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OFFICE OF MANAGEMENT AND BUDGET
EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES**

**BEFORE THE
SUBCOMMITTEE ON ENERGY POLICY, NATURAL RESOURCES
AND REGULATORY AFFAIRS
COMMITTEE ON GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES**

April 11, 2003

Good morning, Mr. Chairman, and Members of this Subcommittee. I am John D. Graham, Ph.D., Administrator, Office of Information and Regulatory Affairs (OIRA), Office of Management and Budget. Thank you for providing me with this opportunity to discuss OIRA's ongoing efforts to improve the Federal government's performance in achieving the important goals and objectives of the Paperwork Reduction Act (PRA). I have enjoyed working with you and the Subcommittee to improve the manner in which Federal agencies collect, use, and disseminate information, while reducing the paperwork burdens that these activities impose on individuals, small businesses, educational and nonprofit institutions, Federal contractors, State, local and tribal governments, and other persons.

With the recent submission to Congress of OMB's Fiscal Year 2003 Information Collection Budget (ICB), I am reporting to this Subcommittee on my first full fiscal year of PRA oversight as OIRA Administrator. In addition to responding to the questions that the Subcommittee posed in its invitation, I would like to focus on two major themes in my testimony:

First, I am pleased to report to this Subcommittee that we have made tremendous progress during the past 18 months in our "zero tolerance" policy, which is aimed at ensuring that Federal agencies fully comply with their statutory obligations under the PRA. In November of 2001, soon after I become OIRA Administrator, I sent a memorandum to Federal agencies making clear that the high numbers of PRA violations, associated with agencies allowing their OMB approvals for ongoing collections of information to expire, were simply unacceptable and that this situation could not be allowed to continue. In the subsequent months, OIRA worked with agencies to identify the violations and eliminate them, and to put into place procedures that would prevent additional violations from arising. Although we made progress during these early months in reducing PRA violations, I concluded that I needed to take further action to spur agency compliance. Accordingly, in June of last year, I sent a follow-up memorandum to agencies emphasizing once again the importance of eliminating these PRA violations. In addition, to this end, I personally met with officials from those agencies with the most violations, and we discussed their plans for ensuring that these agencies came into full compliance with the PRA. Subsequently, in November of last year, I wrote again to

agencies, outlining the substantial progress that had been made during the past year, but also emphasizing that further steps needed to be taken for the Federal Government to reach our goal of full compliance with the PRA. In the months since then, OIRA staff and I have worked with the agencies to resolve their existing violations and to prevent additional ones from arising. I am pleased to report that, while we have not yet reached our goal of full compliance, our “zero tolerance” policy has brought us near to reaching that goal. Moreover, for those “lapse” violations identified in the FY2003 ICB that have not already been fully resolved, the agency has taken concrete action in each case to bring the collection into compliance, by issuing the initial 60-day Federal Register notice seeking public comment or by taking the next step of submitting the proposed collection to OIRA for our review.

Second, I will focus on OIRA’s efforts to reduce paperwork burden on individuals, small businesses, and other persons. In the ICB, and later in my testimony, we give a number of examples of collections that have been improved to reduce paperwork burden. Burden can be reduced in several ways: one is to eliminate questions from a form; another is to increase reporting “thresholds” and thereby exempt whole categories of persons from having to respond to a collection; and another is to use information technology to make it easier for the public to comply with Federal paperwork collections. And, in addition to the improvements that have been made in individual collections, the Executive Branch has been taking action to identify ways to reduce paperwork burden on a broader, across-the-board basis through our implementation of the laws that Congress has enacted in recent years to reduce paperwork burden. These laws include the Small Business Paperwork Reduction Act, the Government Paperwork Elimination Act, and Federal Financial Assistance Management Improvement Act. Finally, the importance of paperwork reduction needs to be understood in the context of larger efforts to reform the regulatory system and the tax code. Most paperwork burden is rooted in a statute or implementing regulations, and thus in some cases (the IRS Code is a notable example) one cannot easily reduce paperwork burden without reforms being made to the governing statute and program regulations. In fact, it is even the case that, in some instances, it is necessary to increase paperwork burden in order to provide greater regulatory relief with respect to the non-paperwork burdens that is imposed on the public by the tax code and Federal regulations. For example, a public health or safety goal might be better achieved, with greater benefits and at a lower overall cost, by substituting a disclosure or other paperwork requirement for some other form of non-paperwork regulatory approach.

My testimony will assess the current level of paperwork burden and describe OMB’s efforts to resolve outstanding agency violations of the Paperwork Reduction Act, and briefly discuss various agency initiatives that improve the information collection process.

