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THE FEDERAL STATISTICAL SYSTEM IN THE 21st CENTURY: THE ROLE OF THE CENSUS BUREAU

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED ELEVENTH CONGRESS

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THE FEDERAL STATISTICAL SYSTEM IN THE 21st CENTURY: THE ROLE OF THE CENSUS BUREAU

TUESDAY, JULY 21, 2009

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to call, at 12:59 p.m., in Room 2203, Rayburn House Office Building, The Honorable Carolyn B. Maloney (Chair) presiding.

Representatives present: Maloney, Hinchey, Cummings, Snyder, Brady, and Burgess.

Senators present: Klobuchar

Staff present: Gail Cohen, Nan Gibson, Colleen Healy, Annabelle Tamerjan, Andrew Wilson, Chris Frenze, and Robert O'Quinn.

Chair Maloney. The committee will come to order.

Before we begin opening statements, I would like to thank all of our witnesses for agreeing to testify. I believe it is the first time in history we have had five former Census Directors before the committee.

Due to the House schedule, we may not have time to hear the testimony of the second panel of witness, but, if that happens, I will ask unanimous consent to place the prepared testimony of Drs. Eddy, Reamer, and Jacobsen into the record; and we will reschedule them for a later time.

The Chair recognizes herself for 5 minutes.

OPENING STATEMENT OF THE HONORABLE CAROLYN B. MALONEY, CHAIR, A U.S. REPRESENTATIVE FROM NEW YORK

I would like to welcome our two distinguished panels of witnesses and thank them for agreeing to testify today on the role of the Census Bureau in the 21st century. This is the first in a series of hearings the Joint Economic Committee will hold to examine the state of the Federal Statistical System. The data collected by our statistical agencies are vital to informing policy debates and evaluating the effectiveness of those policies we put into place.

As we debate health care reform, Census data tells us that 46 million Americans are without health insurance. Unemployment, family income, poverty—the numbers we see in the headlines every day—they are our motivation for making policies and writing legislation. Federal statistics are a bargain, costing between $10 and $25 per person each year, but the information gleaned is invaluable.

I cannot stress enough how heavily policymakers on this committee and at all levels of government rely on the data produced by the Census Bureau as we weigh policy decisions. The data enables us to evaluate whether or not a policy is achieving the goals that we intended.

We begin today by focusing on the Census Bureau, the country's largest principal statistical agency. The Census Bureau is most well known for its role in conducting the national Census every 10 years. Beyond that, the Bureau conducts the annual American Community Survey and many other surveys that provide key information on other economic and demographic subject areas. The Bureau's population estimates determine congressional districts and drive how we allocate funding for millions of dollars in Federal aid.

There is no doubt of the Bureau's significance and the importance of the work it does. But I am concerned when I see that the new Director of the Census Bureau, Dr. Robert Groves, was confirmed by the Senate just last week, 6 months into the new administration and less than a year—261 days according to the countdown on the Bureau's Web site—before Census Day 2010 on April 1, 2010.

The decennial Census, the largest peacetime mobilization of government workers, takes place every 10 years, but the leadership changes every 4 years with a new administration. But statistical agencies like the Census Bureau should be absent political pressures so that the data remains unbiased and objective.

Today we will hear from former Census Directors who combined have over 20 years experience, spanning five different administrations. Yet we find ourselves in the same peril today as in previous decades with the Bureau, like some heroine tied to the railroad tracks. Given that we have a wealth of expertise and knowledge in conducting the Census and we know how important sound data is to policymaking, I am interested to hear your perspectives on how to avoid flirting with disaster every decade. I would like to hear your practical suggestions of how we can avoid ending up in the same predicament in 2020.

I have introduced legislation, which you have all endorsed, to give the Census Bureau independent status, similar to the National Science Foundation and NASA. Other Federal statistical agencies, such as the Bureau of Labor Statistics and Energy Information Administration, are part of another executive branch agency, but the director is appointed for a fixed term.

In order to be relevant to policy decisions, the major ongoing surveys conducted by the Census Bureau need regular review, updating, and sometimes complete redesign depending on economic, social, and technological changes. The Bush administration era cuts to our statistical and scientific infrastructure budgets have undermined our ability to evaluate the effectiveness of our policies.

We must impress upon those around us the value of the Federal Statistical System and challenge lawmakers and departments to support the system with resources and ensure that the statistical agencies maintain a strong position of independence.

I yield back the balance of my time, and I now recognize Mr. Brady for as much time as he may consume.

[The prepared statement of Representative Carolyn B. Maloney appears in the Submissions for the Record on page 34.]

OPENING STATEMENT OF THE HONORABLE KEVIN BRADY, A U.S. REPRESENTATIVE FROM TEXAS

Representative Brady. Thank you, Madam Chairwoman. Thank you for holding this important hearing. I want to join you in welcoming both panels of witnesses testifying before us.

There is broad bipartisan agreement on the importance of impartial, accurate, and timely economic data. We also need to ensure that the Federal economic statistics fully reflect the growing importance of service industries and exports to America's economy.

The Census Bureau publishes a number of economic statistics but also collects and compiles data for other agencies. For example, Census Bureau personnel are engaged in collecting the data used for Bureau of Labor Statistics' household surveys from which the unemployment rate is derived.

In recent and early hearings before the committee, I have voiced my concern about some of the rosy economic assumptions put in place by the administration which I think will end up masking much higher deficits than the economy or the Congress is prepared to accept. I worry as we sit here that perhaps the administration is attempting to defer the release of its midsession budget update until after Congress votes on the massive health care reform bill. I think that is a huge mistake. Congress should be fully informed of the financial condition of this country as we vote on a one to two trillion dollar commitment on health care.

And I also believe, as others do on this committee, that we ought not have any potential influence of politics in the Census Bureau, period. Many of us were alarmed earlier to see about reports that the White House was seeking to directly oversee the Census Bureau in connection with the 2010 Census.

I continue to believe the political and ideological groups such as ACORN shouldn't have anything to do with any process leading up to the decennial census. The Census Bureau is an important national resource, and the statistical integrity must be protected from potential political pressures.

I conclude with this. One of the questions I am going to pursue of our panelists today is how do we make the census even more accurate and more meaningful in this new economy? How do we measure better innovation and its role on economic growth and productivity? National income and products account don't always adequately measure it. How do we look at expenditures for technological research and development, brand equity, human capital, organizational efficiency, all which can help measure a new economy? We haven't had those statistics and data in the past, but using your expertise and your thoughts, how do we more accurately measure the key indicators that are so important to the economy that may not have even been worth a whisper a decade or two ago? You have got some insights there I am anxious to hear about.

[The prepared statement of Representative Kevin Brady appears in the Submissions for the Record on page 34.]

Madam Chairman, thank you for hosting this.

Chair Maloney. Well, thank you; and I would like to be associated with your remarks on having more information on how we could track innovation and the economy. I think that is a very wise focus that you put forward.

I also share your concern of the independence of the Census Bureau and welcome my colleague to look at legislation I have introduced that would create an independent Census Bureau totally separate from any political influence so that they could have their budget and plan and go forward appropriately. We have bipartisan support, and I hope the gentleman will give it his studied review.

We are extremely honored to have five former Directors of the Census with us today, whom I will now introduce:

The Honorable Vince Barabba is the Chairman of Kings County Ventures and Market Insight Corporation. He twice served as Director of the Census Bureau and is the only person in history to have been appointed to that position by U.S. Presidents of different political parties, serving as Director from 1973 to 1976 under Presidents Nixon and President Ford and again from 1979 to 1981 under President Carter.

The Honorable Barbara Bryant joined the faculty of the Ross School of Business at the University of Michigan in 1993. She was Director of the U.S. Bureau of the Census from 1989 to 1993. She was appointed by President George H.W. Bush and confirmed by the Senate as the first woman to head the Census Bureau in 200 years of census taking.

The Honorable Martha Riche consults, writes, and lectures on demographic changes and their effects on policies, programs, and products; and she was a founding editor of *American Demographics*, the Nation's first magazine devoted to interpreting demographic and economic statistics for corporate and public executives. Dr. Riche served as Director of the U.S. Census Bureau between 1994 and 1998 under President Clinton.

The Honorable Kenneth Prewitt is the Carnegie Professor of Public Affairs and Vice President for Global Centers at Columbia University. Dr. Prewitt served as the Director of the Bureau from 1998 to 2001 under President Clinton. His most recent book is The Hard Count: The Political and Social Challenges of Census Mobilization.

The Honorable Charles Louis Kincannon is the Vice President of the Board of Directors of Capitol Hill Village, a nonprofit organization that supports seniors who prefer to remain in their homes as they age. Mr. Kincannon was nominated as Director of the Census Bureau by President Bush; and he served from 2002 to 2008, the longest-serving director since the Eisenhower administration.

We thank all of you for your service and for being here today.

Mr. Barabba, if you will begin for 5 minutes, and then we will go down the line, and we hope to get everybody's testimony in before we are called for roughly 30 votes, I think. That is just an astronomical amount of votes. So we will not be coming back once we are called for votes. So let us try to get moving. Thank you all for coming.

STATEMENT OF THE HONORABLE VINCENT P. BARABBA, DIRECTOR FROM 1973–1976 AND 1979–1981, CHAIRMAN, KINGS COUNTY VENTURES AND THE MARKET INSIGHT CORPORATION, CAPITOLA, CA

Director Barabba. Thank you.

I have had a long interest in this subject——

Chair Maloney. Pull your mic to you.

Director Barabba [continuing]. How is that? Is that better?

I have had a long interest and an example of that interest is found in a 2002 presentation I gave at the 100th anniversary of the Census Bureau, and it was titled: The Next 100 Years, Starting Today.

In that presentation, I chose not to focus on new technologies but instead on the need for a more fundamental change; and that is because few statistical agencies are equipped or authorized to comprehensively assess what society needs to know, the question that you were raising. To do so would require a dialogue across many functions and the special interests that need to use that information. The Census Bureau has at times come close to accomplishing this.

I suggested an improved dialogue about form, accuracy, and cost in both time and money between those who decide what information needs to be collected and those who do the collecting. I stated that a continued improvement in this area was needed for at least two reasons: The first, it is no longer sufficient to address the societal issues from a limited perspective of a functional policy organization such as labor, commerce, health, education, and so forth; and, second, because our society now faces increasing complexity at an accelerating rate of change, government can no longer predict and then prepare for the future. Instead, we must now use information to sense and respond and at times to anticipate and to lead.

I would like to use an analogy of solving a jigsaw puzzle to explain why changes that have occurred in our society have contributed to the need for a new system of government statistics. In the mechanistic mindset of the government statistics, the industrial age encouraged us to think about addressing problems in government and business as if we were solving a jigsaw puzzle. Solving a jigsaw puzzle is relatively simple, because you can assume all the pieces of the problem that are needed are in the box. Each of the pieces will interact with only a few other pieces and do it in a very specified way, and there is only one correct solution. And if you could confirm it, all you have got to do is make sure all the pieces are in the puzzle. And if you are not sure of that, you can look on the cover of the box and the single solution is there for you to see.

We don't face problems like that anymore.

This solve-the-puzzle metaphor fit reasonably well for most of the issues we faced during the early part of the 20th century and represented to a great extent the way things were thought of at many public and private agencies and, unfortunately, taught at many colleges and universities.

We now operate in an environment that has a constantly changing process of relationships and components. Today, it is more like managing the elements of a molecular structure than solving a jigsaw puzzle. Depending on how the elements of a molecule interact,

particularly when external positive and negative forces are imposed, we can end up with an entirely different outcome than we expected.

In a presentation at the Census Bureau, I referenced an experience that I think has direct bearing on the topic of today and particularly the legislation that you propose. During the annual budget process, a Commerce Department budget analyst decided to reduce the Department's current budget problem by eliminating a sensitive agriculture item from the Census Bureau budget. As might be expected, particularly since that census is mandated by the Congress, the Department of Agriculture protested and appealed to Congress to transfer the census of agriculture to their Department.

While most everyone in government, including me, was focusing on who should collect the information, Jim Bonnet, who would become one of my most constructive critics, pointed out that society needed to know and understand both the specifics and the interactions of the agricultural system. In essence, what are the inputs—the seeds, the fertilizer, the machinery? Then what happens after it is grown? How does it go through processing? How does it go through transportation? How does it go through commodities? How does it go through wholesaling? How does it go through retail? And then how does it get to the consumer table?

And he pointed out that the Census Bureau, doing all of the economic censuses that relate to all those functions, should take that data and relate the census of agriculture to it so that you can see the impact of these different aspects of the entire system of agriculture, rather than just the measurement of a particular form of our economy.

I think the Census Bureau has tried in the past to do that, and it has to some extent been successful, but it is very hard to do that when you are sitting inside of a functional entity whose interests are more narrow than the broad interests of the entire economy.

To address the improvements, I think we need to act a little bit more—including—summing up here fast—to just say that we need to really think more systemically. And the issue of a systemic thinking is to create a whole that is greater than a sum of the parts. And I think we can do that by some of the things that you suggested in this legislation, that we can create a Federal Statistical System that is of greater value to society than the sum of each of the individual statistical agencies which it encompasses.

[The prepared statement of Vincent P. Barabba appears in the Submissions for the Record on page 35.]

Chair Maloney. Thank you very much.

Dr. Bryant.

STATEMENT OF THE HONORABLE BARBARA EVERITT BRYANT, DIRECTOR FROM 1989–1993, RESEARCH SCIENTIST EMERITUS, ROSS SCHOOL OF BUSINESS, UNIVERSITY OF MICHIGAN, ANN ARBOR, MI

Director Bryant. Chair Maloney, Mr. Brady, the Census Bureau got off to a roaring start for the 21st century by implementing the American Community Survey. As of 2010, the American Community Survey, the acronym ACS, provides new data on the char-

acteristics of the U.S. population every year. Prior to that, we had to wait every 10 years.

ACS implementation frees the decennial census from a lot of social and economic questions and leaves the questionnaire with only the eight questions needed for reapportionment and redistricting, the legislative and congressional purposes of the census.

In the rest of this century, I envision that the Census Bureau will build upon its past as the originator of data processing, of computerization of the TIGER geographic system, which is the basis for computer mapping every block in the country, of reaching and counting hard-to-reach people, and as a source of continuous improvement in capturing data faster and more accurately. I think we can count on the Census Bureau to be a continuing source of innovation, new products, and processes. That is if we structure it for the future and not for the past.

When he figured out how to massively count large numbers with punch cards for the 1890 Census, Herman Hollerith, a Census employee, didn't envision today's computer industry. More recently, we who watched the computer mapping of every block in the Nation for 1990 didn't envision that this, coupled with communications satellites, would become the start of a large GPS industry.

