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STATISTICAL AGENCIES

Consolidation and Quality Issues

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Statistical Agencies: Consolidation and Quality Issues

GAO's statement applies its considerable body of work on statistical issues to four questions the Subcommittee asked on data quality and the decentralized U.S. statistical system.

Quality of Statistical Data

While the principal statistical agencies GAO has reviewed have generally adhered to applicable professional standards, there are reasons to be concerned about the quality of statistical data. Public and private sector experts have said that the current system needs a more coherent approach to measurement of investment, productivity, and services. Measurement problems, such as those concerning consumer prices, can affect budget and economic policymaking. GAO's work has also demonstrated a deterioration in the quality of the decennial census, which GAO designated as a high-risk area in February 1997.

Effects of the Decentralized Structure

Although GAO's work does not indicate the extent to which the decentralized structure is a major cause of the quality problems, it does show that the decentralization contributes largely to other problems, such as inefficiency, the lack of national priorities for allocation of resources, burden on data users and providers, and restrictions on the exchange of data among statistical agencies. For example, in part because of the inability to share data, both Census and the Bureau of Labor Statistics have compiled and maintained their own lists of businesses.

Potential Effects of Consolidation

GAO has compared the dispersed U.S. system with Canada's centralized system. The head of Statistics Canada has a higher level position than that of the U.S. Chief Statistician, can set and change priorities and shift resources easily, has access to all of the government's administrative records, and can share survey data internally under strict and uniform privacy requirements. Potential disadvantages associated with consolidation would include possibly diminished responsiveness to the needs of former parent departments and possible objections to the concentration of data in a single agency.

Benefits From Location in the Commerce Department

Commerce historically has not been managed on the basis of a unifying mission or shared goals and has decentralized its key administrative functions. While the Commerce relationship is not meaningless, GAO is not aware of any reasons that would prevent Census and the Bureau of

Economic Analysis from performing their missions as part of another department.

Statistical Agencies: Consolidation and Quality Issues

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the federal statistical system. Over the years, we have developed a considerable body of work on statistical issues. The related products list that follows my statement contains our most recent products. As you requested, our testimony today brings this body of work to bear on four issues you asked us to address: (1) the quality of federal statistics, (2) how the federal statistical system's decentralized structure affects statistical quality, (3) whether consolidating the statistical functions currently housed in the Department of Commerce with those of other federal agencies could provide a more streamlined and effective federal statistical system, and (4) whether or not the Bureau of the Census and the Bureau of Economic Analysis benefit from being housed in the Department of Commerce.

Background

Statistical activities are dispersed throughout the federal government. The Office of Management and Budget (OMB) has identified 70 federal agencies that each spend at least $500,000 annually on statistical activities. Together, these agencies requested over $2.75 billion for fiscal year 1997 for statistical activities. Of the 70 agencies, 11 are considered to be the principal statistical agencies because they collect, produce, and disseminate statistical information as their primary mission. These 11 agencies together spend approximately $1.2 billion annually on statistical activities. Two Commerce agencies—the Bureau of the Census and the Bureau of Economic Analysis (BEA)—and the Department of Labor's Bureau of Labor Statistics (BLS) account for about $825 million of this total.[1] The missions of the principal statistical agencies are to ensure that the statistical information they collect, produce, and disseminate is accurate, reliable, and free from political interference and impose the least possible burden on individuals, businesses, and others responding to requests for data. Most of the other agencies that produce and disseminate statistical data do so as an ancillary part of their missions.

[1]The other eight principal statistical agencies are the National Center for Health Statistics (in the Department of Health and Human Services), Energy Information Administration (in the Department of Energy), National Agricultural Statistics Service and the Economic Research Service (both in the Department of Agriculture), Statistics of Income Division (Internal Revenue Service in the Department of the Treasury), Bureau of Justice Statistics (in the Department of Justice), the Bureau of Transportation Statistics (Department of Transportation), and the National Center for Education Statistics (in the Department of Education).

