costs and improve their relationships with GPO. Generally, they considered the cost of GPO in-plant printing was too expensive, and one wished it could obtain the cost of GPO in-plant print jobs up front, before they asked for the job to be done. One agency official wished there could be better quality control over printing contracted out by GPO to private printing contractors, but at another agency we were told that it had solved such quality control problems by on-site inspections at the contractor's plant during the printing process. One agency printing executive commented that a reason his agency's in-house printing had fewer quality problems was the experience level of the printers, a larger percentage of whom had attained journeyman level than probably was the case at many private contractors' plants. However, such experience levels result in

higher personnel costs, according to this official. Consequently, he said, one of the only cost areas that are controllable are facility costs, by moving printing operations into lower cost space. A Navy official commented that one reason for high printing costs is a failure to take advantage of new technology, saying that there could be long term savings by using electronic printing technology.

We believe that some problems described could be resolved and additional cost-savings could be achieved if printing personnel of the agencies were to share their ideas among themselves and with GPO.

Electronic Publishing

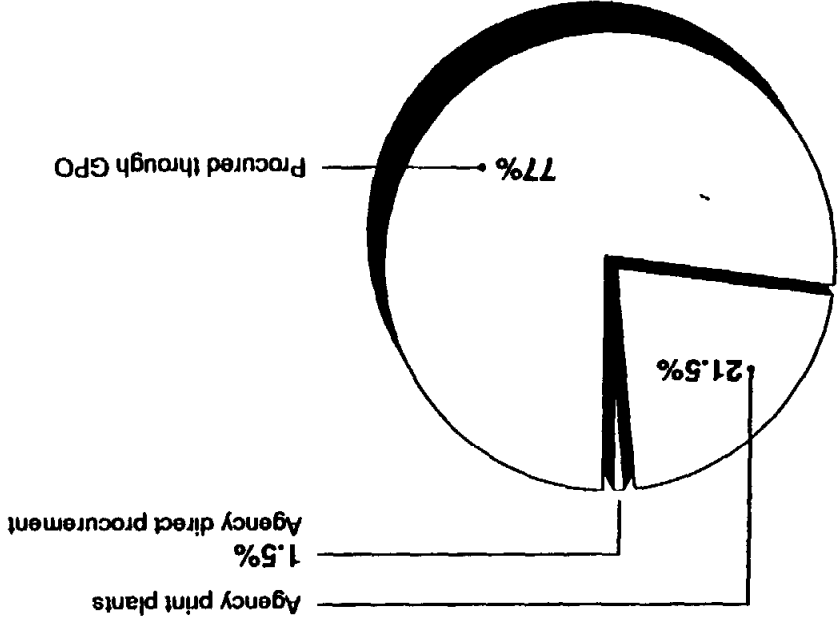
Electronic publishing is new technology that will have a considerable impact on federal printing and could increase decentralization of printing and publishing in the federal government, based on comments received from officials of the agencies we visited. Of the five, the Navy appears to be exercising a great degree of initiative in taking advantage of possibilities electronic publishing provides. The other four agencies appear to recognize that electronic publishing will affect their printing operations and they are all taking actions to some degree to integrate it into their operations. However, there generally is a lack of government policy dealing with

electronic publishing and many issues dealing with the technology need to be resolved before the potential benefits can be realized.

In conclusion, we direct your attention to several issues that need to be addressed as the federal government develops printing policy to guide agencies in managing their printing programs. First, there is a lack of consistent and comprehensive information about the government's total annual printing bill, as indicated in the qualifications we have made during this testimony. Second, Congress may wish to consider requiring better cost accounting for agency printing costs and a better definition of what is printing. Both of these issues need to be addressed in the context of rising interest in government information dissemination, influenced by rapidly changing technology and the changing capabilities of the public and the private sector.

This concludes my prepared statement, Mr. Chairman. We would be pleased to answer questions.

Total federal printing - FY88 (using actual average space costs)



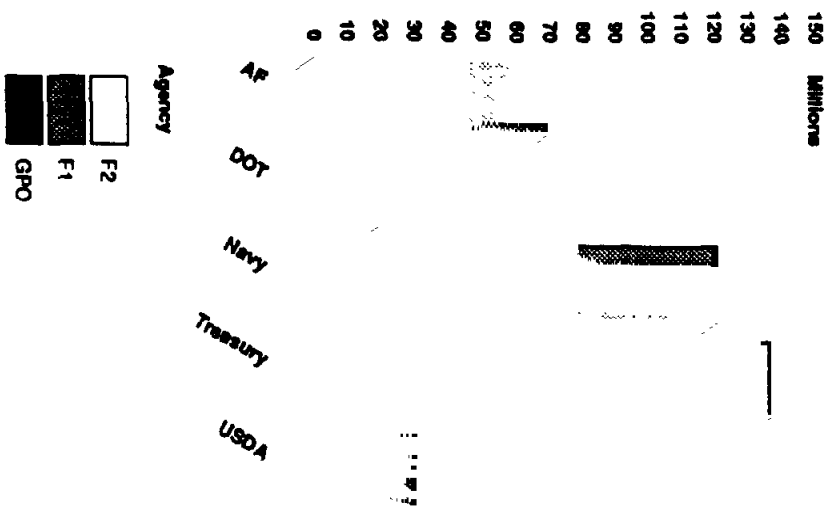
FY88 national average cost for high industrial facilities, the space category that includes printing plants, is \$10.90/square foot per year, according to GSA

Agency reported costs for 227 of the 235 authorized agency printing plants that prepare JCP Form 1's, adjusted for FY88 national average space costs (JCP Form 1 requires facility costs be reported at \$1.74/square foot per year).

Agency costs for printing they directly procure under GPO waivers and which they report on JCP Form 2

Total GPO billings to federal agencies of the 3 branches of government for FY88 include: GPO main plant printing in Washington DC; GPO regional plant printing; and GPO printing procured through contractors (HQ and regional procurement offices).

Sources of printing (of five selected agencies)



GPO billing for the five agencies represents one-third of total GPO billing.

Printing obtained through GPO
(percentage of total agency printing)