Amazingly, the Census Bureau is an enormous bureaucracy with all the negatives that implies but also a hotbed of innovation. The challenge for this century is to keep it that way, although we do not know what all the changes and the innovations will be.

Let me speak to two ways you might change structures to make the Census Bureau more nimble and less bureaucratic as we move through these next 91 years.

First, recognize that the Census Bureau operates on a 10-year cycle, not a 2-year or 4-year or 6-year political cycle. Within the decade are two 5-year cycles for the economic censuses. As it faces its largest project, the decennial census, the last Census was always conducted by a prior administration. The only institutional know-how for how to count a population is in the career employees at the Census Bureau, not at the Commerce Department in which the Census Bureau resides.

This cycle also means that every 20 years, as occurred so recently, the Director of the Census is a Presidential appointee of a President inaugurated in January of the year ending in 9. That Director is not in office—and I was one of them—in time to have any role in the planning of the census which he or she directs.

The solution to this is, obviously, to make the term of the Census Director a 5-year term, half of the decennial cycle, starting in the years ending in 1 or 2 or 5 or 6 or 7; and, that way, a Director coming in at mid-decade would be in for the ramp-up to the decennial census and for the immediate dissemination of the data from it.

My second recommendation is to flatten the bureaucracy by removing the Census Bureau from the Department of Commerce.

Since leaving the Census Bureau, I have spent 16 years at the University of Michigan Business School working on an economic indicator, the American Customer Satisfaction Index. The current mantra for customer satisfaction, for getting closer to the customers and users is to flatten organizational structures. Successful corporations are doing this to be profitable. Unfortunately, some

corporations from my own State of Michigan, however, are learning this lesson too late and only now, after bankruptcy, changing their structures to be leaner and more responsive.

Structures that were very successful for the 20th century may not be necessarily working in the 21st. The Census Bureau is a bureaucracy under a bureaucracy. It is a large organization that reports to another large one. The Department of Commerce is on a 4-year cycle, not a 10-year one. The Census Bureau paper work goes through not one but two levels of approval in the Commerce Department. Every response to a letter from you in Congress gets delayed that way.

I have a 2-minute talk on trying to get computer interviewing into the Census Bureau and how it was axed at the budget level. I don't have 2 minutes.

In conclusion, my two recommendations are a 5-year term for the Census Director and remove the Census Bureau and make it an independent agency like the National Science Foundation.

[The prepared statement of Barbara Everitt Bryant appears in the Submissions for the Record on page 37.]

Chair Maloney. Thank you so much.

Dr. Riche for 5 minutes.

STATEMENT OF THE HONORABLE MARTHA FARNSWORTH RICHE, DIRECTOR FROM 1994–1998, PRINCIPAL, FARNSWORTH RICHE ASSOCIATES, TRUMANSBURG, NY

Director Riche. Chairman Maloney, thank you very much for this opportunity.

I also want to make the case that the Department of Commerce, which currently has line responsibility for the Census Bureau, has an inherent management conflict.

Like every Cabinet agency, the Department is made up of many offices and bureaus; and they all are vying for Federal funds each year. None of them has that constitutionally mandated responsibility that you spoke about earlier. As a result, as each census approaches, the Bureau's request for funds for the census jumps from hundreds of millions of dollars to many billions of dollars; and that throws the Department of Commerce budget off track every decade.

This year, for instance, the Bureau is requesting more than $7 billion for the decennial census account. That is up from just $512 million 3 years ago. It is a hard pig to move through the python, the Commerce Department.

So the census inevitably causes conflict between the Bureau and the Department, because the Department, quite naturally, has quite different priorities. When I was Director of the Census Bureau, NASA—excuse me—NOAA wanted a brand-new weather satellite. It was certainly a needed satellite. We are not complaining about it, but it was a real conflict. The result of these kinds of conflicts is that the Department tends to defer important census activities often until it is too late to undertake them efficiently.

There are three other issues I would like to address.

The first one is content. It takes—as Vince pointed out, the inventory of statistics and demographic measures needs constant update, but it takes about 20 years between perceiving a need and actually getting the data on the street, and that is if all goes well.

Only the Federal Government can collect official statistics. Only the Federal Government has the authority and the resources to get the job done. But the policy questions that call for the kinds of complex data that Mr. Barabba highlighted tend to be asked by different agencies, not by the Department of Commerce.

Developing these complex measures effectively requires regular advisory input from stakeholders, statistical professionals, and measurement experts, as well as the oversight from Congress, your Government Accountability Office and, in the executive branch, the Office of Management and Budget, which has the coordinating responsibility for both collecting Federal statistics and for measurement burdens. This task calls for constant listening and communications activities, requiring direct access going in both directions. My experience as a former director is that the Department of Commerce too often seeks to shield the Census Bureau from some of these conversations and in the process it ends up isolating the Bureau.

My second point is about resources. As you know, they are always limited. They need to be addressed in the context of statistical priorities.

I could tell a story to Mr. Brady, if he is interested, about what happens when you have some of—for some of the issues that you are concerned about, trying to get those things funded inside the current system that we have now, rather than a bigger one.

And the final point I would like to make is independence. As we have all said, the decennial census is very political. That is the point of it. For that matter, all government statistics are political. The word itself means measures used for governance. So the issue at hand is how to maintain the Census Bureau and other statistical agencies' independence in pursuit of accurate data. We need a set of regular processes to build on transparency, collaboration with other measurement agencies, and regular reporting, at fixed times, not subject to manipulation. And not subject to political appointee, many who are extremely well meaning, but these are complex issues and people often go wrong.

Finally, successful measurement depends on willing respondents. Federal statisticians have very little control over Americans attitudes about surveys and censuses created by people with varying motives and varying expertise. I think that increases the value to the Census Bureau of advertising, outreach, and stakeholder relationships, as well as innovative data collection methods. It also heightens the value of an untroubled reputation for guarding confidentiality, especially as technology and security concerns challenge those standards. I think those results would be much more achievable if the Bureau were independent.

[The prepared statement of Martha Farnsworth Riche appears in the Submissions for the Record on page 39.]

Chair Maloney. Thank you so much.

Dr. Prewitt.

STATEMENT OF THE HONORABLE KENNETH PREWITT, DIRECTOR FROM 1998–2001, CARNEGIE PROFESSOR OF PUBLIC AFFAIRS AND VICE PRESIDENT FOR GLOBAL CENTERS, COLUMBIA UNIVERSITY, NEW YORK, NY

Director Prewitt. Thank you so much.

Let me emphasize that I speak today as a private citizen, and that is because I do have a consultantship right now with the Department, but obviously my testimony has not been reviewed by the Department or the Census Bureau. I should say that when I was a Census Bureau Director my testimony was always reviewed by the Commerce Department, and I sometimes was surprised what I found myself saying to the Congress. It was different from what I intended to say. And I make that point because that is exactly what some of us are trying to talk about.

The other thing I would say is specifically to Mr. Brady's question with respect to innovation. This is what a very enormously talented, creative organization can be. It lives and breathes innovation in measurement. That is its professional identity, its professional ambition.

And the difficulty, exactly as Martha Riche just said, is the decennial is so big and so important to our society that everybody gets very excited about it, including, of course, the United States Congress, for understandable reasons, and then forgets the Census Bureau; and it goes—it just goes into a quiescent period for 5 or 6 or 7 years before the attention builds back up.

That is exactly the period of time when you will be doing this innovation, and every one of us can testify to how difficult it is to create a morale, a staffing structure, and a budget to do the kind of work that you would have the Bureau do and which it is quite capable of doing.

Let me speak from a different point of view on the issue of independence. I think it is sad but true that the country has dug itself into a very large hole about the so-called political manipulation issue. On the floor of Congress, a distinguished Senator said during Robert Groves' hearing just last week, by overcounting here, undercounting there, census manipulation could take place for sole political gain.

Fine. The problem was it was said casually. In previous versions of this sentence, people sort of thought about it and said, wait a minute, do I actually want to say the Census Bureau could manipulate the numbers for political gain? And here it was just kind of mentioned in passing without notice.

That political hole that we put ourselves into starts with the Democrats in the 1980s when they brought a case to force the Census Bureau to report the data the Census Bureau itself did not think was ready to report. And it has continued through that period, as all of us who are veterans of the 2000 census know.

And I guess my concern about independence is I am desperate for us to get out of that political hole, and I think no stronger signal of that is available to us than the independence bill. The fixed term, yes, but the independence bill is a stronger signal. And I really urge the Congress, after we get through the 2010, to think hard about whether we want to keep repeating this debate that we

had yet again over Dr. Groves' nomination for something he did 20 years ago and so forth.

The census numbers are political. They are supposed to be political. They start a political process of redistricting, of appropriations, redistricting, and then elections and so forth. But the starting point has not to be political. It has to be nonpartisan, scientific. By creating an independent agency, what you are saying this is a piece of science; and we treat it like science. Once the numbers come out, then we can argue about them and debate about them and they can be put on the Republican side or the Democratic side and so forth. That is the nature of our democracy and that is healthy.

But the starting point itself should not be politicized, and we have not politicized it. The 2000 census was—I am certain was the most scrutinized census in our history; and I have actually done a lot of work on the history of the Census Bureau, so I can say that with some confidence. I testified more than 20 times in less than 2 years. That is a lot of times to be brought down here to say this, that, and the other and so forth.

The GAO was extremely active around the 2000 census. The IG was active. There were eight formal advisory committees paying attention to what we were doing and so forth, and some of you will remember there was a special Census Monitoring Board with its own budget and own staff that was deliberately put in place by the United States Congress to search for manipulation, political misuse, and so forth. No documentation has ever been put on the table that the Census Bureau, in terms of what it controls, has been subjected or has engaged in anything that could remotely look like political use of the information.

So, yes, the Congress can say, here is the budget; here is what we need information on. Once you make that decision, then the Census Bureau scientifically, professionally has got to design a census and execute it.

Thank you.

[The prepared statement of Kenneth Prewitt appears in the Submissions for the Record on page 40.]

Chair Maloney. Thank you, Dr. Prewitt.

And Mr. Kincannon.

STATEMENT OF THE HONORABLE CHARLES LOUIS KINCANNON, DIRECTOR FROM 2002–2008, VICE PRESIDENT, BOARD OF DIRECTORS OF CAPITOL HILL VILLAGE, WASHINGTON, DC

Director Kincannon. Thank you, Chairwoman Maloney. It is a pleasure to join my distinguished colleagues here in testifying before your committee, and I thank you for inviting me to appear.

The Census Bureau is central to the Federal Statistical System and to statistics to help policymakers make sound decisions. It is a key producer of economic statistics broadly construed to cover businesses, establishments, persons, and households. It produces about 70 percent of the hard figures that go into making up the GDP. It produces about half of the principal economic indicators as defined by the OMB. There is in my testimony a list of 16 indicators, and I would just mention six of those very quickly: construc-

tion put in place, housing vacancies and homeownership, new residential construction, new residential sales, our data collection contribution to the BLS release on employment and unemployment, and on their preparation and release of the CPI.

If those are not in the headlines governing and trying to direct what we do to try to solve our economic problems, I cannot think what series would be.

Census figures also steer about $375 billion of Federal domestic assistance each year, according to the Brookings Institution.

Other nations also view the Census Bureau as a central player. The French Finance Ministry surveyed statistical practices in other countries about 5 years ago at the request of their Minister. This report noted that the Federal Statistical System relies on service provisions and financial transfers between agencies, as some producers are largely dependent on others for collecting data.

And another quote: The Census Bureau plays a central role in this respect, as even large agencies, such as the Bureau of Labor Statistics or the Bureau of Economic Analysis, depend heavily on its collection network.

The French report also noted that the great strength of the Federal Statistical System was the timeliness of its data and the closeness of producers to users. However, as a decentralized system, it requires coordination, which, as they noted, depends on seven people at the OMB. The institutional—this is a quote. "The institutional framework of producers of official statistics remains a strong limitation on coordination. It results in redundancies of tasks such as keeping registers providing sampling bases for surveys, in difficulties in the sharing of micro data, and in classifications and concepts that are not always consistent between various products and institutions."

The Census Bureau will remain central to policymakers needing statistics for informed decisions, and the decennial census and the American Community Survey are a very towering contribution to this process.

What do we need to do to ensure the census meets the Nation's needs?

We need to recognize—and this is not news to you by this time in the hearing. We need to recognize the long lead time needed to develop, select, and apply modern technology to agency work. This is true of the Census Bureau, just as it is of NASA or NOAA. The current arrangements in the executive branch fail to meet fully that goal of 2010 as we all know.

We need to recognize the long planning cycle, more than 10 years, for the decennial census, even setting aside technological matters.

The Census Bureau itself must be organized to deal with this. It needs continuity of leadership, which to me implies a long and probably fixed term of service for the director to connect responsibility for planning with that of production and outcome. We need to pay special attention to the role and the person holding the deputy director post, which has a particular strategic, structural role in the organization.

I will illustrate. In the 1990s census cycle, we made significant technological progress. A prime example already mentioned is the

TIGER system of automated digitized maps and address registers. It was developed in cooperation with the U.S. Geological Survey. This replaced a paper and paste pot system of producing maps for census figures with a modern system. It could not have been done without sustained leadership and a willingness to accept some risk in change. There was one deputy director during that period and three census directors, but that together provided that kind of continuity.

What else is needed?

We need to ensure independence and integrity of the planning process.

We need to ensure staffing is purpose-based, including SES appointment authority being the responsibility of the director of this multibillion dollar agency with 8,000 employees, not counting temporary census workers. Now it is exercised by an official with more modest responsibility.

We need to place the census budget cycle in an environment that is not hostile. I don't mean that there are enemies of the census budget in the Commerce Department. I don't mean that at all. I mean there are severe natural conflicts that work against the census budget and its off-beat rhythm. And you have heard many examples of that.

Madam Chair, I thank you for your invitation and for the entire hearing.

[The prepared statement of Charles Louis Kincannon appears in the Submissions for the Record on page 42.]

Chair Maloney. I thank all of the panelists for your insightful testimony.

I have introduced legislation to give the Census Bureau independent status and remove it from the Commerce Department, similar to the National Science Foundation and NASA. Other Federal statistical agencies, such as the Bureau of Labor Statistics, are part of another executive branch agency, but the director is appointed for a fixed term.

I would like to ask each of the panelists if you could answer in yes or no, just to get it on the record, do you think true independence of the Census can be achieved without removing it from the Commerce Department? And I just would like to go down with yes, no, and then come back and let you give an example of why you take the position that you take. Starting with you, Mr. Barabba.