Quality of Statistical Data

The principal statistical agencies have done many things well. For example, in August 1995, we reported that four statistical agencies we reviewed-Census, BEA, BLS, and the National Center for Health Statistics—generally adhered to applicable professional standards.[2] Nevertheless, a series of studies of the federal statistical system going back several decades have identified concerns over the quality of statistical data. One of the concerns is that economic statistics have not kept pace with changes in the economy. This has led some experts to question whether current statistics adequately reflect the importance of international transactions to the economy, or whether current productivity measures are adequate given the increase in importance of service industries. Experts who have worked in the federal statistical system have also said that the current system needs to update its approach to measuring savings and investment. We are finding that agencies are devoting more attention than ever to the quality and coverage of statistical data series as they search for appropriate outcome-based performance measures in their efforts to comply with the Government Performance and Results Act that originated with this Committee.

In 1991, the Economic Statistics Initiative, which was led by Michael Boskin who chaired the Council of Economic Advisers under President Bush, made 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; and (4) making it easier for statistical agencies to share data for statistical purposes. In reviewing the status of these recommendations, we found that only about half of the recommendations were funded and that the funding levels varied considerably among the different agencies producing economic statistics, thereby hampering improvement efforts.[3]

We reported in 1995 that measurement problems can affect budget and economic policymaking.[4] In that report, we pointed out that many of the studies we reviewed indicated that technical problems associated with the

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

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

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

development of the Consumer Price Index could cause it to overstate inflation. We also pointed out that measures of economic output and productivity failed to account for the increasing importance of the service sector to the nation's economy.

In February 1997, the National Association of Business Economists (NABE) reported that nearly 70 percent of its members who responded to its survey were dissatisfied with the scope and quality of economic data in the United States. NABE said that the current system does a better job of measuring manufacturing than it does of measuring services and the information technology aspects of the economy.

Our work has also demonstrated a deterioration in the quality of the Decennial Census, which provides a baseline for countless other statistical programs. The 1990 Census, though it was the most expensive in history, for the first time produced results that were less accurate than those of the preceding Census.[5] Almost 10 million persons were missed in that Census, although the net effect of this was somewhat masked by the counting of about 6 million persons twice. These 16 million gross errors represent a minimum tally, since they do not include such errors as persons erroneously included or assigned to the wrong locations. In February 1997, we designated the 2000 Decennial Census as being at high risk of producing unsatisfactory results.[6]

How the Decentralized Structure of the Federal Statistical System Affects Statistical Quality

Over the years, a number of problems with the quality of statistical data have been associated with the organizational structure of the federal statistical system. Although our work does not indicate the extent to which a decentralized structure is a major cause of the quality problems, it does indicate that not all of the quality problems that exist stem from the decentralized structure of the statistical system. For example, the deteriorating quality of decennial census data relates largely to limitations in the basic processes used to collect census data, not to the decentralized structure of the statistical system. On the other hand, our work as well as that of others has shown that the decentralized structure of the system contributes largely to other problems, such as inefficiency, the lack of national priorities for allocation of resources, burden on data users and providers, and restrictions on the exchange of data among statistical agencies.

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

[6]High-Risk Series (GAO/HR-97-2, Feb. 1997).

Clearly, our decentralized statistical system has sometimes affected the quality of statistical data produced by the system. For example, in estimating the National Income and Product Accounts (NIPA), which includes the estimate of gross domestic product, BEA relies on data collected by other agencies. Frequently, those data are collected for other purposes, and according to a BEA official, much of the data are not in the form that BEA needs to calculate NIPA. In some cases, gaps exist in the data, and these gaps, in turn, affect the NIPA estimates. As another example, some of the data quality problems that were identified by the Economic Statistics Initiative have yet to be corrected because the corrective action requires steps by more than one agency. In some cases, one agency received funding to correct its data problems, but another agency, which may contribute source data, did not get funds to address the issue.

