



General Government Division

B-277339

June 25, 1997

The Honorable Christopher S. Bond
Chairman, Committee on Small Business
United States Senate

Subject: Paperwork Reduction: Information on OMB's and
Agencies' Actions

Dear Mr. Chairman:

On June 4, 1997, I testified before your Committee on the implementation of the Paperwork Reduction Act of 1995, as amended.¹ Following the hearing, you asked us to answer a number of questions. In developing our responses, we (1) used information in the Office of Management and Budget's (OMB) Bulletin 97-03, "Fiscal Year 1996 Information Streamlining Plan and Information Collection Budget"; (2) reviewed agencies' information collection budget and information streamlining plan submissions pursuant to the Bulletin; (3) contacted OMB officials; and (4) reviewed key provisions in the act.

Our responses to your specific questions are provided in the enclosure to this letter. In summary, by setting a goal of 25 percent reduction in paperwork burden by the end of fiscal year 1998, OMB has taken some steps to achieve the goals described in the Paperwork Reduction Act. However, because OMB has not informed Congress of agencies' lack of progress toward those goals, it has not met the act's requirement to keep Congress fully and currently informed of major activities under the act. Also, OMB did not set governmentwide or agency-specific goals for fiscal year 1996 until more than three-quarters of the year had passed—too late for agencies to plan and implement measures to achieve the goals. For fiscal year 1997, OMB again will not set goals until late in the year. Ultimately, though, possible major fluctuations in the Internal Revenue Service's (IRS) burden-hour estimate suggest that governmentwide figures may not accurately reflect the paperwork burden felt by the public. A

¹Paperwork Reduction: Governmentwide Goals Unlikely To Be Met (GAO/T-GGD-97-114, June 4, 1997).

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strong case can be made that it is OMB's job to ensure that valid and consistent measures of paperwork are made.

We provided a draft of this letter and the enclosure to the Deputy Administrator of the Office of Information and Regulatory Affairs at OMB. He said he had no comments.

We hope this information is helpful to you. We will make this letter available to other interested parties on request. If you have any further questions or wish to discuss these responses, please contact me on (202) 512-9039 or Curtis Copeland of my staff on (202) 512-8101.

Sincerely yours,

A handwritten signature in cursive script that reads "Michael Brostek".

Michael Brostek
Associate Director
Federal Management and
Workforce Issues

Enclosure

QUESTIONS FROM SENATOR BOND AND GAO'S RESPONSES

(1) The goal that OMB laid out in January 1997 simply says agencies should develop ways to reduce burden by 25 percent by the end of fiscal year 1998. Is this goal consistent with those set forth in the act?

Answer: The goals set by OMB provide agencies with more latitude than the goals set forth in the Paperwork Reduction Act of 1995. The act requires OMB 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" extent. Therefore, agencies could meet OMB's fiscal year 1998 goal of reducing burden by 25 percent by following the schedule in the act. Agencies could also meet OMB's goal by making all of their burden reductions in fiscal year 1998. However, this approach would not achieve any cuts in fiscal years 1996 or 1997 as contemplated by the act. As a result, the public would not enjoy the benefits of burden reductions in the earlier years. Also, the establishment of a 3-year goal makes it more difficult judge whether agencies are making the progress that is necessary for agencies to reduce paperwork by 25 percent by the end of fiscal year 1998.

(2) Could OMB do a better job in negotiating with the agencies to set more aggressive goals--so that the individual agency goals sum to the governmentwide goal?

Answer: OMB still believes that the Paperwork Reduction Act does not require that individual agency goals must sum to the governmentwide goal. However, in January 1997, OMB initiated a new process for agency goal setting that, in some ways, supersedes that position. OMB Bulletin 97-03 directs each covered agency to prepare and implement an Information Streamlining Plan (ISP) that includes 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. In the ISP, each agency is to identify specific administrative changes, program restructures, regulatory reinventions, and legislative proposals that will reduce its total paperwork burden on the public. OMB also announced that it intends to conduct hearings with agency heads and other senior-level agency officials on the content of the agency plan and to determine compliance with burden reduction goals. Additionally, agencies are to report on the status of their activities at least every 6 months.

Although these steps appear to be in the right direction, it is too soon to tell what impact they will ultimately have on agencies' burden reduction goals because OMB is just beginning hearings with the agencies.

However, IRS and the Environmental Protection Agency (EPA) ISPs indicate that those agencies are not identifying actions that will enable them to reduce paperwork burden significantly. IRS said in its ISP that it could not reach the 25 percent burden reduction goal because its information collections "request information that is mandated by the Internal Revenue Code..." EPA said its burden-hour total was likely to increase, not decrease, because of new and expanded statutory requirements.

(3) Has the President or Vice President encouraged agencies to set goals that would help achieve the governmentwide goals?

Answer: According to OMB officials, apart from comments made at the time the Paperwork Reduction Act was signed in 1995, neither the President nor the Vice President has directly addressed the governmentwide or agency-specific paperwork reduction goals envisioned by the act. However, these officials said that reducing paperwork burden has been a key objective of the administration's regulatory reinvention initiative, and that both the President and the Vice President have encouraged agencies to set aggressive goals for reducing "red tape."

(4) Could OMB be more zealous in its review of information collection requests submitted by agencies for approval as a means to reduce paperwork burdens?