Director Barabba. The question was, can you do it without removing it from the Commerce Department? I don't think so.

Chair Maloney. Dr. Bryant.

Director Bryant. No, I don't think so.

Chair Maloney. Dr. Riche.

Director Riche. No.

Chair Maloney. Dr. Prewitt.

Director Prewitt. No.

Chair Maloney. Mr. Kincannon.

Director Kincannon. No.

Chair Maloney. Would anyone like to elaborate on why they think it is impossible to be independent under the Commerce Department? I open it to the floor.

Director Barabba. If I could, it is interesting that the Bureau has an incredible reputation even though it has been sitting inside the Department of Commerce. But that is a function of the people there.

I think one of the things that is not really understood about the Bureau is that its employees are as much engaged in their professional organization, representing the various interests of society as any agency I know. And they are more respectful of their peers in the different departments, different societal organizations as they are relative to the oversight of the Department of Commerce. So no one inside the Census Bureau will do anything that somebody in government asks them to do that is wrong or not efficient if they have to go face their colleagues and their professional organizations and say I agreed to that. And I think that has been an important aspect of the Bureau that is not really fully understood.

Chair Maloney. Thank you.

As a former Census Director, Dr. Bryant, what are the pros and cons you see of removing it from Commerce?

Director Bryant. Well, I think that the big pro is getting it out of the Department of Commerce. Commerce is on a 4-year cycle and a very new-political-appointee, 4-year cycle, and you can't plan a 10-year process that way.

The cons. There are many talented people in the Commerce Department—there are many people that have given great help to the Census Bureau, but it is very up and down, irregular, and a lot of lack of understanding.

I mentioned computer-assisted interviewing. It was already in the commercial, private, and academic sectors. When we tried to get budget to improve it at the Census Bureau, the Commerce Department didn't understand it and for several years deleted it from our budget. Without a good Deputy Secretary who knew how to shuffle some of our other R&D money around I don't think we would have had it to this day. It has been much used. We were even behind—and they kidded us—a much smaller Netherlands Bureau of Statistics, and they came in and consulted for us on how we could catch up.

Chair Maloney. Dr. Riche, the pros and cons of—do you see the pros and cons of removing it from Commerce?

Director Riche. I don't actually see any cons. As Vince pointed out, there are almost no relationships below the director and a few officials with the Department of Commerce. The Bureau does function independently. It does come down to the issues of budget and to the issues of communication, who the Bureau is allowed to talk to and when. That is what, really, Commerce tries to manage.

Some of us—I think everybody here has been pretty successful in doing end runs on budget to OMB, which does understand priorities for Federal statistics and doesn't usually need to be educated.

But I don't mean to reproach and say any bad things. I was very fortunate to work with a very good team of people in Secretary Brown's Department of Commerce. But they just have a different set of priorities, a different set of incentives.

Chair Maloney. My time has expired.

Mr. Brady.

Representative Brady. First, I wish my wife was half as agreeable as this panel is to your bill here today. By the way, who picked these guys?

You know, the question I am going to ask about innovation, as we do, sort of following on what the chairman asked. Just removing yourself from the current times, but do you—as former Census Directors, do you continue to worry about or do you have a fear about political manipulation at the outset of census taking?

But, secondly, what can we do to highlight and gather the data that can more accurately measure innovation in our economy?

I know that the National Science Foundation developed a series of questions with existing business research and development survey for the census that hasn't been incorporated yet, but it seems to me we have gathered some parts of innovation but left other huge gaps in statistics and data that can be very helpful.

I will just open it up to the panel. Why don't we start on the other end and go down with your thoughts on either of those issues.

Director Kincannon. On measuring innovation, Secretary Gutierrez did establish a high-level group to consider and discuss that and make some recommendations. Those recommendations, that came close to the time that I was leaving or even after that, but it must have produced some useful work. I know the BEA gained some benefits from their recommendations.

Measuring innovation is difficult. Everybody knows it is good. Everybody knows it has benefits. And you can see it is sort of like the wind blowing. You can see the leaves shake, but exactly which wind and where it came from requires NOAA quite a lot of money to figure out. So I think it is something that requires a lot of work and might not be principally an assignment of the Census Bureau but a more analytical agency to then identify what needs to be measured, and the Census Bureau takes that over.

With regard to political interference, I have a long experience at the Census Bureau at the—either as a political appointee or in the level below so that you have a lot of contact. I have not seen any bold or clear-cut attempt to say change a number. I have heard some sincere wishes that the numbers could be different but not a foolish directive to change them. Because everybody understands pretty easily that can't be defended.

I did not see any interference while I was director in finishing up the process of the analysis of the coverage measurement work for the 2000 census. We reached an independent, career-based decision. We did not have a process that worked to adjust census results.

There were a lot of people nervous about that in the Commerce Department, but Don Evans was not one of them. He understood the technical work that we were doing and satisfied himself that we would come to a sound scientific conclusion and let us alone for 3 years to work all through that.

Representative Brady. Thank you, sir.

Director Prewitt. Yes, Mr. Brady.

I would point out, as an example of what I consider to be gross political interference, the National Academy of Science has published something called Principles and Practices of Statistical

Agencies. It is widely read. It is like the Bible for statistical agencies. It makes a very strong argument, of course, that statistical products have to be the product of the statistical agency.

And if you were to find out that the Bureau of Labor Statistics brought the unemployment rate down to the Secretary of Labor and said what do you think about this rate and the Secretary of Labor said, well, my gosh, I wish it were a little lower or a little higher, you would be outraged and you should be outraged.

If the—any GDP number, any statistical number that sort of describes—if the number of uninsured were first brought to the Health Secretary and said what do you think about this and before you knew about it, before the press knew about it, you would be outraged and should be outraged.

In 2001, the Census Bureau—in fact, it also happened in 1991, but under Dr. Bryant. But they were under court order to bring the major statistical product, the decennial census, down to the Department of Commerce and let the Department of Commerce Secretary decide about that number. They were under court order.

In 2000, this was repeated; and they were not under court order. The Secretary of Commerce simply said that, with respect to this statistical procedure, that the results that we brought down—and he would invite in his own experts to tell him whether it was right or—what the Census Bureau was doing was right or wrong.

That is political manipulation. I think that is a blight on the history of statistical agencies in the United States, and I wish it hadn't happened. I am very sad, and neither of the people around this table were in a position to do anything about it, but I thought it was very unfortunate that the Census Bureau complied with that instruction. I think they should have said no.

Chair Maloney. The gentleman's time has expired.

Mr. Cummings.

Representative Cummings. Thank you, Madam Chair.

Thank you all for your testimony.

Our Nation is facing some very difficult circumstances now with one out of nine folks in my State of Maryland facing foreclosure. And according to some testimony of our HUD Secretary the other day, we are not—we are dealing with foreclosures, but we are dealing with them on the basis of 100, maybe 300,000. We need to be in the millions of addressing them. That means a lot of people are going to be displaced.

Do you all see any special problems with that as far as getting an accurate count? And how—I mean, if you had to give advice to the Census Director, what would you—what would that advice be? We already have a lot of problems getting every single person counted. I am just curious.

Somebody speak up. Somebody.

Director Barabba. I would just say that the Census Bureau has a very extensive program of dealing with the homeless and people without a specific residence. I think your observation is correct; and if I had to bet, somebody over there is thinking about right now about how they are going to have to expand that program.

Representative Cummings. Anybody else?

Director Kincannon. It is true that if you are not living at an address it is harder to count you, whatever the situation is. There

are special steps to be taken. There are procedures in place to handle the displacement of people who are still displaced in Louisiana and those areas that were affected by Katrina, and the same kind of procedures can be used to try to track the people who have been evicted from their homes. Many will go to another place of abode, but if they don't, it is difficult to do.

Director Bryant. I will second that, that the Census Bureau has—in my time, it was Hurricane Andrew; in your time, it was Hurricane Katrina. The Census Bureau does a great job of tracking people. I mean, they will go to the neighbor's house and say, do you know what happened to, and follow them to the ends of the Earth if they have to.

Representative Cummings. Dr. Riche.

Director Riche. I would just add this reinforces the need for some of the basic census processes to be strong.

One of those needs is outreach and communication to let the people know the census is being taken. If you are not in your home, it is still important that you be counted and that we have employees, as we try to do, who are conducting the census who are from the communities and are trusted individuals and will gain cooperation.

Representative Cummings. In April, 2008, the Census Bureau announced it would drop plans to use handheld computers to help count Americans for the 2010 census, which would have added an estimated $3 billion to the cost for the census. Additionally, in June, 2008, the Government Accounting Office reported that the 2010 census will still cost between $13.7 billion and $14.5 billion. What other cost-saving measures would any of you recommend? And would you have recommended those?

Director Barabba. If I could? I have often thought it would be really interesting if there was a contest among the Members of the Congress, based on a formula that would be developed, of who could get the highest return on the mail-out, mail-back census form. And that would create a conversation at the congressional level in each district that would put every Congressman and woman on notice that their job was to reduce the cost of the census by getting people to fill out the census form and mail it back. I think if you could do that, you could save a considerable amount of money.

Representative Cummings. Anybody else?

Yes, sir.

Director Kincannon. I would like to go back to one of Mr. Barabba's suggestions earlier on, that is, a serious national conversation through some mechanism about the kinds of information we collect, the cost of doing it, and the detail that is needed.

For example, a great deal that drives up the cost of the decennial census is the requirement for block-level data for use in redistricting. A satisfactory, fair way of redistricting with slightly elevated geography would save a considerable amount of money. And collecting information about industries that are no longer major industries but continue to be collected, that could also address some economies.

Representative Cummings. Mr. Prewitt.

Director Prewitt. Just quickly underline this one on block-level data. Block-level data are basically not needed to make sense of this country with respect to redistricting. And if the Congress were willing to—block-level data are notoriously flawed for all kinds of reasons. They are extremely difficult to get that number right down to the block level. And a lot of redistricting presumes that number is accurate, and it is really not, and we all know around this table that it is not.

So I think the idea of a higher level of geography for even redistricting makes a lot of sense. So you are not down to five people. You are down to 50 people or even 500 people. It is not a big deal with congressional districts of 750,000 people. So that is a serious thing.

But, Congressman Cummings, there are lots of other ways. And one of the things that is going to happen in this country—and we are not prepared for it. This country is producing enormous amounts of information, not from survey instruments. They are producing it by administrative records; and they are producing it by swipe data, digital data. And it is a—talk about an innovation, a really serious innovation in census taking, we are going to have to create a way to collect that information and use it for the purposes that we use the census now.

It is extremely important to get information by going out and knocking on doors. When a lot of that information exists already in administrative records and in all kinds of other sources—enormous problems, privacy, confidentiality, et cetera, et cetera. But they are solvable. They are not solvable if you don't have a strong scientific agency that reports not to the Department of Commerce but reports, like the National Science Foundation does, to a board of scientific and technical, statistical experts. That is the kind of agency which produces the kind of conversation that would allow us to use information which is practically free. And yet we don't have a way to do so.

Chair Maloney. The gentleman's time has expired.

Mr. Burgess is recognized for 5 minutes.

Representative Burgess. Thank you, Madam Chair.

Dr. Bryant, I apologize if I was out of the room and you have already answered this. But you made the comment that the census should be removed from the Department of Commerce. Did I understand you correctly?

Director Bryant. I think we all did, as a matter of fact.

Representative Burgess. Where would it go?

Director Bryant. The model would be the National Science Foundation, which would be a free-standing agency.

Representative Burgess. But it would not be the White House?

Director Bryant. No, no, it would not be the White House.

Representative Burgess. Let me stay with you. This is really a question that I would like to hear from several of you.

My home State of Texas has a situation where we have a lot of people in our State who don't have the benefit of a Social Security number or any of the other accoutrements of citizenship. So taking into account undocumented workers or people who are unwilling to fill out a census survey, how have the previous census takers dealt with that consideration?

Director Bryant. Over the past three censuses—I am going on to 2010 now—we have had an enormous outreach program with the local organizations. You are talking really a lot about the undocumented, Hispanic population; and we have worked a lot with Latino organizations, nonprofits, to have them convince people it is safe to be answered by the census. However, I think with all the immigration attacks right now on the undocumented, this is going to be one of the biggest challenges of the 2010 census.

Representative Burgess. What—but, historically, what were you able to do to overcome that?

Let me take a step back, and I will just ask another question. It is—maybe my understanding is not correct, but it is important to count individuals even though they may not be citizens; is that right?

Director Bryant. Yes. The constitutional mandate is to count everyone resident in the country. Because, after all, everyone resident in the country uses the resources of local government and State governments.

Representative Burgess. In the past, what have the—in the previous census-taking efforts, what has been done to mitigate that problem?

Director Bryant. Well, as I say, it has been by outreach, to have these nonprofit organizations that work with them. Social agencies and things like that try and convince the people that it is safe to be counted, that the Census Bureau is never going to trade the information with your employer or anybody else. But that is a very hard sell; and that is probably the biggest challenge always to census taking, is those who don't understand why the census is important or are fearful of government and having them counted.

Representative Burgess. That was going to be my next question to you. Because in my area of Texas there is—but—you may not have noticed, but our congressional approval ratings are not very high right now, and there is a great and growing mistrust of the government. And things that have happened in the past 12 months—the stock market meltdown, the bailout bill, the stimulus bill—all these—the cap and trade bill—all of these things have added to that anxiety that is out there.

So how—perhaps, Dr. Prewitt, I should ask you. You were in charge in the 2000 census, so you have had more recent experience. You have got two groups. One group of people who is fearful that they might be identified and placed out of the country and one group of people who just is fearful of the government. How do you overcome that?

Director Prewitt. Not easily. I spent a lot of time in Texas in 2000 down in the border especially. Enormously important partnership with the Catholic Church.

Representative Burgess. I am on the other border up by Oklahoma, and you know how much trouble that is.

Director Prewitt. That is true. But by far the most important partner in the 2000 census with respect to this population group was the Catholic Church. And also social work agencies. You have to find the trusted voices.

I am a government bureaucratic. I can go make a speech all day long about the confidentiality and they—but if they are trusted voices—and that is what we did. We thought we did very well.

I think Barbara is quite correct. I think it is going to be tougher in 2010 than it was in 2000.

Representative Burgess. Mr. Kincannon, you may have a better answer to this, having recently left the Department. Are there any new strategies in place to deal with this?