Many experts have expressed concern about inefficiencies in the statistical system due to its decentralized structure. The experts often cite duplicative or overlapping data collection activities or system infrastructure, such as field structures; computer systems; or administrative, technical, and program personnel as sources of potential cost savings. Those who have studied the systems, however, often disagree on how much could be saved through consolidation. In this regard, we have noted that many agencies have used reimbursable agreements with other agencies, such as the Census Bureau, to handle their data collection activities, thereby avoiding having to establish and maintain their own systems and structure for these purposes.[7] These types of arrangements would tend to limit the savings that could come from consolidation. Further, we are not aware of any savings estimates that have been verified by an independent party.

The lack of an effective mechanism for setting national priorities for the federal statistical system has been another concern expressed over the years about the system's decentralized structure. Our work as well as work done by others has shown that the United States has lacked an effective apparatus for setting national priorities for use of the statistical agency resources. For example, in August 1995, we reported on limitations on OMB's ability to coordinate the budgets of statistical agencies.[8] A number of factors contribute to the lack of clear national priorities for the U.S. statistical system. One of these factors is the nature of the budget formulation process, in which each statistical agency has its own budget

[7]Federal Statistics: Principal Statistical Agencies' Missions and Funding (GAO/GGD-96-107, July 1, 1996).

[8]GAO/GGD-95-65, August 9, 1995.

which has been generally determined in the context of the competing needs and priorities of other components within its home agency or department, as opposed to the needs and priorities of the overall federal statistical system. Another related factor is the dispersion of responsibility among multiple congressional committees and subcommittees for authorizing, funding, and overseeing the statistical agencies.

Another problem arising from decentralization is the increased burden on data providers as a result of duplicative data collection efforts. For example, Janet Norwood, a former Commissioner of Labor Statistics, has identified surveys that she believes could be consolidated. She believes that the consolidation of such surveys would reduce cost as well as burden to survey respondents while improving the possibility for integrating the data collected. At least to some extent, overlap in the types of information asked for in surveys has occurred because of the decentralized structure of the statistical system.

Another related factor that contributes to the overlap problem is the inability of statistical agencies to share data with one another because of legislated confidentiality restrictions. Federal statistical agencies generally operate under a number of laws, policies, or regulations that govern the collection, use, and confidentiality of the statistical information for which these agencies are responsible. Some of these laws, policies, and regulations apply only to a specific agency. The legal framework for the federal statistical system also limits the extent of data sharing among agencies because statutes exist to protect the confidentiality of data providers and, in many instances, allow only the agency collecting the data to have access to them. For example, in part because of the inability to share data, both Census and BLS have compiled and maintained their own lists of businesses.

Potential of Consolidation to Provide a More Streamlined and Effective System

You asked whether consolidating the statistical functions currently housed in the Department of Commerce with those of other agencies could provide a more streamlined and effective federal statistical system. To respond to your question, we drew on our work comparing the decentralized U.S. system with Canada's centralized system. The Canadian statistical system is often used as a reference point for considering proposed consolidations in the United States and is highly regarded in the international statistics community. However, there are some differences between the U. S. and Canada that need to be considered when making such a comparison. Also, there may be disadvantages associated with a

consolidation, and there are alternative approaches to making the system more streamlined and effective.

A consolidated agency could help streamline and improve effectiveness in a number of ways. For example, better quality data could be achieved by bringing together the expertise needed to address important issues, such as the use of common data collection methods and more efficient survey designs, so that data that are produced are based on similar concepts, time periods, and classification structures. Cost savings and reduced burden on data providers may be achieved through a greater sharing of data and agency resources in a consolidated agency, thereby avoiding duplication and enabling greater integration. Consolidation could also resolve the issue of setting national priorities and achieving greater coordination for the system to the extent that a head of the proposed consolidated agency would be able to set priorities for the use of its funds and require its components to cooperate with one another.