I would first, however, like to address a number of issues that you raised in your letter of invitation. Specifically, you asked that I discuss (1) expected resolution dates for each outstanding violation, (2) agency progress in reviewing non-Internal Revenue Service (IRS) regulations with more than 10 million burden hours, (3) OMB’s response

to the July 2002 House Report (107-575), and (4) agency progress in implementing the Small Business Paperwork Relief Act of 2002.

Expected Resolution Dates for Outstanding Violations

Before addressing the expected resolution date for each violation of the Paperwork Reduction Act, I'd like to provide a summary of our progress in eliminating violations and highlight some of our major efforts to address this issue. I'd also like to acknowledge the leadership role that you have played in reducing violations of the PRA. Your Subcommittee has expressed concern about the number of PRA violations for several years and we appreciate your interest in this issue.

At last year's hearing on the Paperwork Reduction Act, the General Accounting Office noted that the decline in the number of PRA violations during fiscal year 1999 and 2000 appeared to stop in fiscal year 2001. They also noted that while "OIRA had taken several actions to address PRA violations, the OMB and the agencies responsible for the collections could do more to ensure compliance."¹ I'm happy to report that OMB has done more – much more – to address violations and the results are outstanding. There are only 62 remaining unresolved violations, a 55% reduction from last year's total. Even more impressive, a 60-day *Federal Register* notice has already been published (the first step in obtaining authority to collect information under the PRA) for each of these outstanding collections.

You are aware that OMB has adopted a "zero-tolerance policy" for violations of the PRA. We have been working diligently with agency staff and policy officials over the last 18 months to eliminate all existing violations and put procedures into place to avoid future violations. Since last year's hearing, OMB has taken the following actions directed at eliminating violations:

- June 6, 2002 memo to agencies: I sent a memo to the CIOs and GCs of the agencies, asking them for an update on the violations reported in last year's ICB, as well as the status of any new violations that had occurred since October 1, 2001. The memo also asked them to provide a detailed description of their procedures for avoiding future violations.
- Meetings with selected agencies: In August 2002, I met with the CIOs and GCs of USDA, HUD, VA, and HHS. These four agencies had the greatest number of violations or the highest burden associated with the collections in violation. In those productive meetings, we discussed the importance of PRA compliance as well as action plans for achieving this compliance.
- ICB Bulletin: In this year's ICB bulletin (describing the agency requirements for submission of ICB documents), OMB asked agencies to provide a list of violations that occurred in the past fiscal year, and to update previously reported violations, as was required in previous ICB bulletins. In addition, OMB required that for each

¹ U.S. General Accounting Office, GAO-02-598T.

violation, agencies include in their ICB submission a *Federal Register* publication citation and publication date for the initial 60-day *Federal Register* notices requesting public comment in their ICB submission. An agency's ICB submission was not considered complete until all existing violations (including those violations that have occurred during FY 2002) have had a *Federal Register* notice published. All agencies have published a *Federal Register* notice for each outstanding violation.

- Status memo to all agencies: I sent a memo to the agency CIOs detailing their progress toward our goal of eliminating PRA violations and establishing a goal of zero violations by April 1, 2003; OMB's General Counsel also shared that memo with the agencies' General Counsels and Solicitors. In addition to this progress report, a list of collections that had expired in the past month and those collections that would be expiring in the upcoming 150 days was attached. This report was identical to the report that agency staff receive monthly to assist them in their PRA review planning. OMB asked the CIOs to examine each of the expired and expiring collections and to determine if there were any systemic problems in the agency's procedures for PRA compliance. OMB required the agency to publish a 60-day *Federal Register* notice within a set timeframe for those collections that were already in violation, and asked agencies to publish a *Federal Register* notice at least four months in advance of the expiration date, and submit the information collection request to OMB no later than one month prior to the expiration date for currently-approved collections. This schedule should ensure that no currently approved information collections are allowed to expire in violation of the PRA.
- Letters to HUD and USDA: OMB also sent letters to the Deputy Secretaries of HUD and USDA that listed the collections that had expired in FY 2002 and asked them to take action on those that were in violation. These agencies, which seemed to have the most difficulty maintaining a process that results in full compliance with the PRA, have now made substantial progress on their violations. HUD and USDA have gone from being the agencies with the most PRA compliance problems to being the agencies that are leading the charge on PRA compliance. USDA has submitted all of their violations to OMB for approval and has put into place procedures for avoiding violations in the future. HUD has conducted a review of all of the information collections that they have conducted for the past 20 years to determine if any of those expired collections were still actually in use. HUD is confident that all existing violations of the PRA are accounted for, and have started the process of remedying each of those violations. They have also put into place procedures for avoiding violations in the future.

As you can see, OMB has dedicated considerable time and effort to addressing this issue. This effort has paid off. As I mentioned, there are only 62 PRA violations that had occurred prior to the end of FY 2002 that have not yet been resolved as of April 1, 2003. This is a significant reduction in the number of unresolved violations reported in previous ICBs.