Director Kincannon. Well, yes, there are new strategies, including mailing bilingual questionnaires in areas where there are a significant proportion of people who speak Spanish only at home. We are trying that one language now. We will see whether we can expand that use—I still say "we"—but we will see whether they can expand that use in the future. But in tests that we did, that increased response.

I don't know that that deals with undocumented workers. I grew up in Corpus Christi. I know the problem you are talking about.

Representative Burgess. What about the other segment that just simply does not trust the government? And I will tell you they are large, and they are growing, and they are vocal. They are on talk radio almost every afternoon, if you want to go listen to them. We can find them on the Internet. And they are concerned and legitimately concerned. They don't want to answer anything but name, rank, and serial number and even that they will only divulge with some stress.

Chair Maloney. The gentleman's time has expired.

Mr. Kincannon can respond.

Director Kincannon. I will just say the work through what we call our partnership program with local grassroots leaders, church leaders, Protestant or Catholic, doctors and health care providers, barbers, shopkeepers and so on to make sure that they—those people who speak to and are listened to by the people who may be afraid of the government has been very helpful in improving it. As a matter of fact, in the 2000 census, the census counted more people than we estimated were in the country. That showed that the administrative and estimated data on immigrants was lower than real immigration, and I think we documented that pretty well. Ken did a good job.

Chair Maloney. Mr. Hinchey in recognized for 5 minutes.

Representative Hinchey. Thank you very much, Madam Chairman.

And thank you very much. It is very interesting to see clearly the importance of what you are doing. I very much appreciate your being here, and I appreciate the opportunity to listen to what you said and the response that you have given to the questions.

The issue of independence seems to be one issue that is significantly important, moving out of the place where you are now. I don't know if you want to make any additional comments on that, how that would come about, how effective it would be how the changes might occur. But, briefly, I am interested in hearing something about that issue of independence.

Director Bryant. I think it is interesting that we represent 25 years, almost 30 of census taking here. We were appointed by dif-

ferent administrations, and we are all in agreement on this issue, that independence is necessary for the Census Bureau.

Director Barabba. I would add that if you think about Title 13 of the U.S. Code and what it allows this agency of government to do, if you—if that law did not exist today and the Census Bureau did not have its reputation, I doubt if that legislation could be written today. Because it—fundamentally, you have given the right—you have given the authority to an agency of government to do things that some don't want to do.

I think the Census Bureau has earned a position in the minds of a lot of people that it has the capability of operating as an independent agency. And I would say that, since Title 13 is always subject to review, it might be one way of avoiding somebody coming through the back door and affecting what might be considered one of the valued aspects of our government, which is the ability to know what is going on in a nonpartisan way.

Representative Hinchey. I think that is absolutely—I am sorry.

Director Prewitt. Just quickly, Mr. Hinchey. Specifically to those kinds of things. I think the model has to be a scientific agency, like a NASA, like an NSF, like NIH. If you think about statistical data, it is part of the scientific infrastructure of the society. That is how we analyze and understand our society. So conceptualize it as science, and I think that will be the most important argument you can put before your colleagues.

Representative Hinchey. Yes.

Director Riche. I would just add that checks and balances have turned out to be very useful in our government from its beginnings. And so setting such an agency up independently would be—it still has to report someplace. It has to get its money from someplace. Thinking about those checks and balances, the stakeholders, obviously, the Congress with the power of the purse and the professional community, setting up that kind of board oversight reporting, that is what would be really needed.

Representative Hinchey. Well, thanks very much.

I think it is very important. I think most people, if they were asked, they would probably say that you are independent, that you function that way, but that is not the case. Have you experienced in any way any political influence on the kinds of ways in which you operate and the results that come about as a result of that operation? Any negative interaction in any way?

Director Riche. I think every director comes into office with the knowledge that there will be pushes on you coming from someplace, and we all have that talk with ourselves as to how we are going to react to it.

Ken pointed out the existence of the Code of Practices for all statistical agencies. In my own case, I had to take that Code when a new team came in the Department of Commerce, yellow highlight, offering it as a gift, presentation, so on and so forth, to educate people. And there were certainly occasions when I had to say, no, no, you can't have this data. That would be from another branch of the Commerce Department.

There are always things like that that we all confront.

Representative Hinchey. Yes, sir.

Director Kincannon. Another matter that is not necessarily political interference and doesn't deal with exactly a task at hand, but consistent interference with personnel appointments, including, well, mainly, therefore, career officials, since that is the nature of the Census Bureau; blocking communication with OMB and with the Hill, which harms the Census Bureau's ability to serve and to inform and doesn't necessarily have any partisan motive but a bureaucratic motive. Perhaps the failure to notify the Secretary of a decision by OMB to disapprove a needed portion of the budget initiative but one which OMB was going through, the little kabuki dance that it goes through, but expected the Census Bureau to appeal. They failed to inform the Secretary of that need to appeal, and so we didn't appeal it. And it made it a more difficult task to recover from. And the likelihood——

Well, I am not going to go into that.

Chair Maloney. The gentleman's time has expired.

Representative Hinchey. Unfortunately, the time is up.

Chair Maloney. Senator Klobuchar.

Senator Klobuchar. Thank you very much, Madam Chair. Thanks for holding this important hearing.

And I did love hearing for all the Presidents that you worked for and the bipartisan nature of this panel and the independent nature of this panel, and I truly appreciate that.

And I think everyone knows by law that they have to do the census. I am not sure everyone in our country knows how important the census is for things like how money is divided and also congressional seats, something my State cares a lot about right now as we are kind of on the cusp of retaining or not retaining a congressional seat.

Yesterday, the Census Bureau actually reported that, in the 2008 Presidential election, my State of Minnesota led the Nation in turnout with 75 percent. So we like participation, and hopefully that will transcend with the census as well.

I was wondering—just a few issues. First of all, there has been concerns about—raised about the privacy and confidentiality of personal information that is shared as part of the census. Could you explain, any of you, one or two of you, how the Census Bureau protects the personal information that is shared during the census and what precautions are taken?

Director Kincannon. If I may, the law expressly forbids disclosing any individual information. In the case of persons, that extends for 72 years. And that is long enough mostly for it to become less sensitive, and mainly it is people doing ancestral research that would look at it then.

The Census Bureau—this is an important way of our life. The individual data are not shared within the Census Bureau unless there is a need to know and use those data. For very few people is there a need to see individual data, and that need is protected and is examined closely before access is allowed.

We try to secure data physically, both—and electronically in the Census Bureau and its branch offices and in the laptops that enumerators use and so on.

So there are very strong steps made, and the culture of protecting that is seen as a part of our contract with the people for their willingness to respond to our questions.

Senator Klobuchar. Thank you.

Director Barabba. I have a story that demonstrates how deep it is into the Bureau.

During the 1980 census, someone broke into one of the local census offices. I think it was in Colorado. Because it was a Federal office, the FBI came in to investigate. The Census Bureau employee informed the FBI agent they could not see the records because they were not sworn employees of the Census Bureau, but there was about to be a little fist fight.

Senator Klobuchar. Did you intervene?

Director Barabba. It got to my office, and I called the Director of the FBI, and I explained to him the situation. He said, well, we have got to do our job, too. I said, would you mind if we swore your agents in as employees of the Census Bureau for this investigation? He said, that seems like a reasonable solution; and so they were sworn in.

So they were under the rules of the Census Bureau as far as confidentiality and privacy when they were performing that—but it was down to the Census Bureau office, this attitude that is pervasive in the Bureau. It is the one thing that I think if you ask anybody what is the most important thing the Bureau does, it is keep privacy and the trust of the American people.

Senator Klobuchar. Very good.

And then, just secondly, a little more question specific to my State, and that is that we have a population—it gets a little cold in Minnesota in the winter. So we have some people that go south for a month or two. We also have a lot of college students in our State. Could you talk about just the unique challenges of trying to reach those groups of people? Dr. Bryant.

Director Bryant. I think one thing that is different between the American Community Survey and the census itself, the census counts where you are on April 1st or where you lived most of the year around that time. The ACS will now give us some data that helps with the winter/summer snowbird vacationer population by saying, well, here is the population estimate for Scottsdale, Arizona, versus Minnesota at a particular time. Incidentally, Minnesota had the highest return of mail questionnaires in the 1990 census. Probably we can all say that for our censuses.

Senator Klobuchar. Okay. Very good. I guess that is why I am here. Thank you.

Chair Maloney. Thank you.

That concludes our first panel. We have time for the second panel.

Representative Brady. Just 2 seconds. One, is there a limit on how many times the Senator can brag about Minnesota on this panel? Because, really, she is at that—there must be a census limit.

Do you think we could have the panelists in writing give us their thoughts on if the block level census data isn't accurate or needed, what would be the next level that would be appropriate and why? I think that would be interesting for us to know as a committee.

Although I would say without the block level census data it would deny State legislatures the ability to draw those compact, commonsense districts that they do each 10 year period. But I think that would be very helpful information, if you don't mind.

Chair Maloney. I think that would be very helpful. If anyone would like to comment to that question.

Director Prewitt. I want to make sure that when I say the data are flawed, they are flawed for two reasons. One, it is extremely difficult to get exactly the right address on Ms. Watkins.

The other reason—and it goes back to the confidentiality/privacy issue. Block-level data are what we call scrambled, which is to say, on a given block, let us say, there is a black male between 25—when you actually see the census data, there is no black male who is 25. There may be an Hispanic woman who is 25 and on some other block where there is actually an Hispanic woman that is 47. On that block, the age, the gender, and the races are scrambled so that when we get up to a high level, we have got exactly an accurate picture, statistical picture of that level, census track level, block cluster level, what have you.

We do that so there can't be identification. The redistrictors actually believe this race ethnicity data that they have got at the block level. We know it is not there. So, in some complicated way, we are misleading the population to believe that there is a false precision in these data.

That is why I think it is so important, and we ought to sort of say it is not precise. You are using it as if it is precise exactly for creating the districts so that they have the right number of Democratic and Republican voters and ethnicities and so forth.

Representative Brady. What is the better level?

Director Prewitt. It depends on the variable. But I would think you can easily get away with block clusters or census track data for redistricting and you will not mess up the fundamental premises of democracy.

Chair Maloney. Thank you.

And this panel, we thank you very much.

Chair Maloney. We will call the second panel.

I would like now to introduce the second panel:

Dr. William Eddy is the Chair of the Committee on National Statistics. He is the John C. Warner Professor of Statistics, Machine Learning, and Biological Sciences at Carnegie Mellon. He is a fellow of the American Statistical Association and the Institute of Mathematical Statistics. In addition to serving on the Committee on National Statistics, Dr. Eddy has been a member of several CNSTAT panels and committees; and he holds a PhD from Yale University in Statistics.

Dr. Andrew Reamer is a fellow in the Brookings Institution's Metropolitan Policy Program. At Brookings, Dr. Reamer manages the Federal Data Project, which seeks to increase the availability and accessibility of detailed, accurate, up-to-date Federal statistics relevant to metropolitan areas. Currently, he is President of the Association of Public Data Users and Chair of the Bureau of Labor Statistics Data Users Advisory Committee. He received a Masters of City Planning and a PhD in Economic Development and Public Policy from MIT Department of Urban Studies.

Thank you both, gentlemen, for coming.

Chair Maloney. Dr. Eddy, you are recognized for 5 minutes.

STATEMENT OF WILLIAM F. EDDY, JOHN C. WARNER PROFESSOR OF STATISTICS, CARNEGIE MELLON UNIVERSITY, PITTSBURGH, PA, CHAIR, COMMITTEE ON NATIONAL STATISTICS, NATIONAL ACADEMY OF SCIENCES, WASHINGTON, DC

Mr. Eddy. Thank you, Madam Chairman.

My remarks today are going to address the findings and recommendations in two reports issued by the Committee on National Statistics, CNSTAT as we call it, that are both relevant to the governance of the Census Bureau and the usefulness of the data it provides. The two reports are one that has been referred to previously, namely Principles and Practices for a Federal Statistical Agency—and I am going to talk in some detail about this report—and the second concerns the American Community Survey, which is replacing the long form in the census, Using the American Community Survey: Benefits and Challenges.

The Purple Book, as it is known, is a report that was developed by the committee in 1992; and, starting in 2001, we have issued a new addition every 4 years as a new administration came into office. The report lists four basic principles that a statistical agency should follow and 11 practices that it should follow.

The next four principles are: one, that the agency must be in a position to provide objective information that is relevant to issues of public policy; two, have credibility with those who use its data and information; three, have a strong position of independence within the government; and, four, the trust of those whose information it obtains.

I want to elaborate on the principle concerning independence, since it was mentioned by all of our—the previous panel members.

The report does not directly speak to structural independence, which is what they were talking about. It refers to the independence of control. Now, obviously, that can be affected through structure, but the report does not actually address the structural question directly.

The characteristics that we relate to a strong position of independence are that a statistical agency should have authority for professional decisions over the scope, content, and frequency of data compilation, analysis, and publishing.

It should have authority for selection and promotion of professional, financial, and operational staff.

It should have recognition by policy officials outside the statistical agency of its authority to release statistical information, including press releases and documentation without prior clearance.

It should have an authority to control information technology systems for data processing and analysis in order to securely maintain the integrity and confidentiality of data and reliably support timely and accurate production of key statistics.

It should have authority for the head and qualified staff to speak about the agency's statistics before Congress, with congressional staff, and before public bodies.

It should adhere to fixed schedules in the public release of important statistical indicators to prevent even the appearance of manipulation of release dates for political purposes.

It should maintain a clear distinction between statistical information and policy interpretations of such information by the President, the Secretary, and others in the executive branch.

And its dissemination policy should foster regular, frequent release of major findings from an agency's statistical programs to the public via media, Internet, and other means.

We have not undertaken a formal evaluation of the Census Bureau vis-à-vis these criteria. But I note that, as I think Lou Kincannon mentioned, the Department of Commerce has not always respected important aspects of statistical agency independence, such as authority for selection and promotion of staff.

I want to repeat that the report does not address the issue of structure, of the organizational placement of the Census Bureau. I should say personally I would advocate the creation of an independent scientific agency such as the National Science Foundation or NASA.

One of the steps that could be taken to strengthen the agency head's independence would to be have him or her appointed for a fixed term by the President with approval of the Senate, as is the case with the heads of the Bureau of Labor Statistics and the National Center for Education Statistics. Today, some statistical agencies are headed by senior executive career officials, some have presidentially appointed heads with fixed terms, and some, including the Census Bureau, have presidentially appointed heads that lack fixed terms and serve at the pleasure of the President.

Chair Maloney. Please bring your comments to a close. Your time has expired.

Mr. Eddy. Okay.