Our August 1996 report comparing the Canadian statistical system with the U. S. system offers some insights on consolidation.[9] While we did not evaluate the effectiveness of the Canadian system, we did identify several clear differences between the Canadian and U.S. systems in our review. The Canadian system is much more centralized, with Statistics Canada containing many of the activities currently divided among the 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 request, 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, (3) has consolidated technical and administrative support functions, and (4) 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. Canada's parliamentary system of government may lead to a clearer definition of government policy and priorities and the ensuing

[9]Statistical Agencies: A Comparison of the U.S. and Canadian Statistical Systems (GAO/GGD-96-142, Aug. 1, 1996.)

needs for statistical information than our system, which institutionalizes tension between different branches of government. The United States is a much larger nation and has a larger and more complex economy than Canada. Also, the Canadian statistical system is much smaller than the U.S. system. For example, the fiscal year 1997 budget for Statistics Canada was about $246 million (in U.S. dollars) compared to the nearly $1.2 billion budget for the U. S. principal statistical agencies. Finally, the Canadian public has accepted that a government agency will have broad access to all government records for statistical purposes.

On the other hand, disadvantages may also be associated with a consolidation. For example, the consolidated agencies could be less responsive to the needs of their parent departments from which they came and their constituencies. Another potential disadvantage is the potential for abuse, such as breaches of confidentiality, that could occur when so much information about individuals and businesses is concentrated in one agency. Finally, some of the benefits expected from consolidation are unlikely to materialize unless the components of the consolidated statistical agency are authorized to share data and if legislative responsibility for the consolidated agency continues to be dispersed among multiple congressional committees. In addition, the extent to which benefits of a consolidation could be realized would depend on how comprehensive the consolidation is. If significant statistical activities remain outside the consolidated agency, some of the problems of inefficiency and priority setting in the statistical system could persist.

Given the potential drawbacks of consolidation, the Subcommittee may also want to consider alternative approaches for improving statistical data collection and analysis. 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 might be privatizing at least some aspects of data collection, analysis, or dissemination; additional contracting out; or the imposition of user fees. We have not explored such alternatives for the federal statistical system and are therefore not in a position to elaborate on them.

Concerning data sharing, one step could entail enacting legislation that allows statistical 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. These proposals were not adopted, in part because of general concerns that greater data sharing might endanger the privacy of individuals. In 1996, OMB and the Department of the Treasury sent to Congress proposed legislation that would permit limited sharing of data among designated statistical agencies for statistical purposes subject to procedural safeguards contained in the proposals. Although Congress did not enact the legislative proposals, OMB officials have told us that the administration plans to submit these data sharing proposals in 1997. We as well as others who have studied or are knowledgeable about the federal statistical system believe that the inability of statistical agencies to share data is one of the most significant issues facing the statistical system and one of the major factors affecting the quality of data, the efficiency of the system, and the amount of burden placed on those who provide information to the agencies. Since 1979, we have recommended changes to existing statutes that would enable statistical agencies to share data.[10]

Another approach to improve the current system would be to strengthen OMB's ability to set priorities for use of the agencies' funds and provide mechanisms that would enable the agencies more easily to shift resources, including staff. The appropriations process constrains OMB's ability to independently make such resource shifts, and we, as well as others, have reported on limitations on OMB's ability to set priorities for allocation of funding among statistical agencies.[11] In recognition of this concern, OMB launched an initiative during preparation of the administration's fiscal year 1998 budget in which some priorities were set for statistical agency funding. The effect of OMB's efforts, however, will not be known until after Congress completes the appropriations process.

Greater coordination among statistical agencies is another way to improve their effectiveness and streamline operations. In this regard, it should be noted that some consolidation already has taken place and additional efforts are underway. For example, statistical agencies have already acted to reduce duplication and inefficiency by collecting information for one another. An illustration of this is the decennial census long form questionnaire. Ten of the principal statistical agencies and many other federal agencies use information collected through the form as source of data for their own statistical activities. We reported in July 1996 that if agencies had to collect or arrange for the collection of these data on their

[10]After Six Years, Legal Obstacles Continue to Restrict Government Use of the Standard Statistical Establishment List (GAO/GGD-79-17, May 25, 1979.)