Answer: We did not examine OMB's review of agencies' information collection requests. Therefore, we are not able to comment on the rigor of its reviews. However, OMB's review of information collections can be an important vehicle for keeping agencies from imposing unnecessary paperwork burden. Rigorous review of new information collection requests can help ensure that paperwork burden is kept to the minimum needed to accomplish agencies' missions. The required periodic review of existing information collections as they are submitted for renewal can contribute to reducing agencies' actual burden-hour totals.

(5) When OMB waits until midway through a fiscal year before it sets burden reduction goals as required by the Paperwork Act, how valuable do you believe these goals are for the agencies?

Answer: Establishing a "goal" for a period of time that has almost elapsed does not allow an agency the time that is needed to plan and implement measures necessary to achieve the goal. In that sense, establishing goals late in a fiscal year is not very valuable. Agency-specific goals reflect the end-of-fiscal-year data that the agencies provide in their Information Collection Budget (ICB) submissions (unless changed by OMB). Last year, OMB did not set the governmentwide or agency-specific goals for fiscal year 1996 until it published the ICB for

fiscal year 1995 in August 1996. By that time, more than three-quarters of fiscal year 1996 had already passed. Although OMB has set a 3-year goal of reducing paperwork burden by 25 percent, OMB will not formally set the governmentwide goal or agency-specific goals for fiscal year 1997 until it publishes the ICB for fiscal year 1996. OMB officials said the agency will publish that ICB by the end of June 1997. By that time, however, about three-quarters of the fiscal year will again have elapsed.

(6) Last year, you advised the Committee that you did not believe that OMB's Office of Information and Regulatory Affairs (OIRA) had met the act's requirement to keep Congress and its committees "fully and currently informed" about the act's major activities. Do you believe that they have done so this year?

Answer: An OIRA official said that the agency's ICBs are the vehicle by which it satisfies the act's informational requirements. The August 1996 ICB indicated that the federal government as a whole was not likely to meet the 10-percent burden-reduction goal envisioned in the act for fiscal year 1996. However, that information was not conveyed until more than three-quarters of the fiscal year had elapsed, several months after OMB received the information from the agencies. Also, OIRA has not informed Congress or its committees that accomplishment of the 10-percent goal for fiscal 1997 is unlikely. Therefore, we still do not believe that OIRA has met the requirement to keep Congress "fully and currently informed" about the act's major activities.

(7) How can IRS say that its burden figure may fluctuate by a factor of five? This would appear to indicate that the governmentwide figures may not be very reliable.

Answer: In a paper prepared for a 1996 Brookings Institution forum, Professor Joel Slemrod, one of the leading academic authorities on taxpayer burden, concluded that the methodology IRS currently uses overstates 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 that the appropriate adjustment factor for business taxpayer paperwork burden is about 3.8. IRS recently drafted a statement of work for a new study of IRS tax compliance burden.

Because IRS paperwork burden has recently accounted for more than 75 percent of the governmentwide burden, major fluctuations in IRS' burden-hour totals can indeed have a significant effect on governmentwide totals. Adjustments in burden-hour totals of the magnitude suggested by the Slemrod study indicate that governmentwide figures may not accurately reflect the paperwork burden felt by the public. As we said in our testimony, the difficulty agencies have

experienced in measuring paperwork burden is one of the factors that affects agencies' ability to meaningfully reduce that burden.

- (8) What are the implications of fluctuating baselines for Congress? Can OMB ensure that valid and consistent measures of paperwork are made?**

Answer: Variability in the baselines from which paperwork burden reductions are measured make it difficult for Congress to determine whether progress is being made to reduce paperwork and, if so, by how much. It is also important to recognize what reductions from burden-hour baselines include and do not include. For example, EPA said in its current ISP submission that it had made substantial progress in reducing the burden associated with information collections active as of January 1, 1995—the start of its own effort to reduce paperwork that began before the Paperwork Reduction Act of 1995 took effect. However, EPA also noted that these reductions were more than offset by burden hours added during this period. Therefore, assessments of agencies' burden reduction efforts should consider both reductions from the burden in the original baseline and agencies' net burden-hour figures.

A strong case can be made that it is OMB's job to ensure that valid and consistent measures of paperwork are made. The Paperwork Reduction Act of 1995 says that OMB "shall establish and oversee standards and guidelines by which agencies are to estimate the burden to comply with a proposed collection of information." OMB officials said that OMB has established some broad guidelines for measuring paperwork burden, and that assessment of agencies' progress toward the goal of reducing burden by 25 percent by the end of fiscal year 1998 will be based on the agencies' net burden (including any increases during that period) from a standard baseline of September 30, 1995. However, agencies are allowed to develop their own means of burden calculation.

- (9) Are you aware of any work the agencies have done to identify what portion of the burden is attributable to the underlying statutes? Could GAO conduct a study to assess whether the statutes actually preclude such reductions?**

Answer: As part of its effort to reestimate its burden, IRS said that proposed contractors are to try and determine what portion of IRS' burden-hour total is statutorily required versus unilaterally imposed by IRS. However, IRS officials told us that they are not very hopeful that any contractor will be able to make that determination.

Any study we could do to try and determine the extent to which statutory requirements limit the opportunities for burden reduction would have to be done on a statute-by-statute, regulation-by-regulation basis.

Such an effort would be very time-consuming and would require making difficult judgments regarding statutory interpretation. Furthermore, such a study would be of limited value in making any generalizations beyond the specific statutes and regulations we reviewed.

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