I was going to just briefly say that the American Community Survey is a very important step forward for the Census Bureau and the data that they collect.

[The prepared statement of William F. Eddy appears in the Submissions for the Record on page 44.]

Chair Maloney. Thank you. Thank you.

Dr. Reamer.

STATEMENT OF ANDREW REAMER, FELLOW, BROOKINGS INSTITUTION, METROPOLITAN POLICY PROGRAM, WASHINGTON, DC

Mr. Reamer. Madam Chair, thanks for the invitation to speak today.

Census Bureau data are essential to the effective functioning of our Nation's democracy, public policy at all levels of government, and our $14 trillion economy. The return on the Nation's $2 billion average annual investment in the Census Bureau—and that figure includes the decennial census—is almost infinite. At the most fundamental level, the Nation could not operate without this agency.

However, the Census Bureau is not yet a 21st century statistical agency. I believe its offerings need to reflect more fully three new realities: first, major changes in the Nation's economic structure; second, the potential for the Census Bureau to provide data to en-

able more informed, effective public and private decision making across the Nation; and, third, opportunities for new data products afforded by advances in information technology.

Regarding the changing economic structure, while the Census Bureau has long-standing, frequent data collections on manufacturing, it does not yet have the same data collection effort for service industries that now dominate the Nation's economy. Until fiscal year 2009, the Census Bureau sought but has been unable to obtain the $8 million needed to regularly survey the finance, insurance, and real estate industries. The lack of these data has meant that the gross domestic product estimates are not as accurate as they might be and, as a result, macroeconomic policymakers at the Federal Reserve and elsewhere have been making policy without the best possible data.

In a similar vein, the Census Bureau does not have a regularly collected survey of residential finance. In light of the causes of the current recession, policymakers need an accurate current picture of housing finance markets. Efforts are under way to address this data gap, including a proposed $3 million biannual multifamily residential finance survey.

I am pleased to see that, due to recent and likely appropriations, the Census Bureau's economic statistics are poised to be more reflective of our 21st century economy. However, as that economy is never static, going forward, strong and stable funding is needed to ensure that the Census Bureau's data products fully capture current realities and policymakers' needs.

Regarding more informed and effective decision making, with the advent of the Web-based data access, State and local governments and millions of private businesses across the Nation can more easily and quickly incorporate census data in their decision making, with the potential to improve the outcomes of trillions of dollars in investment. These data users are primarily interested in data at the subnational level—States, metros, counties, cities, neighborhoods—and they will be rewarded soon with the first annual publication of the American Community Survey data at the neighborhood level.

However, the ACS sample, 3 million households a year, is too small to provide reliable estimates at the neighborhood level. So, for 2011, I encourage the Census Bureau to request and Congress to approve a larger sample, 3 percent of the Nation's households. As our Nation's economic health is a function of the competitiveness of our regional economies, policymakers at the Federal, State, and local level need a full understanding of the performance and the structure of these economies.

Detailed, accurate economic data at the metropolitan level are particularly important; and I encourage the Census Bureau to publish metro-level data on research and development, on innovation, foreign trade, place-to-place migration, and business starts, expansions, reductions, and closures.

Regarding technically innovative data products, the Census Bureau has been in the forefront of efforts to develop new data products to take full advantage of information technology advances. However, it has had difficulty getting funds to fully exploit these possibilities. A case in point is the Local Employment Dynamics

program, which describes how firms and people move through the economy over space and time, giving a look under the hood of the economy, the hires and fires, where people live in relationship to where they work.

LED has been in existence for over a decade, with an appropriation of only $2 million a year to keep LED afloat. The Census Bureau has needed to draw another $6½ million from discretionary funds and reimbursable work. As a result, LED has been limited in its value to macroeconomic and regional policymakers.

However, full funding for LED is on the horizon. The administration has requested $13.7 million to expand and stabilize the program. The House and the Senate Appropriations Committee have approved the requested funding, and I encourage the full Senate to approve it as well.

In conclusion, the Census Bureau has the potential to transform how the Nation conducts its work—at a little additional cost to the taxpayer. For the Census Bureau to become a 21st century statistical agency, it must understand and effectively respond to user data product needs, take full advantage of opportunities offered by cutting-edge information technologies, and have the support of the Commerce Department, OMB, and Congress to obtain stable funding. The Joint Economic Committee can play a valuable role in ensuring that these steps are taken so that the Bureau can achieve its potential.

I thank the committee for your attention.

[The prepared statement of Andrew Reamer appears in the Submissions for the Record on page 46.]

Chair Maloney. Thank you very much.

I just have one question to our panelists. Thank you for your testimony. Do you have any specific advice for the new Census Director who was just sworn in?

Mr. Eddy. I do not.

Mr. Reamer. I think one is to speak regularly, loudly, clearly that the American people can have confidence in the decennial census, specifically, in the Census Bureau in general, to address some of the concerns made by the previous panel. And as the decennial census is the major focus of attention for the next year, he should not forget the other aspects of the Census Bureau, which are vital to keeping the Nation running politically and economically.

Chair Maloney. Thank you very much, and the Chair recognizes Mr. Hinchey for 5 minutes.

Representative Hinchey. Thanks very much, Madam Chair.

I appreciate this hearing. It is very interesting, quite frankly, much more than I anticipated.

Chair Maloney. Actually, the census is fascinating, really.

Representative Hinchey. And the testimonies have been very fascinating as well.

Dr. Eddy, I think that you were about to talk a little bit more about the American Community Services; is that correct?

Mr. Eddy. The American Community Survey, yes.

Representative Hinchey. Which is used by the Census Bureau and which is something that, frankly, although it is not hidden as a secret or anything, but, nevertheless, it is not very widely known. So maybe you can tell us a little bit more about that and what you

think about it, how effective it is, and how it could be more effective if it were to be used in that way.

Mr. Eddy. Well, the single most important thing to understand about the American Community Survey is that it was conceived as a way of reducing the burden of the census. Because the census since—I don't know—perhaps 1940, has collected something called the long form, which in the early days asked questions like how many toilets and how many telephones do you have and most recently has asked about your electric bill and various other things that are sort of difficult to answer and, as a result, the long form in the census didn't get very good data.

So this survey was substituted. It is a very complex survey. I couldn't possibly begin to explain it to you. But, essentially, every month a number of households are interviewed for all of the questions that would appear on this long form. And over a period of time we then develop a picture of the whole country by the sampling mechanism of the survey.

The difficulty is we have sort of only just begun; and, in fact, next year will be the first year that the 5-year averages will be released. These provide data down to geographic units of about 20,000 population, and so one of the losses with the American Community Survey is we don't have as fine geographic detail as we used to get with the census. But we get much finer temporal result detail, because we gather the data basically every month.

Representative Hinchey. So——

Mr. Eddy. I guess I should add there is a wonderful potential for money saving. I would expect, by 2020, the Census Bureau will have figured out how to reduce the cost of the decennial census because they don't have to collect this information.

Representative Hinchey [continuing]. Do you think the American public should be made more aware of the American Community Survey?

Mr. Eddy. Absolutely. I think they are, in a very indirect way. I would guess once a week USA Today has a front-page article about some change in the demographics of the country that come from that kind of data.

Representative Hinchey. There are a number of countries around the world, as I understand it—for example, Ireland, Japan, Australia, New Zealand—that carry out census every 5 years, rather than every 10 years the way we do. Do you think this is something that we should be thinking about?

Mr. Eddy. Not at all, particularly given the innovation of the American Community Survey. I think the need for anything more often than every 10 years is not there.

Representative Hinchey. Any cost-benefit analysis that has been done on that?

Mr. Eddy. I don't believe there is, but I think it is clear that it would be less expensive to do it every 10 years than every 5 years.

Representative Hinchey. No question about that, yes. But is there any——

Mr. Eddy. I am suggesting that you wouldn't actually gain that much additional information.

Representative Hinchey [continuing]. Okay. Dr. Reamer.

Mr. Reamer. I agree with that.

Representative Hinchey. Dr. Reamer, you were saying that there should be a larger percentage of national households——

Mr. Reamer. In the American Community Survey sample.

Representative Hinchey [continuing]. Could you talk a little more about that, why you think and what the benefits would be?

Mr. Reamer. Dr. Eddy was saying the ACS replaces what was called the long form, and the long form went to one out of six households in the country. In 2000, the long form went to 17 percent of the households. When the ACS was developed, the original plan was to sample 3 percent of the households every year so that over 5 years you would hit 15 percent.

As a budget-saving measure a decade ago, the 3 percent was changed to 3 million households. So the Census Bureau is surveying 3 million households every year, but the population is increasing. The result is that the percentage of households being surveyed is falling, and we are now well under 3 percent.

So I think for the 5-year data coming out, the sample size is more like 12 percent of the households rather than the 17 percent we got in the long form. So the result is, for the really small areas like the neighborhoods, the data are less reliable; and we need a slightly higher sample, moving from 3 million to 3 percent which would be today about 3½ million households, to get a more reliable sample.

Representative Hinchey. I think that is very important. We ought to know more about what is going on in this country with regard to the families, how they are operating, how they are not operating, how the effects of the various circumstances, particularly the economic circumstances, are affecting them. I think that that is very, very important. And the idea that you need to cut the budget here is pretty silly, because that is only a tiny, tiny, tiny fraction of the overall budget.

Mr. Reamer. It is very tiny. The budget for the ACS is about $200 million a year. So increasing the sample would not increase the budget that much.

Representative Hinchey. One other thing——

Chair Maloney. The gentleman's time——

Representative Hinchey [continuing]. I just wanted to ask one last thing.

Do you know anything about ACORN, ACORN as part of the 2010 census partner? Do you think anything about that?

Mr. Reamer. No.

Representative Hinchey. Thanks.

Chair Maloney [continuing]. The Chair recognizes Mr. Snyder, who has joined us. If he would like to make a statement or ask a question. We appreciate your presence, your work on this committee.

Mr. Snyder. Madam Chair, I apologize. I would have been here earlier. I applaud you for all your efforts. You have spent quite a number of years on this topic, and I appreciate you.

I don't want to ask any questions.

Chair Maloney. Thank you.

I do want to note that Dr. Linda A. Jacobson was unable to join us, but her testimony will be made part of the official record.

[The prepared statement of Linda A. Jacobson appears in the Submissions for the Record on page 49.]

Chair Maloney. I want to thank all of our witnesses today for being here and talking about how we can strengthen the already invaluable role the U.S. Census Bureau plays in policy making.

The hearing is adjourned.

[Whereupon, at 2:37 p.m., the committee was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF REPRESENTATIVE CAROLYN B. MALONEY, CHAIR, JOINT ECONOMIC COMMITTEE

Good afternoon. I'd like to welcome our two distinguished panels of witnesses and thank them for agreeing to testify today on the role of the Census Bureau in the 21st century.

This is the first in a series of hearings the Joint Economic Committee will hold to examine the state of the federal statistical system. The data collected by our statistical agencies are vital to informing policy debates and evaluating the effectiveness of those policies we put into place.

As we debate health care reform, Census data tells us that 46 million Americans are without health insurance.

Unemployment, family income, poverty—the numbers we see in the headlines every day—they are our motivation for making policies and writing legislation. Federal statistics are a bargain, costing between $10 and $25 per person each year, but the information gleaned is invaluable.

I cannot stress enough how heavily policy makers on this committee and at all levels of government rely on the data produced by the Census Bureau as we weigh policy options. The data enables us to evaluate whether or not a policy is achieving the goals we intended.

We begin today by focusing on the Census Bureau, the country's largest principal statistical agency. Census is most well known for its role in conducting the national census every 10 years. Beyond that, the Bureau conducts the annual American Community Survey, and many other surveys that provide key information on other economic and demographic subject areas. The Bureau's population estimates determine congressional districts, and drive how we allocate funding for millions of dollars in federal aid.

There is no doubt of the Bureau's significance and the importance of the work it does. But I am concerned when I see that the new Director of the Census Bureau, Dr. Robert Groves, was confirmed by the Senate just last week—six months into the new administration, and less than a year—261 days according to the countdown on the Bureau's website—before Census Day 2010 on April 1, 2010.

The decennial census—the largest peacetime mobilization of government workers—takes place every ten years, but the leadership changes every four years with a new Administration. But statistical agencies like the Census Bureau should be absent political pressures so that the data remains unbiased and objective.

Today we will hear from former Census Directors who combined have almost twenty years experience spanning five Administrations. Yet, we find ourselves in the same peril today as in previous decades, like some heroine tied to the railroad tracks. Given that we have a wealth of expertise and knowledge in conducting the census and we know how important sound data is to policymaking, I am interested to hear your perspectives on how to avoid flirting with disaster every decade. I would like to hear your practical suggestions of how we can avoid ending up in the same predicament in 2020.

I have introduced legislation, which you have all endorsed, to give the Census Bureau independent status, similar to the National Science Foundation and NASA. Other federal statistical agencies, such as the Bureau of Labor Statistics and Energy Information Administration, are part of another Executive branch agency but the director is appointed for a fixed term.

In order to be relevant to policy decisions, the major ongoing surveys conducted by the Census Bureau need regular review, updating, and sometimes, complete redesign depending on economic, social, and technological changes. The Bush administration era cuts to our statistical and scientific infrastructure budgets have undermined our ability to evaluate the effectiveness of our policies.

We must impress upon those around us the value of the federal statistical system and challenge lawmakers and departments to support the system with resources and ensure that the statistical agencies maintain a strong position of independence.

PREPARED STATEMENT OF REPRESENTATIVE KEVIN BRADY, SENIOR HOUSE REPUBLICAN

It is a pleasure to join in welcoming both panels of witnesses testifying before us this morning. There is broad bipartisan agreement on the importance of impartial, accurate, and timely economic data. We also need to ensure that federal economic statistics fully reflect the growing importance of service industries and exports to GDP.

The Census Bureau publishes a number of economic statistics but also collects and compiles data for other agencies. For example, Census Bureau personnel are

engaged in collecting the data used for the Bureau of Labor Statistics (BLS) household survey, from which the unemployment rate is derived.

Unfortunately, a review of the data published by the Census Bureau as well as other statistical agencies shows that the economy remains in a severe recession and that the Administration's optimistic economic forecast is not consistent with the facts. This rosy economic forecast means that the Administration's projections of budget deficits and debt are significantly understated, misleading policy makers as they consider trillions of dollars of additional federal spending related to the health insurance proposal and other programs.

This may explain why the Administration is attempting to defer the release of its midsession budget update until after Congress votes on the health insurance proposal, a measure that the Congressional Budget Office says will boost budget deficits as well as health care costs. Congress should not further undermine the financial position of the federal government and should fully consider the implications of how far off the Administration's economic assumptions have been.