[11]GAO/GGD-95-65.

own the total cost would exceed the cost of having Census collect these data.[12]

OMB also has a number of coordinative efforts under way through the Interagency Statistical Policy Council, which OMB chairs. The council consists of the heads of the principal statistical agencies as well as representatives from the National Science Foundation and the Social Security Administration, and exists to foster greater coordination among statistical agencies. One such initiative has been the development of the "one-stop shopping" service for users of federal statistical data. This effort entails establishing an electronic link to all federal statistical agencies through the Internet. OMB plans to have this service fully operational in 1997. With this system a user should be able to go to one source that will identify the types of data available and will electronically link the user to the data maintained by the appropriate agency. While OMB's coordination efforts appear promising, it is unclear at this point how effective they will be in resolving problems that result from the decentralized structure of the system.

Do the Census Bureau and the Bureau of Economic Analysis Benefit From Location in the Commerce Department?

In testimony before the full Governmental Affairs Committee on July 25, 1995,[13] we described the Commerce Department as essentially a holding company for many disparate programs, and subject to almost constant organizational changes in its 84-year history. Because of the wide diversity of its functions, Commerce historically has not been managed on the basis of a unifying mission or shared goals. Its components are overseen and authorized by several committees in Congress, none of which has jurisdiction over the entire department. Within Commerce, Census and BEA together account for less than 10 percent of departmental obligations and less than 20 percent of departmental staff.

Commerce has decentralized its key administrative functions. Major Commerce components, including the National Oceanic and Atmospheric Administration, the Patent and Trademark Office, and the Economics and Statistics Administration which comprises both Census and BEA, have been granted the authority and responsibility by Commerce for meeting most of their own administrative needs. Thus, Commerce headquarters provides some services but primarily sets policy and provides overall direction and oversight. In some cases, the major components pay for the services

[12]GAO/GGD-96-107, July 1, 1996.

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

provided by headquarters through a working capital fund. Census and BEA receive their legal services this way, for instance. In addition, BEA purchases most of its administrative services from other components of Commerce through a series of cross-servicing arrangements. Commerce's decentralized approach to providing administrative services is a result of its response to significant budget reductions that occurred in the early 1980s. The relative independence of the major components minimizes the disruption that would occur if one or more were broken away in a reorganization. Neither the Census Bureau nor BEA is physically housed in the Commerce headquarters building.

We are not aware of any reasons that would prevent Census and BEA from performing their missions if they were not components of the Commerce Department. This is not to say, however, that the Commerce relationship is meaningless. In fact, Commerce officials have argued that the absence of regulatory programs within the department has been a factor in preserving the reputation for independence of its two statistical agencies. Because they are located in Commerce, Census and BEA must compete for attention and resources with other functions of that department, functions as disparate as weather service modernization, fisheries preservation, technological innovation, and trade sponsorship.

The department's superior stature, resources, and access to the highest policy levels within the administration have at times been of value to Census and BEA; for example, our high-risk report on the 2000 Census recognized that the Bureau itself was not capable of securing all the stakeholder decisions it needs to proceed with plans, tests, and commitments, and that attention from the administration was needed. The value of attachment to a Cabinet-level department to promote an agency's interests at the highest policy-making levels is well established in organizational theory and practice. Statistics Canada, for example, takes pride in its independence but it is nevertheless a component of the Department of Industry Canada. Granting the value of departmental affiliation, it does not necessarily follow that the Commerce Department is the only organization to provide it.

Mr. Chairman, that concludes my prepared statement. I would be pleased to respond to questions on it or on aspects of our statistical policy work that I have not covered.

Related GAO Products

Statistical Agencies: A Comparison of the U.S. and Canadian Statistical Systems (GAO/GGD-96-142, Aug. 1, 1996).

Statistical Agencies: Statutory Requirements Affecting Government Policies and Programs (GAO/GGD-96-106, July 17, 1996).

Federal Statistics: Principal Statistical Agencies' Missions and Funding (GAO/GGD-96-107, July 1, 1996).

Government Statistics: Proposal to Form a Federal Statistical Service (GAO/T-GGD-96-93, Mar. 22, 1996).

Commerce Dismantlement: Observations on Proposed Implementation Mechanism (GAO/T-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).

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).

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

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

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

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

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