I am pleased to report that all of these violations are in the process of being remedied. 21 of these collections are currently under review at OMB, and should be acted upon within the next 60 days. Of those collections that are not currently at OMB for review, agencies have reported that each and every collection that is listed as "unresolved" has at least had the first 60-day *Federal Register* notice published. If the agencies submit all of these collections to OMB soon after the 60-day public comment period closes, we could have all of these PRA violations resolved within the next 4 months.

We will continue to work with agencies to make sure that they are submitting these collections that are in violation as soon as possible after their *Federal Register* notices have closed, so that we can remedy all of these violations in a timely fashion. We will also continue to work with agencies to ensure that they are starting the clearance process well before collections expire so that we can prevent future violations.

Agency Progress in Reviewing Non-IRS Rules with 10 Million Burden Hours

In your letter of invitation, you requested that I provide a status update on OMB's review of the 15 regulations—issued by agencies other than the Internal Revenue Service (IRS)—that impose more than 10 million hours of paperwork burden. These are the regulations identified by the Subcommittee in their report accompanying the FY 2001 Treasury and General Government Appropriations Act, which requested that OMB review regulatory paperwork burden.

As you know, in OMB's March 2002 draft Report to Congress on the Costs and Benefits of Federal Regulations, we asked the public to consider problematic paperwork and regulatory requirements and suggest candidates for reform. We did this in response to the requirement in the Regulatory Right to Know Act that our report include recommendations for regulatory reform. As part of our ongoing regulatory reform initiative, we included the 15 regulations that impose over 10 million burden hours.

Our Final 2002 Report to Congress on the Costs and Benefits of Federal Regulations, entitled "Stimulating Smarter Regulation," described OIRA's preliminary review of the public comments that we received. During our review, we identified 267 rules that were nominated for reform by one or more commenters. Of the 267 regulations, OIRA referred 126 to agencies for their evaluation. Included in these 126 nominations were eight regulations that the Subcommittee identified as imposing at least 10 million hours of paperwork burden:

- Labor: Process Safety Management (PSM) of Highly Hazardous Chemicals
- Transportation: Inspection, Repair, & Maintenance
- HHS: Investigational New Drug (IND) Regulations
- EPA: Use or Disposal of Sewage Sludge
- Labor: Bloodborne Pathogens Standard
- Treasury: Recordkeeping & Reporting of Currency & Foreign Financial Accounts
- HHS: Medicare & Medicaid for Home Health Agencies

- HHS: Clinical Laboratory Improvement Amendments (CLIA)

As part of the interagency consultation process to consider the public reform nominations, OIRA has met with these agencies to discuss these and other regulatory reform candidates. Generally, we have asked agencies to identify candidates for reform, and report on their recent, ongoing, or future activities concerning the issues raised by public commenters. OIRA also is involving SBA's Office of Advocacy to ensure that the interagency review of the public nominations identifies opportunities to reduce unjustified regulatory burdens on small businesses.

During our review last year of public reform nominations, OIRA also identified 92 rules that are already under agency consideration or were recently the subject of agency consideration. These 92 rules included three on the list of 15 rules identified by the Subcommittee:

- Transportation: Hours of Service of Drivers
- Labor: OFCCP Recordkeeping & Reporting Requirements
- Education: Federal Family Education Loan Program

For these rules, OIRA requested that agencies provide status updates that describe their recent, ongoing, and/or future activities concerning the issues raised in the public comments. OMB intends to publish information on both these updates of agency activity already underway, as well as the results of agency decisions on the candidates for reform, in our forthcoming Final 2003 Report on the Costs and Benefits of Regulations.

The remaining four regulations imposing more than 10 million burden hours were the responsibility of two independent agencies: the Securities and Exchange Commission and the Federal Trade Commission. In our 2002 Final Report, OIRA requested that the independent agencies evaluate the nominations of their regulations, as well. The four regulations are:

- SEC: Confirmation of Securities Transactions
- SEC: Recordkeeping by Registered Investment Companies
- FTC: Truth in Lending Regulation
- FTC: Fair Packaging & Labeling Act Regulation

It is OIRA's intention that the interagency review of nominations be a merit-based process in which the consideration of nominations is objective, consistent, and grounded in the regulatory principles codified in Executive Order 12866 and the statutory authority of the agencies. In conducting this evaluation, we are recommending that agencies rely on three criteria: efficiency, fairness, and practicality.

In this regard, I would note that selecting targets based exclusively on hour burden fails to take into consideration the usefulness, or practical utility, of the information that agencies need to achieve important programmatic missions. I can assure you that our review of regulatory paperwork requirements will have a sound analytic

basis, which will allow us to determine that any paperwork burdens imposed through regulation are justified by their practical utility.