For example, last January top Administration economists projected that the unemployment rate would not exceed 8.0 percent if the stimulus were enacted, but this rate is currently 9.5 percent and will probably be above 10 percent by the end of the year. Similarly, the Administration projected that GDP will decline by 1.2 percent in 2009, less than half as much as forecast by the Blue Chip consensus. Clearly, the stimulus is not having the positive impact assumed in the Administration's forecast.

Gross domestic product declined 5.5 percent in the first quarter of 2009. According to the Blue Chip consensus, the economy is forecast to decline 1.8 percent in the second quarter of 2009, and then increase by 1.0 percent in the third quarter and 1.9 percent in the fourth quarter.

Consumption spending increased 1.4 percent in the first quarter. More recent monthly data show that consumption spending slipped in March and April and edged up 0.2 percent in May. Many households are under severe financial pressures from heavy debt burdens and the lower values of their homes and equity investments. Temporary additions to disposable incomes from the stimulus are not significantly boosting consumer spending, which is unlikely to be a driving source of economic recovery. As households continue to pay down debt for the next several years, consumption growth will likely be constrained.

Instead, higher business investment will be needed to return to healthy economic growth. However, business investment has collapsed in recent quarters. One important component of business investment, equipment and software spending, dropped 33.7 percent in the first quarter of 2009. The prospect of higher taxes and federal spending, more intrusive regulations, and higher inflation in the future all undermine the likelihood of a strong rebound in business investment needed for adequate economic growth.

I would also suggest that the potential influence of politics in the Census Bureau should be curtailed. Many of us were alarmed earlier this year by reports that the White House was seeking to directly oversee the Census Bureau in connection with the 2010 Census. I continue to believe that political and ideological groups such as ACORN should have nothing to do with any process leading up to the decennial census. The Census Bureau is an important national resource and its statistical integrity must be protected from potential political pressures.

PREPARED STATEMENT OF THE HONORABLE VINCE BARABBA, DIRECTOR FROM 1973–1976 AND 1979–1981

Thank you for inviting me to participate in this hearing. This is a topic for which I have had a long and deep interest. As an example, in 2002, I addressed my concerns at the 100th Anniversary of the Census Bureau in a presentation appropriately titled for today's hearing: THE NEXT 100 YEARS . . . Starting Today.

During that presentation I pointed out few statistical agencies are either equipped or authorized to comprehensively assess what society needs to know because such an assessment would require a dialogue across the many functions and special interests that will use that information in their attempt to serve society. I pointed out that what was needed was an open discussion between those who determine what they need to know and those who collect it about the form, accuracy, and cost (in both time and money) of the information required. I stated that continued improvement in this area was needed for at least two reasons:

> First, it is no longer sufficient to address societal issues from the limited perspective of functional policy organizations such as labor, commerce, health, and education.

> Second, government can no longer "predict and prepare" for the future. The fact that our society faces an increasing complexity and an accelerating rate of change now requires government to use information to "sense and respond" and at times "anticipate and lead."

I have used two metaphors to portray fundamental changes that have occurred which have—and continue to—required us to design a new system of government statistics:

> The first metaphor is the jigsaw puzzle. The mechanistic mind-set of the industrial age encouraged us to think about addressing problems in government and businesses as if we were solving a jigsaw puzzle. When one starts a jigsaw puzzle, one knows how many pieces one is supposed to have, and the chances are that they are all there. Each of the parts will interact with only a small portion of the other parts. If any of us had trouble trying to complete the puzzle, there is a picture on the box that reveals the single ultimate solution. This solve the puzzle metaphor fit reasonably well for most of the issues we faced during the early part of 20th Century—and represented, to a great extent, the way things were thought of at many public and private enterprises and taught at many colleges and universities.
>
> The second is a molecular structure of interacting elements. In the latter part of the 20th century, business and societal challenges became far more complex. On a daily basis, we saw (and are seeing) the impact of this increasing complexity and accelerating rate of change on our daily lives.
>
> We now operate in an environment consisting of constantly changing processes, relationships and components . . . more like the elements in a molecular structure than a jigsaw puzzle. Depending on how the elements of a molecule interact, particularly when external positive and negative forces are imposed, we can end up with an entirely different outcome than we expected.

In the presentation at the Census Bureau I referenced an experience I had during my first tenure at the Census Bureau that relates to this issue and which is very relevant to the topic of this hearing.

During the annual budget development process a Commerce Department budget analyst had decided to reduce the Department's current budget problem by eliminating the Census of Agriculture item from the Census Bureau's budget. As might be expected, particularly since that Census is mandated by the Congress, the Department of Agriculture protested and appealed to the Congress to transfer the Census of Agriculture to their department.

While almost everyone in government was focusing on who should collect the information, Jim Bonnen, who would become one of my most constructive critics, pointed out that society needed to know and understand both the specifics and interactions of the agricultural system that started with the growing of agricultural products and ended with putting them on consumers' tables. This meant we needed to integrate the data and information collected from the inputs (that is, seed, fertilizer, machinery, etc.) through agricultural production, commodity assembly, initial processing, further manufacturing, wholesaling, retailing, transportation, and eventually to consumer consumption.

With that systems view in mind, he suggested the Census Bureau commit resources to identifying and integrating the different pieces of food sector statistics scattered throughout several economic censuses and surveys and relate them to the agricultural census. In essence, Jim suggested we align our statistical practices around the user's needs and not the existing functional organizational structure designed to collect information. Although we have made some improvements in this area, we still face similar issues because of the increased level of complexity and accelerating rate of change that has occurred since that time. As an example, who at that time would have expected an energy crisis and global warming that would encourage the use of corn based ethanol which eventually impacted the availability and eventually the price of corn?

To address many of the improvements that this committee is seeking will require an appreciation of thinking and acting in a more systemic way. Russell Ackoff defines a system as "any entity, conceptual or physical, which consists of interdependent parts." Conversely, "a system is a whole that cannot be divided into independent parts." Each element of the system must rely on and interact with the rest of the system if the enterprise as a whole hopes to succeed. Problems are best solved not by breaking them up into functional bits, but by carrying them into the next larger system and solving them through integrative mechanisms. In short, we want to create a whole that is more valuable than the sum of its parts.

In my mind the proposed legislation is a potential first step to address the information needs of those who establish policy and laws. If implemented properly it could serve as a basis for the creation of a Federal Statistical System that is of greater value to society than the sum of each of the individual statistical agencies which it encompasses.

PREPARED STATEMENT OF BARBARA EVERITT BRYANT, PHD, DIRECTOR FROM 1989–1993

Chair Maloney, members of the Joint Economic Committee, I am Barbara Everitt Bryant. I was Director of the Census Bureau from 1989 to 1993 and of the 1990 census. You have asked me to talk about how I perceive the role of the Census Bureau in this century.

The Census Bureau got off to a roaring start for this 21st century by implementing the American Community Survey. As of 2010, the American Community Survey—acronym ACS—provides new data on the characteristics of the U.S. population every year with enough interviews to report on even the smallest communities. Prior to the ACS, the nation had to wait every 10 years for a decennial portrait of who we are and how we live. The American Community Survey was envisioned in the 1960s. It was finally researched and designed in the 1990s and in this decade. ACS was a long time coming but worth the wait. Its implementation frees the decennial census of many social and economic questions and leaves the 2010 questionnaire with only the eight questions needed for reapportionment and redistricting, the Constitutional and legislative purposes of the census.

In the rest of this century, I envision that the Census Bureau will build upon its illustrious past as the originator of data processing, of computerization, of the Tiger geographic system which is the basis for computer mapping of every block in the nation, and as the source of continuous improvements in capturing data faster and more accurately. I think we can count on the Census Bureau to be a continuing source of innovation, new products and processes. That is, if we structure it for the future and not for the past. When he figured out how to do massively large counts with punch cards for the 1890 census, Herman Hollerith—a census employee—didn't envision today's computer industry. More recently, we who watched the computer mapping of every block in the nation get implemented for the 1990 census didn't envision that this, coupled with communication satellites to transmit the data, would become the start of a large GPS industry. Amazingly, the Census Bureau is an enormous bureaucracy with all that implies, but it is also a hotbed of change. The challenge for this century is to keep it that way although we do not know what all the changes will be.

Let me speak to two ways you might change structures to make the Census Bureau nimble, and less bureaucratic as we move into the next 91 years of this 21st century.

1. RECOGNIZE THE 10-YEAR CYCLE IN WHICH THE CENSUS BUREAU OPERATES AND MAKE ITS DIRECTOR'S TERM OF OFFICE 5 YEARS

First, recognize that the Census Bureau operates on a 10-year cycle, not a 2-year, 4-year, or 6-year political cycle. Within the decade are two five-year cycles for the Economic Censuses. As it faces its largest project, the decennial census, the prior census was always conducted by a prior administration. The only institutional how-to-do it memory for census taking rests in career employees at the Census Bureau, not at the Commerce Department in which the Census Bureau resides. This cycle also means that every 20 years—as has occurred so recently—the Director of the Census Bureau is a Presidential appointee of a President inaugurated in January of the year ending in "9." That Director is not in office in time to have any role in the planning of the census which he or she is charged to direct. The Senate just confirmed a new Director last week, seven months before the start of the 2010 census. Twenty years ago, I was not in office until December 7, 1989, with the census to start in early 1990. Questionnaires for which I would have implemented easier-to-use formats were already rolling off the printing presses.

The solution to the inherent difficulties of a 10-year cycle is to make the term of the Census Director a 5-year term, half of that cycle, starting in the years ending in 1 or 2 and 6 or 7. That way a Director coming to office in mid-decade could fully participate in the ramp up to the decennial census and the first dissemination of data from that census.

2. FLATTEN THE BUREAUCRACY

My second recommendation is to flatten the bureaucracy by removing the Census Bureau from the Department of Commerce. Since leaving the Census Bureau, I have spent 16 years at the University of Michigan in its business school working on an economic indicator, the American Customer Satisfaction Index, or ACSI. The current mantra for customer satisfaction, for getting close to the customer, is to flatten organizational structures. Successful corporations are doing this to be profitable and get repeat customers. Unfortunately, some corporations from my own state of Michigan learned this lesson too late and are only now, after bankruptcy, changing their structures to be leaner and more responsive to customers. Structures that were very successful in the 20th century don't necessarily work in the 21st.

The Census Bureau is a bureaucracy under a bureaucracy. It's a large organization that reports to another large one, the Department of Commerce. Commerce is not geared to a 10-year cycle but to a four-year one. Commerce has many other large organizations under it—the National Oceanic and Atmospheric Administration, the National Institute of Science, and Technology, the Patent Office, and others. The Commerce Department has a large load of responsibilities to deal with of which the Census Bureau is only one. When the Census Bureau was small, it was logical that it be under a larger department. Today the Census Bureau is the largest statistical organization in the federal government and could be more responsive to its customers if it were a free-standing scientific organization like the National Science Foundation.

Who are the Census Bureau's customers? First, there is the Congress, then the other statistical organizations for which it conducts major surveys such as the Current Population Survey (BLS), the Housing Survey (HUD), the Health Interview Survey (HHS), the crime survey (DOJ). State and local governments depend on census data for decision making. Finally, the American public is both a customer and a data supplier. The Census Bureau depends upon the confidence and good will of the public for interview responses which become its data. The Census Bureau needs to be flexible in communicating to these customers.

Census Bureau paperwork goes through not one, but two levels of approval in the Commerce Department at an under-secretariat level and again at the secretary level. Every response to a letter from you in Congress, every press release, and every major decision must be vetted, and often is edited, at the Department of Commerce. This delays responses and leaves customers, in turn, thinking that the Census Bureau has something to hide because response is so slow.

The Department of Commerce is not a statistical organization. Its personnel, for the most part, do not understand what the Census Bureau does or needs. Its own budget is dominated in census years by that of the Census Bureau and once the census is completed, Commerce does not understand why the Census Bureau starts immediately planning for the next census, and needing money to do so.

When I became Director I found an organization that was way behind the academic and private sector survey research organizations, and even the much smaller Statistics Netherlands, in implementing computer-assisted-telephone-interviewing, or CATI, for surveys. I had been using such interviewing methodology for several years at the medium-size market research company from which I had come. Once the 1990 census was over, I made moving the Census Bureau away from paper and pencil interviewing to computer interviewing a priority. The Census Bureau, which had been an early 20th century leader in computerization, was lagging in what was proving to be a cost-saving and accuracy-improving technology. Since the Census Bureau's budget request is within the Commerce Department's budget that goes to OMB, budgeters at Commerce deleted our requests for funding for research and development of computer-assisted interviewing two or three years in a row. After all, their thinking in the years following the census was that it was time for other Commerce agencies to get larger budget shares. The Census Bureau shouldn't need new money. Finally, at the Census Bureau we had to rearrange R&D budgeting, borrowing from existing programs to find the money to bring in a panel of experts from academic and private sector survey organizations, from Statistics Canada, and from Statistics Netherlands to assess our computerized interviewing situation and give us guidance on how to play catch-up. Ultimately, the Census Bureau caught up and by the mid-1990s, using software adapted from the University of California, Berkley, and from the Netherlands, all survey interviews were computerized with the charges built into survey costs. The computer-assisted interviewing was much used for follow-up on non-respondents in the 2000 census and will be in 2010. But the Census Bureau might not have had it if it was still waiting to get funds approved by Commerce personnel who didn't understand what CATI was and why it was the methodology of the future.

CONCLUSION: TWO RECOMMENDATIONS

In conclusion, my two recommendations for structuring the Census Bureau to be successful in the 21st century and to serve its customers, including the other statistical agencies are:

1. Make the term of the Census Director a 5-year term
2. Make the Census Bureau an independent agency removed from the Commerce Department.

PREPARED STATEMENT OF DR. MARTHA FARNSWORTH RICHE, DIRECTOR FROM 1994–1998

Chairwoman Maloney and members of the Joint Economic Committee, thank you for providing this opportunity to testify on my experiences as a director of the U.S. Bureau of the Census. In my testimony I want to make the case that the Department of Commerce, which currently has line responsibility for supervising the activities of the Bureau, has an inherent management conflict. I believe the other former directors of the Bureau who are here today share this view, regardless of the political affiliation of the Administration in which they served.

Like every cabinet agency, the Department of Commerce is made up of many offices and bureaus, all vying for federal funds each year to perform their responsibilities. But none of these other branches has a constitutionally mandated responsibility to conduct the nation's largest peacetime mobilization of money and manpower every 10 years—the decennial census.