Moreover, given OIRA's information collection review responsibilities under the PRA, we regularly have the opportunity to carefully scrutinize regulatory monitoring and reporting requirements, both when they are first issued and when they are subsequently submitted to OMB for renewal of OMB's PRA approval. Our review of information collections in regulations focuses on minimizing paperwork burden while ensuring that agencies obtain the information they need to ensure compliance with applicable standards.

OMB's response to the July 2002 House Report (107-575)

The 2002 House Committee on Appropriations report accompanying the FY 2003 Treasury-Postal Appropriations Act bill contained the following language:

The Office of Management and Budget has reported that paperwork burdens on Americans have increased in each of the last six years. Since the Internal Revenue Service imposes over 80 percent of these paperwork burdens, the Committee believes that OMB should work to identify and review proposed and existing IRS paperwork.

While OIRA realizes that IRS paperwork burden accounts for a disproportionate share of the government-wide total, we have not interpreted this report language to mean that OMB should conduct a specific analytical review of all IRS collections over a specific burden hour threshold. We have reviewed, and will continue to review, IRS collections to determine if burden is minimized to the extent possible given the statutory requirements of the Internal Revenue Code.

Recognizing the importance of the IRS burden on the public, we have devoted additional staff resources to the IRS paperwork issue and we have devoted a chapter in this year's Information Collection Budget to a discussion of IRS burden. In it, we discuss the difficulties faced by IRS in implementing the complex and prescriptive tax code. We do feel that IRS has taken meaningful steps to implement the Code in the least burdensome way possible, given the statutory requirements and the Service's responsibility.

In the ICB, we provide examples of recent statutory programs and how they have been implemented by the IRS. All of these examples show that the Code drives the increased burden associated with tax filings. In one of the examples, we look at the new tax benefit that allows teachers to subtract up to \$250 from their taxable income for the purchase of classroom supplies. As is described in detail in the ICB, in order to implement this tax benefit, the IRS had to provide significant explanation on the Form 1040 about eligibility requirements to claim the tax benefit. In order for eligible taxpayers to compute the amount, up to \$250, that could be claimed in this benefit, a separate worksheet form must be filled out. This burden is required in order to determine

if an individual taxpayer is claiming the benefit correctly. We have examined the IRS' implementation of this and other Code provisions, and have reduced the complexity and burden for eligible taxpayers seeking to claim the tax benefits and requirements set forth in the Code.

In addition to the efforts described above, IRS also plans to or has already initiated several burden reduction initiatives that I've highlighted below:

- Change Reporting Threshold for Schedule B. By changing the reporting threshold from \$400 to \$1,500, the number of people filing Schedule B was reduced from about 34 million to roughly 23 million. Burden was reduced by approximately 15 million hours.
- Redesign Form 941. This project to review and redesign this form will affect 6.6 million employers. Work is being conducted to identify what steps can be taken to simplify this form. IRS's form redesign group has determined that some existing space on the form is used for internal processing and can be made available for improved formatting and readability.
- Redesign Schedule K-1. This project to review and redesign this form will affect the 23 million K-1s filed each year. IRS will be balancing the need to simplify the form and make it less burdensome with the need to insure the integrity of the tax system and the compliance program.

Agency Progress in Implementing the Small Business Paperwork Relief Act of 2002

Mr. Chairman, your letter of invitation asked about OMB's progress in implementing the Small Business Paperwork Relief Act of 2002. The Act established a multi-agency task force on information collection and dissemination chaired by OMB. Mitch Daniels, the Director of OMB, appointed myself and Mark Forman, OMB's Associate Director for Information Technology and E-Government, to co-chair the task force. The task force includes representatives from the following agencies:

- Department of Labor (including the Bureau of Labor Statistics and the Occupational Safety and Health Administration)
- Environmental Protection Agency
- Department of Transportation
- Small Business Administration's Office of Advocacy
- Internal Revenue Service
- Department of Health and Human Services
- Department of Agriculture
- Department of Interior
- General Services Administration

Department of Commerce and additional representation from the Small Business Administration were also chosen to participate.

The group's efforts will support the goal of the Government-to-Business, E-Government Portfolio: reducing the burden on businesses by adopting processes that enable collecting data once for multiple uses. In fact, as the managing partner for the Business Compliance One Stop (one of the cross-agency E-gov initiatives), SBA has already demonstrated in its prototype savings of one hour per user in reporting burden. Given IRS estimates that 2.4 million businesses annually apply for an EIN, this application could save \$96 million per year from streamlining, harmonizing, and automating these processes. The initiative will use three strategies to accomplish this, including: reducing the information required from businesses through analyzing if information is needed; assessing whether definitions in different forms and forms in different agencies can be harmonized to reduce overlap; and increasing the effectiveness of data collections processes by collecting once and sharing data among programs and agencies. This initiative also represents the first Web service that fulfills both a state and a federal regulatory requirement at the same time. In addition, the BCOS team has developed a proof of concept for harmonizing coal miner reporting, where information is collected once and used several times, which is estimated to cut the reporting burden by 50 percent, from 50,000 hours annually to 25,000 hours.