As each census approaches, the Census Bureau's annual request for funds jumps quickly from hundreds of millions of dollars to many billions of dollars. That circumstance alone throws the entire Department of Commerce budget off track every decade. This year the Bureau's budget request includes more than $7 billion dollars for the forthcoming census. Three years ago, before the final decennial ramp-up began, the Bureau received $512 million for Census 2010.

The census thus inevitably causes conflict between the Census Bureau and the Department of Commerce, which has to manage an overall departmental budget according to quite different priorities. For instance, during my tenure as director of the Census Bureau, the National Oceanographic and Atmospheric Administration (NOAA) wanted a new weather satellite just at the time we were starting to ramp-up our funding requests for Census 2000. So budget conflicts are inevitable, and one result is that Commerce tries to defer important Census activities, often until it is too late to undertake them efficiently or effectively.

There are three additional issues that I would like to address:

1. Content: The inventory of statistics and demographic measures needs to be constantly updated to reflect changing needs, but it takes about 20 years between perceiving an important need and getting the data on the street . . . if all goes well.

Only the federal government can collect "official" statistics. Only the federal government has the resources and the authority to get the job done. But policy questions that call for new general-purpose data tend to be asked by different agencies, not the Department of Commerce.

For instance, low-skilled American workers are now in competition with low-wage workers around the world. Policymakers are looking for measures of education, occupations, and incomes across the work life, not just at a point in time, to probe for ways to improve the outlook for Americans whose economic well-being is stagnant at best.

Developing such complex measures effectively requires regular advisory input from stakeholders, statistical professionals, and measurement experts, as well as oversight from Congress, its Government Accountability Office (GAO), and, in the executive branch, the Office of Management and Budget (OMB), which has coordinating responsibility for federal statistics and measurement burdens.

This task calls for constant listening and communications activities, requiring direct access, in both directions. My experience as a former Director is that the Department of Commerce too often seeks to shield the Census Bureau from some of these conversations and in the process ends up isolating the Bureau instead.

2. Resources: Resources are always limited, so the Census Bureau's resources need to be addressed in the context of statistical priorities. As I indicated earlier, right now the Census Bureau is contained within a cabinet-level department that has its own priorities, and a multi-agency appropriations sub-committee with an even broader focus.

I believe that this calls for situating the Census Bureau in a resource context that is focused on producing federal information, and thus in a position to prioritize effec-

tively. This is especially important given the development process for producing new measures, and the ongoing evolution of measurement techniques and technology.

3. Independence: The decennial census is very political; that's the point of it. For that matter, all government statistics are political: the word "statistics" means "measures of state," or metrics used for governance.

The issue at hand is how to maintain the Census Bureau and other statistical agencies' independence in pursuit of accurate data. We need a set of regular processes built on transparency, collaboration with other measurement agencies and professionals, and regular reporting, and that are not subject to political appointees, no matter how well intentioned.

Finally, successful measurement depends on willing respondents. Federal statisticians have very little control over respondent attitudes created by other actors, with varying motives and expertise. This increases the value to the Census Bureau of advertising, outreach, and stakeholder relationships, as well as innovative data collection methods. It also heightens the value of an untroubled reputation for guarding confidentiality, especially as technology and security concerns challenge standards for maintaining respondents' privacy.

I think these results would be much more achievable if the Census Bureau were an independent agency.

This concludes my testimony.

PREPARED STATEMENT OF THE HONORABLE KENNETH PREWITT, DIRECTOR FROM 1998–2001

Secretary of Commerce Robert A. Mossbacher, 1991

> *". . . the choice of the adjustment method selected by the Census Bureau officials can make a difference in apportionment, and the political outcome of that choice can be known in advance. I am confident that political considerations played no role in the Census Bureau's choice of an adjustment model for the 1990 census. I am deeply concerned, however, that adjustment would open the door to political tampering with the census in the future."*

Chairman of the Republican National Committee Jim Nicholson, 1997

> *"The Clinton Administration is implementing a radical new way of taking the next census that effectively will add nearly four and one-half million Democrats to the nation's population. This is the political outcome of a controversial Executive decision to use a complex mathematical formula to estimate and 'adjust' the 2000 census / . . . /."*

Senator Richard C. Shelby, 2009

"By overcounting here, undercounting there, [census] manipulation could take place for sole political gain."

I have no interest in rehashing the political debate over the use of sampling (to be technically correct, the statistical methodology of dual system estimation) but do draw your attention to the tone of these three quotations.

In 1991, the Secretary's language was cautious; he was careful to say that political considerations could come into play, not that they had.

In 1997, the language is declarative. They had come into play.

In 2009, the language assumes political manipulation almost matter of fact.

Although the first quote here listed is dated 1991, the politicization of "sampling" was initiated more than a decade earlier, when the Census Bureau was taken to court by the City of Detroit, the City of New York, and New York State. This was census-taking by litigation, as the big city mayors and a state governor tried (unsuccessfully) to overrule the statistical and scientific judgment of the Census Bureau.

This three-decade long political mess was authored by both parties—perhaps a rare instance of bipartisanship.

It is seriously worrisome that in high political circles, and in the media, it is suggested that the nonpartisan, professionally managed, scientifically grounded Census Bureau can easily choose a data collection methodology that would favor one political party over another.

To state this worry in the simplest of terms:

The fundamental premise of our representative democracy—that it is fair—starts with the longest running applied science project in the nation's history: counting the American people. An unfair census—counting population groups or geographical regions at less than or more than their share of the total population—biases all subsequent steps in our representative democracy.

The suggestion that the census would deliberately tamper with our democracy is a heavy charge.

Policy as well as democracy is at stake.

As currently practiced, the design, implementation and evaluation of public policy cannot take place without a robust federal statistical system. Hundreds of programs and laws rest on particular statistical products. The collection of federal statistics in health, crime, education, housing, and much more cannot take place without a robust decennial census.

If the decennial census is thought to be easily manipulated for political gain, it becomes just one more feature of partisan politics. It loses both its majesty and its practicality.

I have no argument with partisan politics; no argument with a strong contest to win elections; no argument with the politics of policy-making; and most emphatically, no argument with the role of statistical information in political debate.

But to pull census-taking into the world of partisan politics is to weaken it. A weakened census weakens our democracy; it weakens our policy process.

THERE IS NO EVIDENCE OF POLITICAL MANIPULATION?

The taking of the 2000 census was more scrutinized than any in history. As Director, I testified before Congress nearly two dozen times between late 1998 and mid-2000. There were numerous GAO investigations of census preparation and process. The IG was active. There were eight formal advisory committees, all with an interest the conduct of the census.

In addition, there was an eight-member Census Monitoring Board—unique in census history. This bipartisan Board, working with its own staff and $3m budget, was specifically appointed to guard against "political" influence.

In the millions of words written about the 2000 census, many of them about statistical adjustment, political influence was often hinted out, but never documented.

To state this most emphatically. **No evidence has been presented that what is under the control of the Census Bureau itself—collecting, processing, and reporting statistical information—has been politically manipulated.**

As I concluded five years ago, after reflecting on my Directorship of the 2000 Census:

Although the many-headed and seemingly endless scrutiny of the census occupied management time that might otherwise have focused on the job at hand, we welcomed its contribution to an open and transparent census. The unprecedented oversight was a consequence of the polarized partisan battles over census design, with its sub-text that the Census Bureau could have a partisan agenda. This charge was groundless and even silly. An agency said to have "failed" in 1990 was, a few years later, suspected of being so clever and competent that it could design a census able to shift seats from one party to another a number of years in the future. We could answer this accusation only by complete transparency.

In fact, neither the culture nor the competencies of the Census Bureau are suited to advancing a partisan agenda. The professional statistical community—inside and outside the government—is the bureau's peer community, and the bureau would not jeopardize its high standing among its peers for a short-term political purpose. Of even greater importance, the Census Bureau has the confidence of the American public—a confidence indispensable for public cooperation with its large complement of largely voluntary statistical surveys and studies (see note, end of chapter). To risk public trust and cooperation for a one-time political outcome would be an act of institutional suicide.

Even if its culture were to allow it, the bureau does not have the competence to predecide partisan outcomes. There is no expertise in the bureau on trends in voting behavior or in the fine art of drawing election lines. To deliberately influence partisan outcomes, the bureau would need to bring to bear such expertise as it decided on methodologies several years in advance of when census results are going to be used for redistricting.

These factors notwithstanding, the concern that the Census Bureau could be subjected to partisan influence was in the air. Active cooperation with the oversight process was the only means available to the bureau to answer this concern. In the end, all the oversight processes, advisory groups, and public watchdogs failed to find partisan intention in the design or conduct of the census. Given the scope of the monitoring effort and the number of groups intent on finding partisan bias, that is powerful evidence that there simply was none to be found. [From Kenneth Prewitt, *Politics and Science in Census Taking* (Russell Sage Foundation & Population Reference Bureau)]:

What was in the air in 2000 is in the air today. We are near the precipice where the refutable presumption is partisan bias.

WE NEED TO GET RID OF THIS PRESUMPTION?

It would be silly to claim that there are no politics associated with census-taking. I have joined with many scholars in documenting endless instances of political considerations surrounding the census, starting with the infamous three-fifths rule written into the Constitution in 1787—a counting rule that rewarded slave-owning states with more than a dozen "extra" congressional seats and electoral college votes. This slave-bonus sent Jefferson, Madison, Monroe and other southerners go the White House.

But if the census itself is political in this broad sense, census-taking is a different matter. It must rest on the best scientific principles available. That of course must be true for the collection of all federal statistics. A recent Symposium to this effect was held at the National Academy of Sciences, and co-sponsored by the American Association of Political and Social Sciences. Among the speakers were all three of the Academy Presidents and the current Science Advisor to the President. It was repeatedly stressed that federal statistics are science in the first instance, and only then available for program and policy purposes.

I strongly believe that an institutional reform could help to establish the scientific integrity and independence of census-taking, and have urged that reform since I left the Census Bureau Directorship in 2001. Here I cite from a 2003 publication, titled *Politics and Science in Census Taking* (Russell Sage Foundation & Population Reference Bureau):

A much needed reform could help further insulate the Director from the political battles of the moment. At present the Director has no fixed term, but serves at the pleasure of the President. Representative Carolyn B. Maloney, formerly senior Democrat on the House Census Oversight Subcommittee, has introduced a bill (H.R. 1571), which would set a five-year fixed term for the Director. If a fixed term were to start in a year ending in "7" or "2", no President could dismiss the Director in mid-census—as I was when President Bush came to office. This would signal that the Census Directorship is a scientific rather than political position, as is the case for the head of other statistical agencies such as the Census Bureau of Labor Statistics and also for the Director of the National Science Foundation and of the National Institutes of Health. These too are presidential appointments, but all with fixed terms. In fact, among all high level presidential appointees with scientific responsibilities, the Census Bureau Director is unique in not having a fixed term.

A more ambitious reform, and one that I urge, would be to make the Census Bureau an independent agency, reporting directly to the President. It might then have a prestigious and bi-partisan national board, similar to that of the National Science Foundation. This would insulate it from the sometimes short-sided partisan fights than can so easily capture congressional debate.

These institutional reforms are not all that is needed, but I know of no better way to begin the long process of ridding our political discourse of the casual assumption that the Census Bureau could, and even would, be complicit in a political effort. It took three decades to dig this unfortunate hole; it may take three decades to dig ourselves out of it. The starting point, in my view, is to position the Census Bureau as a scientific agency, obviously subject to congressional oversight—just as is true of other independent agencies such as NSF and NIH, but one in which census-taking itself rests on rigorous scientific principles fixed on only one goal: provide the country with the best statistical products possible.

PREPARED STATEMENT OF CHARLES LOUIS KINCANNON, DIRECTOR FROM 2002–2008

Chairwoman Maloney, it is a pleasure to join my distinguished predecessors in testifying before your committee. Thank you for inviting me to appear.

As the topic implies, the Census Bureau is central to the Federal Statistical System and to statistics to help policy makers make sound decisions. It is a key producer of economic statistics, broadly construed to cover not only businesses and establishments but also persons and households. It produces about 70% of the hard figures used to estimate GDP. It produces about half of the Principle Economic Indicators stipulated by the Office of Management and Budget.

Principle economic indicators produced by the Census Bureau:

1. Advanced Monthly Sales for Retail and Food Services (monthly)
2. Advance Report on Durable Good (monthly)
3. Construction Put in Place (monthly)

4. Housing Vacancies and Home Ownership (quarterly)
5. Manufacturers' Shipments, Inventories, and Orders (monthly)
6. Manufacturing and Trade: Inventories and Orders (monthly)
7. Manufacturing and Trade: Inventories and Sales (monthly)
8. Monthly Wholesale Trade (monthly)
9. New Residential Construction
10. New Residential Sales
11. Quarterly Financial Report: Manufacturing, Mining, and Trade
12. Quarterly Financial Report: Retail Trade
13. Retail E-Commerce (quarterly)
14. U.S. International Trade in Goods and Services (monthly)

Plus:

15. Census collects the survey data that measure monthly employment and unemployment, a principle economic indicator released by the BLS
16. Census also collects household consumption data that is a major ingredient for the Consumer Price Index, another principle economic indicator released by the BLS.

It cooperates especially with BEA, BLS and health, education, and social service agencies. It plays a strong role in the Interagency Committee on Statistical Policy. Census figures steer about $375 billion of Federal domestic assistance each year, according to the Brookings Institution.

Other nations also view it as a central player. About five years ago, the French Finance Ministry surveyed statistical operations and practices at the request of the Minster. This report noted that the FSS relies on "service provisions and financial transfers between agencies, as some producers are largely dependent on others for collecting data." "The Census Bureau plays a central role in this respect, as even large agencies, such as the Bureau of Labor Statistics or the Bureau of Economic Analysis, rely heavily on its collection network."

The French report also noted that a great strength of the FSS was timeliness of data and closeness of producers to users. However, as a decentralized system, it requires coordination, which depends on seven persons at the OMB. "However, the institutional framework of producers of . . . official statistics remains a strong limitation on coordination. It results in: redundancies of tasks such as keeping registers providing sampling basis for surveys; in difficulties (mainly legislative) in the sharing of microdata; and in classifications and concepts that are not always consistent between various products or institutions."

The Census Bureau will remain central to the FSS and to policymakers needing economic statistics for informed decisions. The Decennial Census, including the American Community Survey, is a towering contribution to this process.

What do we need to do to ensure the census meets the Nation's needs?