Another related e-government example that reduces burden on businesses is the Expanding Electronic Tax Products for Businesses (EETPB) initiative. The objective of the EETPB is to reduce the tax-reporting burden on businesses while improving the efficiency and effectiveness of government operations. The initiative is comprised of seven projects that will deliver benefits by reducing the number of tax-related forms that businesses must file, providing timely and accurate tax information to businesses, increasing the availability of electronic tax filing, and modeling simplified Federal and state tax employment laws. These projects include Form 94x Series, Form 1120/1120S, Form 8850, Internet Employer Identification Number (EIN), and the Standardized EIN.

Further, the task force seeks to propose recommendations that will reduce the paperwork burden on small businesses and make it easier to find, understand and comply with government collections of information. Specifically, SBPRA charges the task force with examining five ideas:

1. Examine the feasibility and desirability of consolidating information collection requirements within and across Federal agencies and programs, and identify ways of doing so.
2. Examine the feasibility and benefits to small businesses of having OMB publish a list of information collections organized in a manner by which they can more easily identify requirements with which they are expected to comply.
3. Examine the savings and develop recommendations for implementing electronic submissions of information to the Federal government with immediate feedback to the submitter.
4. Make recommendations to improve the electronic dissemination of information collected under Federal requirements.
5. Recommend a plan to develop an interactive Government-wide Internet program to identify applicable collections and facilitate compliance.

The task force began its work with a meeting of the full membership to develop a common understanding of the law, project goals, scope, roles and responsibilities, resource requirements, strategy, timeline, and deliverables. A professionally facilitated brainstorming session followed, during which members began looking at the first three tasks for the 2003 report. After the initial meeting, the task force divided into three subcommittees to examine the three tasks in greater detail. The task force met again on April 4, 2003 to discuss the subcommittee findings and recommendations.

A report of findings and recommendations will be published for the first three ideas by June 2003, and the remaining two ideas by June 2004. The draft for this year's report is now under development in preparation for a public comment period during May 2003. SBA's Office of Advocacy already held a public meeting on March 4, 2003 to solicit views of interested persons regarding the SBPRA.

Federal Government's Paperwork Burden

As you might remember, the General Accounting Office (GAO) advised OMB to be more transparent in reporting the causes of agency burden changes. Specifically, GAO requested that OMB's Fiscal Year 2003 report's summary burden hour table identify in separate columns the program changes² that are attributable to new statutes³, agency actions⁴, and violations⁵. We appreciate GAO's and your interest in understanding the root cause of burden. Largely because of your interest and leadership, we asked agencies to report the cause of each burden change.

At first glance, it might appear that the Federal government is not performing well with respect to information collection burden. After all, burden hours increased by almost eight percent during FY 2002. However, most of these increases are due to resolving violations or factors outside the agencies' control. For those deliberate actions that affected burden within an agency's discretion, I am pleased to report that the Federal agencies reduced burden. As described in much greater detail in Chapter 1 of the ICB,

² The change in burden associated with deliberate agency actions that often affect the time required to complete an information collection are considered "program changes." Program changes can be further subdivided into three categories: those changes due to new statute, those due to a lapse in OMB approval ("violations"), and those changes due to agency action.

³ This type of program change accounts for the burden associated with the creation of new collections or the material revision or elimination of existing collections that an agency must undertake because a recent statute requires the action.

⁴ This type of program change includes the creation of new collections or the material revision or elimination of existing collections that an agency undertakes without a specific and recent statutory mandate. Changes due to new or revised policies and collections that are authorized but not explicitly required by statute are also included in this category.

⁵ This kind of program change occurs when an agency allows OMB approval for a collection to expire even though the agency continues to conduct or sponsor the collection. These program changes are the result of the burden hours associated with violations of the PRA. Overall, burden hour estimates decrease when a collection's approval lapses, and increase again upon reinstatement of approval. This burden change does not represent a true increase or decrease in the public's burden, only a change in the burden that is being reported.

Federal agencies reported a net decrease in burden hours of a little more than two million hours.

This is particularly notable because OMB has always stated that changes due to deliberate agency action within their discretion should be considered the most accurate measure of agency performance, rather than changes due to violations or statute. Changes due to a lapse in OMB approval are not a measurement of an actual change in burden on the public, but are simply a product of accounting. And, while the actual public burden is affected by changes due to statute, the agency often has little or no discretion over these changes. Therefore, to most accurately assess how agencies have performed, changes due to actual, deliberate action within an agency's discretion should be evaluated. By this measure, agencies performed well during FY 2002. In particular, the Treasury Department, Department of Education, and HHS have each performed extremely well, reducing burden by nine million hours, three million hours, and two million hours, respectively.

Specific Burden Reductions

In your letter of invitation, you asked about specific reductions in reporting and recordkeeping of at least 250,000 hours accomplished since last year's April 11, 2002 hearing, and specific reductions of at least 250,000 hours expected in the next 12-month period. As we describe in the FY 2003 ICB, agencies have and are undertaking serious efforts to improve the quality of Federal information collection and to reduce burden when it is possible and makes sense to do so. Below are a number of specific burden reductions of at least 250,000 hours that I offer for illustrative purposes. A complete listing of significant burden changes is provided in the FY 2003 ICB. Please note that the following examples are organized by fiscal year. As you know, our data collection efforts have always been organized by fiscal year, beginning October 1 and ending September 30.

FY 2002 Reductions

- *Department of Education: Federal Direct Stafford/Ford Loan and Federal Direct Unsubsidized Stafford/Ford Loan and Master Promissory Note.* This promissory note is the means by which a Federal Direct Stafford Program Loan borrower promises to repay his or her loan. By consolidating the collection and eliminating the requirement for a student to sign a promissory note on an annual basis, burden has been reduced. Now, a student is permitted to sign one promissory note and it is good for 10 years. Change in burden: -1,325,360 hours
- *Department of Transportation: Capital Program and Urbanized Area Formula Program.* Primarily through these programs, FTA provides financial assistance to State and local governments, and public transportation authorities. The information submitted for this information collection ensures timely expenditure of Federal funds by grant recipients. Burden has been reduced as an increasing number of grantees submit their grant requirements electronically. Change in burden: -319,134 hours

- *Department of the Treasury: Annual Return/Report of Employee Benefit Plan, Return/Report of Employee Benefit Plan and Associated Schedules (Forms 5500 and 5500-C/R).* Forms 5500 and 5500-C/R are annual information returns filed by Employee Benefit Plans. IRS uses the information to determine if the plan appears to be operating properly as required under law. This form was replaced by a new and streamlined version that is generally filed electronically. This older form is only required for delinquent filers for those years when it was in general use. Other filers use the new form. Previously, this form was used by over 900,000 filers; now it is used by approximately 25,000. Change in burden: -26,928,784
- *Department of the Treasury: 2001 Form 1040 and Schedules, U.S. Individual Income Tax Return.* This form is used by individual taxpayers to report their taxable income and calculate their correct tax liability. Form 1040 (Schedule D) was revised and simplified to make it easier for the taxpayer to compute their capital gains and losses. Change in burden: -2,925,214 hours

FY 2003 Reductions

- *Department of Veterans Affairs: Health Benefits Application and Renewal (Forms 10-10EZ and 10-10EZR).* These forms are used to enroll individuals for health care benefits, establish basic eligibility, identify third-party health insurance coverage, identify prescription co-payment, and to update yearly finances. VA developed a new form (10-EZR) for updated information that eliminates much of the redundancy involved with using both forms. Change in burden: -563,750 hours
- *Department of Defense: Department of Defense Acquisition Process (Solicitation Requirements).* This information collection requirement specifies the information an offeror must submit in response to the Department of Defense solicitations. The Department reevaluated its information requirements to require the minimum information consistent with best business practices, including electronic submission of information. Change in burden: -14,115,462 hours
- *Department of the Treasury: Form 1120S and Schedules, U.S. Income Tax Return for an S Corporation.* This information required to be filed with the Service permits verification of compliance with securities law requirements and assures the public availability and dissemination of such information. Due to the Commissioner's Burden Reduction Initiative, corporations with total receipts and assets of less than \$250,000 are not required to complete Schedules L and M-1. Change in burden: -61,969 hours
- *Department of the Treasury: 2002 Form 1040 and Schedules, U.S. Individual Income Tax Return.* This form is used by individual taxpayers to report their taxable income and calculate their correct liability. As part of the Burden Reduction Initiative, Treasury decided to increase the threshold for filing Schedule B (Form 1040) from \$400 to \$1,500. As a result of this change, the number of people filing Schedule B was reduced from 33,861,904 to 23,092,147. Change in Burden: -15,616,147 hours

Agency Initiatives to Improve Agency Performance and Reduce Burden

The significant burden reductions that agencies reported in the FY2003 ICB reflect ongoing efforts by the Government to alleviate paperwork whenever possible. For example, the Administration is committed to successfully implementing the Government Paperwork Elimination Act (GPEA), which along with the E-Government Act, is the legislative basis for e-government. By October 21, 2003, agencies are to provide the option for electronic filing and electronic signature capabilities for the full range of government activities and services unless it is not practicable to do so. However, implementing an electronic process does not automatically reduce the burden of the information collection. We have encouraged agencies to implement those projects with a positive return on investment for the agency and the public. Optimal burden reduction occurs when agencies reengineer and streamline the business process using available technology. You do not meet the requirements of GPEA by “slapping up” an e-form that automates an inefficient paper process.

To build on these efforts and make burden reduction an even higher priority, OMB also asked each agency to provide a summary progress report on initiatives identified in last year’s ICB. For agencies not included in last year’s ICB, OMB asked them to identify at least two initiatives that improve program performance by enhancing the efficiency of information collections; significantly reduce the burden per response on the public; or lead to a comprehensive review of an entire program, including regulations and procedures.

In response to these requests, agencies noted dozens of initiatives that have made or have the potential to make meaningful improvements for the public. In general, the identified initiatives can be placed into three categories: reducing burden, expanding electronic reporting, and improving program effectiveness. Here are a few of these initiatives:

Reducing Burden

Medicare/Medicaid Electronic Collection/Signatures. In 2002, the Centers for Medicare and Medicaid Services (CMS) identified 10 collections, reform of which will significantly reduce burden and improve program performance if electronic collection/signatures could be obtained. Since the FY02 ICB, CMS has identified ways to streamline, eliminate, and/or provide alternative reporting methods for five of the referenced collection activities. As a result of this effort, several regulatory requirements necessitating the submission of multiple hard copy forms will be eliminated, electronic reporting will be achieved, and reporting burden will be reduced for approximately 5,740,000 responses. For the remaining five collection activities, totaling 125,500 annual responses, the measurable objectives and proposed timetable remain the same as last year.

RCRA Burden Reduction Initiative. The Environmental Protection Agency, through rulemaking, will significantly reduce the paperwork burden imposed by regulations under

the Resource Conservation and Recovery Act (RCRA). EPA is undertaking this initiative to ensure that only the information actually needed to run the RCRA program is collected. EPA estimates that the initiative will reduce burden by 929,000 hours and save \$120 million annually. A proposed rule was published in FY02.

Expanding Electronic Reporting

Forest Service Permit Program. The USDA Forest Service is implementing a web-enabled electronic government system to fully process permits for use of U.S. forest system lands and facilities. The agency will be able to readily analyze and measure improved program delivery in an electronic customer-centered environment. Burden is also reduced because the initiative will provide an expected decrease in customer data entry time (25%), internal processing time (33%), and customer search time (50%).

Automated Export System (AES). AES is a Commerce Department initiative that is part of the government-wide trade streamlining initiative. AES allows for electronic filing of Shipper's Export Declarations (SEDs), resulting in a significant reduction in the number of paper SEDs. Prior to the 1995 establishment of AES, the average number of paper SEDs filed monthly was more than 500,000. That number has been reduced to approximately 170,000 per month. The Department of Commerce has launched an aggressive marketing and training plan to reduce the number of SEDs to 85,000 by September 2003.

Improving Program Performance

Air Carrier Traffic and Capacity Data. As a result of a BTS final rule issued in July 2002, small certificated, commuter, and all-cargo air carriers are required to report their air traffic activity under the T-100 Traffic Reporting System. Prior to the final rule, there was a lack of market and segment data for domestic all-cargo, domestic charter and small aircraft operations. The regulatory changes were designed to fill the data gaps for these rapidly growing segments in the air transportation industry. Moreover, the final rule allows aviation data users to compare operations of commuter and certificated air carriers.

Streamlining Health Information Collections. The Centers for Disease Control and the Agency for Toxic Substances Disease Registry (CDC/ATSDR) have initiated a comprehensive initiative to reduce paperwork and increase program effectiveness. Specifically, all centers, institutes, and offices are reviewing information collections to streamline forms and procedures, collaborate within and outside CDC/ATSDR, meet GPEA requirements, and use the latest technology available. Among the notable achievements to date: the *Mortality and Morbidity Weekly Reports* series of publications are now available on the internet in a searchable database; CDC is now consulting with HRSA and NIH on data collections involving HIV/AIDS in order to better evaluate HIV prevention programs; and the two largest information collections for the National Center for Infectious Disease are in the process of being streamlined and converted to electronic reporting under the National Electronic Disease Surveillance System.

Aside from reporting their progress on past initiatives, a few agencies (e.g., Interior, Labor, and the Veterans Administration) identified new initiatives that emphasize their commitment to reducing burden, hastening electronic reporting, and/or improving program performance:

Electronic Permitting. The Office of Surface Mining (OSM) within the Department of Interior has identified electronic permitting as a long-term initiative that will result in significant monetary and time savings and provide more complete and up-to-date records. OSM is currently assisting States in developing and implementing electronic permitting. When implemented, electronic permitting provides permit reviewers with computer-based tools to access documents, maps, and data, and to perform necessary environmental analysis. The initiative will also reduce costs for surface coal mining applicants.

Application for Service Disabled Veterans Insurance. Currently, veterans only have a paper option when applying for service disabled veterans insurance. The Veterans Benefits Administration (VBA) proposes to offer the veteran the option of submitting the relevant form electronically. The VA anticipates offering this option no later than June 30, 2003.

Application for Designation of Beneficiary. Veterans only have the option of using a paper form to designate a beneficiary and select an optional settlement to be used when the insurance matures by death. The VA proposes to offer the veteran the option of completing the relevant form electronically. The electronic option should be available by June 30, 2003.

Current Employment Statistics Survey. The Current Employment Statistics (CES) Survey is a Federal/state program of the Bureau of Labor Statistics (BLS) within the Department of Labor. It produces monthly estimates of employment, hours, and earnings based on U.S. nonagricultural establishment payrolls. CES is employing a number of collection methods and techniques designed to ease reporting burden and simplify reporting. For example, by the end of FY 2003, BLS will use a probability sample to collect 327,000 reports. The probability sample design will reduce burden by approximately 50,586 hours through reducing the number of reports submitted by respondents.

Workplace Health Standards Improvement. The Occupational Safety and Health Administration (OSHA) is undertaking rulemaking to update numerous health standards that are inconsistent, duplicative, and outdated. The proposal affects 18 information collections and would result in a 207,892-burden hour reduction. Time for completion of this project hinges upon the number and complexity of public comments received on the proposed rule.

Review of Certification Records Requirements. Numerous OSHA standards contain certification records. OSHA is reviewing the requirements associated with these records to reassess the information. If some certification records requirements could be revoked without jeopardizing worker safety and health, burden hours could be reduced

significantly. OSHA is currently examining possible options regarding certification records and anticipates making a decision on this project during FY 2003.

ES-202 Program. The ES-202 program is a Federal/state cooperative effort, which compiles monthly employment and quarterly wage data submitted to state workforce agencies by employers subject to state unemployment insurance (UI) laws. The ES-202 Program provides a virtual census of nonagricultural employees and their wages, and nearly half of agricultural workers are covered as well. The Bureau of Labor Statistics (BLS) is in the process of automating this data collection. The initiative was originally scheduled as an FY02 burden reduction initiative, but was rescheduled for FY03.

OMB Efforts to Improve Program Performance

The Paperwork Reduction Act charges OMB with the responsibility of weighing the burdens of information collection on the public against the practical utility the information will have for the agency. While OMB and the Federal agencies have worked hard to reduce burden, OMB has not forgotten about working to improve program performance. To illustrate, I would like to provide a couple of examples of how we have worked with Federal agencies to improve their information collections.

Department of Health and Human Services, Substance Abuse and Mental Health Services Administration: An Assessment of the Status of PASRR and Mental Health Services for Persons in Nursing facilities. The Preadmission Screening and Resident Review (PASRR) program was enacted to prevent the inappropriate admission and erroneous retention of people with mental disabilities in nursing facilities. When the Department of Health and Human Services originally requested OMB approval for a study, they planned only to conduct case studies in four states to examine the implementation of PASRR and gain insights about its effectiveness. We were concerned about the practical utility of such a limited investigation, and asked SAMHSA to also do a nationally representative survey of State Medicaid and State Mental Health Authority Officials to gather systematic data on oversight responsibilities and procedures for implementing PASRR in all states to provide a core of representative findings and to better inform the selection of states for the case studies. SAMHSA agreed and conducted the national survey, and in coordination with the Centers for Medicare and Medicaid Services will use the results to gain a better understanding of how to provide guidance to State Mental Health Authorities, Medicaid Agencies, and nursing facilities on the use of PASRR.

Department of Housing and Urban Development: Section 8 Random Digit Dialing Fair Market Rent Surveys. Section 8 Fair Market Rents (FRS) for the certificate and voucher programs serve as the payment standard for approximately one million assisted rental units. The Department is required to update FMR standards annually, and has developed two telephone surveys to help obtain accurate and current estimates of FRS in areas where other data, such as the Consumer Price Index, are not available or cover too broad an area. In OMB's review of this information collection, we noticed a marked decline in response rates to these surveys and were concerned that no response bias could be impacting the quality of the estimates and therefore directly affecting the amount of

money the government spends for assistance. We outlined procedures for HUD and their contractor to calculate response rates that reflect accepted professional standards, made several suggestions for methodological improvements to increase response rates and requested HUD conduct additional research on no response bias. Recent communication with HUD indicated that the changes in methodology have significantly improved response rates.

That concludes my prepared testimony. I would be happy to answer any questions you may have.