- Recognize the long lead time to develop, select, and apply modern technology to all agency work. This is true of the Census Bureau as of NOAA or NASA. The current arrangements in the Executive Branch failed to meet fully that goal for 2010.
- Recognize the long planning cycle (more than 10 years) for the Decennial Census, beyond technological needs.
- The Census Bureau must be organized to deal with this. It needs continuity of leadership, which implies a long term of service for the director to connect responsibility for planning to that of production. We need to pay special attention to the role and person holding the deputy director post, which has a strategic structural role in the organization.

Let me suggest an illustration. In the 1990 Census cycle, we made significant technological progress. A main example is the TIGER, developed in cooperation with the U.S. Geological Survey. This replaced a paper and paste pot system of producing maps for census takers with a modern, digitized system. This could not have been done without sustained leadership, and a willingness to accept some risk in change. I was deputy director throughout the 10-year planning and execution cycle. There were three directors in this period.

What else is needed?

- Ensure independence and integrity of the planning process.
- Ensure staffing is purpose-based, including SES appointment authority being the responsibility of the Director of this multibillion dollar agency with 8,000 employees, not counting the temporary census workforce.
- Place the census budget cycle in an environment that is not "hostile." I do not mean there are enemies of the census budget in the Commerce Department. I

mean there are severe natural conflicts that work against the census budget and its offbeat rhythm.

Madam Chairwoman, I thank you for your invitation and this entire hearing.

PREPARED STATEMENT OF WILLIAM F. EDDY

Good morning. My name is William Eddy, John C. Warner Professor of Statistics at Carnegie Mellon University and chair of the Committee on National Statistics of the National Research Council. The Research Council is the operating arm of the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine of the National Academies, chartered by Congress in 1863 to advise the government on matters of science and technology.

My remarks today will address findings and recommendations in two of the Committee's reports, both of which are relevant to the governance of the U.S. Census Bureau and the usefulness of the data it provides. The two reports are the fourth edition of *Principles and Practices for a Federal Statistical Agency*, issued by the Committee in 2009, and *Using the American Community Survey: Benefits and Challenges*, issued by a panel of the Committee in 2007. Both reports are available on the web site of The National Academies Press, *www.nap.edu*.

By way of introduction, the Committee on National Statistics was established at the National Research Council in 1972 at the recommendation of the President's Commission on Federal Statistics to improve the statistical methods and information on which public policy decisions are based. The Committee carries out studies at the request of government agencies on statistical programs and methods. It also addresses the statistical policy and coordinating activities of the federal government, which are essential in a highly decentralized statistical system. Support for the Committee's work is provided by a consortium of federal agencies through a grant from the National Science Foundation. Support for the Committee's Panel on the American Community Survey was provided by the U.S. Census Bureau.

WHAT MAKES FOR AN EFFECTIVE STATISTICAL AGENCY? THE IMPORTANCE OF INDEPENDENCE

A major activity of the Committee to strengthen the federal statistical system is its signature white paper, *Principles and Practices for a Federal Statistical System*, known as *P&P* or the "purple book." The Committee first issued *P&P* in 1992 in response to queries on what constitutes an effective statistical agency. Since 2001, the Committee has updated and reissued *P&P* every 4 years so that new cabinet appointees and others could be provided with a current edition. *P&P* has been widely cited and used by congressional and executive agencies including GAO and OMB.

The fourth edition lists four principles and eleven practices. The four principles are that a statistical agency must: (1) be in a position to provide objective information that is relevant to issues of public policy, (2) have credibility with those who use its data and information, (3) have the trust of those whose information it obtains (including households and businesses), and (4) have a strong position of independence within the government. The practices include, among others, a commitment to quality and professional practice and an active program of methodological and substantive research.

I want to elaborate on the fourth principle of a strong position of independence because it is relevant to many of the debates about governance of the U.S. Census Bureau and the decennial census. The Committee states in *P&P* that, without the credibility that comes from a strong degree of independence, users may lose confidence in the accuracy and objectivity of a statistical agency's data, and data providers may become less willing to cooperate with agency requests, thereby undermining the agency's ability to carry out its mission to provide relevant, accurate, timely, and impartial statistics to serve all sides in the policy debate, as well as researchers, private and public sector planners, the media, and the general public. Of course, statistical agency independence is always exercised within a broad framework of departmental, OMB, and congressional oversight.

Characteristics related to a strong position of independence are that a statistical agency has the following:

- Authority for professional decisions over the scope, content, and frequency of data compiled, analyzed, or published within the framework set by its authorizing legislation. Most statistical agencies have such broad authority, limited by budgetary constraints, departmental requirements, OMB review, and congressional mandates.

- Authority for selection and promotion of professional, technical, and operational staff, including senior executive career staff.
- Recognition by policy officials outside the statistical agency of its authority to release statistical information, including accompanying press releases and documentation, without prior clearance.
- Authority to control information technology systems for data processing and analysis in order to securely maintain the integrity and confidentiality of data and reliably support timely and accurate production of key statistics.
- Authority for the statistical agency head and qualified staff to speak about the agency's statistics before Congress, with congressional staff, and before public bodies.
- Adherence to fixed schedules in public release of important statistical indicators to prevent even the appearance of manipulation of release dates for political purposes.
- Maintenance of a clear distinction between statistical information and policy interpretations of such information by the president, the secretary of the department, or others in the executive branch.
- Dissemination policies that foster regular, frequent release of major findings from an agency's statistical programs to the public via the media, the Internet, and other means.

The Committee has not undertaken a formal evaluation of the Census Bureau vis-à-vis these aspects of a strong position of independence. However, I note that the Department of Commerce has not always respected important aspects of statistical agency independence for the Bureau, such as authority for selection and promotion of staff.

Regarding the organizational placement of the Census Bureau or other statistical agencies, *P&P* takes no position as such. A variety of organizational structures can work. However, *P&P* makes clear that a statistical agency should be separate from the law enforcement, regulatory, and policy-making parts of a department. Moreover, steps that can usefully strengthen a statistical agency head's independence include that the head be appointed for a fixed term by the President, with approval by the Senate, as is the case with the heads of the Bureau of Labor Statistics and the National Center for Education Statistics. For a fixed term, it is desirable that it not coincide with the presidential term so that professional considerations are more likely to be paramount in the appointment process. It is also desirable that a statistical agency head have direct access to the secretary of the department or the head of the independent agency in which the statistical agency is located. Such access allows the head to inform new secretaries about the appropriate role of a statistical agency and present the case for new statistical initiatives to the secretary directly. Similarly, it is desirable for a statistical agency to have its own funding appropriation from Congress and not be dependent on allocations from the budget of its parent department or agency, which may be subject to reallocation.

Today, some statistical agencies are headed by senior executive career officials, some have presidentially appointed heads with fixed terms, and some, including the Census Bureau, have presidentially appointed heads that lack fixed terms and serve at the pleasure of the president. Presidential appointment without a fixed term can be detrimental to the independence of a statistical agency because the agency head has political visibility but no guarantee against politically motivated pressure and even dismissal. A recently released report of a panel of the Committee, *Ensuring the Quality, Credibility, and Relevance of U.S. Justice Statistics*, documents the firing of the director of the Bureau of Justice Statistics in 2005 because the director refused to alter a statistical press release to suit the policy views of departmental officials. This situation should never occur for a statistical agency head, and the report recommends a fixed term for the director of BJS. A fixed term of office for the Census Bureau director would also strengthen the independence and reputation for objectivity of this critically important statistical agency.

THE AMERICAN COMMUNITY SURVEY: MAJOR INNOVATION, CHALLENGING TO USE

Since its inception in 1972, panels of the Committee on National Statistics have produced over 30 interim, letter, and final reports on the decennial census and related programs, including several reports on the American Community Survey (ACS). The ACS, which went into full production beginning in 2005, represents a seismic shift in the landscape of small-area data on the U.S. population. This shift promises important benefits to data users in terms of much more timely, up-to-date, and higher quality information than the sample-based questions on the decennial census could ever provide. (Some of the census questions were first asked of a sam-

ple of the population in 1940; beginning in 1960, the sample questions were included on a separate "long form.")

The benefits of the ACS can already be seen from the much more frequent articles in the media about important population changes in counties and cities—such as changes in the country of origin of immigrants in some areas—that formerly could only be identified at 10-year intervals. However, as the comprehensive review of the ACS in the 2007 report on *Using the American Community Survey: Benefits and Challenges* indicates, the ACS' continuous design will initially challenge many small-area data users in federal, state, and local government agencies, researchers, the private sector, the media, and the public. These users were accustomed to the point-in-time estimates from the census long-form sample and must learn how to work with and interpret the 1-year, 3-year, and 5-year moving-average estimates from the ACS. Moreover, this learning process is still to occur for users of data for the smallest geographic areas given that the first 5-year estimates for areas with fewer than 20,000 people will not be released until late 2010, representing averages of data collected in 2005–2009.

The ACS without doubt is of great benefit for users of estimates for large geographic areas, such as states and large cities and counties. Not only are reliable 1-year average estimates produced every year from the ACS for such areas, but the 5-year estimates will enable users to compare estimates for user-defined areas within, say, a major city, by aggregating the estimates for census tracts and block groups. It is also undeniable that the sample size of the ACS is at present too small to provide precise estimates, even averaged over 5 years, for small counties, cities, and towns. For example, based on the calculations in our 2007 report, the 5-year average estimate of the poverty rate does not meet acceptable standards of precision until an area has about 10,000 people, and the 5-year average estimate of the poverty rate for school-age children does not reach acceptable standards of precision until an area has about 50,000 people. We understand that, historically, the sample size for the ACS represented a compromise between the size required for precise estimates for small areas and the budget that was deemed acceptable to the executive and Congress at the time the ACS was being designed. Additional funding will be required to increase the sample size sufficiently for precise small-area estimates.

Our 2007 report strongly supported the ACS but noted that the transition for users and the Census Bureau would be challenging. The continuous design of the ACS, in which data are collected, every month, is essential for a smooth field operation, but it does pose problems for users of interpreting estimates that are averages over 12, 36, or 60 months. It can also make it difficult to introduce new and revised questions to meet changing needs. The report urged support for the ACS. It recommended that the Census Bureau make sufficient funding of the ACS one of its top priorities and that the Bureau seek funding, not only for data collection and production, but also for ongoing programs of methodological research and evaluation and user outreach and education. Strong research and user education programs are essential for the ACS to fulfill its mission to provide relevant, useful, and accurate small-area information and to improve the survey in the future as experience is gained with its benefits and challenges.

I thank the Joint Economic Committee for this opportunity to testify and will be happy to respond to any questions the members may have.

PREPARED STATEMENT OF ANDREW REAMER

Chairwoman Maloney, Vice Chairman Schumer, Congressman Brady, Senator Brownback, and members of the Joint Economic Committee, I am pleased to speak to you today about the role of the Census Bureau in a 21st century federal statistical system.

Census Bureau data are essential to the effective functioning of our nation's democracy, public policy at all levels of government, and our $14 trillion economy. For example, congressional apportionment and redistricting; federal macroeconomic and regional economic development policies; the annual distribution of a half trillion dollars in federal funds; the enforcement of the Voting Rights Act and the Fair Housing Act; state road-building and emergency planning; the placement of public schools and community health centers; and business startup, location, and investment decisions all rely on Census Bureau statistics. At the most fundamental level, the nation could not operate without this agency.

Relative to the enormity of the political and economic impacts, the size of the Census Bureau operation is very small. Outside the Decennial Census, Census Bureau operations cost in the range of $500 million annually; averaged over a decade, the

cost of the 2010 Census operation is about $1.5 billion a year. The return to the nation on this investment in the Census Bureau is nearly infinite.

However, the Census Bureau is not yet a 21st century statistical agency. While the bureau has made substantial, innovative advances in improving the value of its data offerings, I believe these offerings need to more fully reflect three new realities:

- major changes in the nation's economic structure,
- the potential for Census Bureau data to enable more informed, effective nonfederal public and private decision-making across the nation, and
- significant opportunities for new data products and techniques afforded by large-scale advances in information technology.

CHANGING ECONOMIC STRUCTURE

In the last half-century, the nation's economic structure has undergone dramatic changes, from one based on manufacturing, large corporations, physical labor, and little international trade to one reliant on services, entrepreneurship, knowledge workers, and global markets.

The Census Bureau's statistical programs need to more fully capture the essential components of our 21st century economic structure. While the Census Bureau has highly regarded, long-standing, frequent data collections for manufacturing activities (consistent with the nation's economic base in the 1950s and 1960s), it does not yet have the same level of data collection efforts for the service industries that now dominate the nation's economy.

For a number of years, the Census Bureau has sought, but was unable until FY2009 to obtain, the $8 million needed to survey the finance, insurance, and real estate industries on an annual and quarterly basis. The lack of these data has meant that the Bureau of Economic Analysis' quarterly estimates of Gross Domestic Product have not been as accurate as they might have been, particularly in times of major economic reversal. As a result, macroeconomic policymakers at the Federal Reserve, the Treasury Department, the Office of Management and Budget, and the Council of Economic Advisers have been making determinations on the basis of other than the best possible data.

In a similar vein, the Census Bureau has not had a regularly collected survey of residential finance. Typically following the decennial census, the last Residential Finance Survey (RFS) was carried out in 2001; the Bush Administration discontinued planning for a 2011 RFS due to budget constraints. Even if the RFS were revived, a once-a-decade assessment of the workings of the nation's residential finance markets is far too infrequent in light of the impact of those markets on the national economy and, in particular, their role in catalyzing the current recession. It is essential that policymakers and analysts have a current, accurate picture of the structure and flows of housing finance markets. Efforts are underway to address this data gap, including proposed $3 million funding for the Department of Housing and Urban Development (just approved by the House Appropriations Committee) to reimburse the Census Bureau to conduct a biennial multi-family residential finance survey.

Due to recent FY2009 and likely FY2010 appropriations, the Census Bureau's economic statistics are poised to become more reflective of our 21st century economic structure and markets. However, as economic structure and markets are never static, strong and stable future funding is needed to ensure that the Census Bureau's data products fully capture current realities and so meet policymaker needs.

MORE INFORMED, EFFECTIVE DECISION-MAKING

The advent of Web-based data access has allowed the Census Bureau's customer base to expand exponentially. State and local governments and millions of private businesses, from Wal-Mart to home-based entrepreneurs, can far more quickly and easily incorporate census data into their analyses and decision-making processes than was so just 15 years ago. The potential exists, then, for federal statistical agencies in general, and the Census Bureau in particular, to enable significantly improved public and private decision-making regarding the allocation of trillions of dollars—generating very substantial economic benefits at minimal taxpayer cost.

Nonfederal data users are primarily interested in current, reliable demographic and economic data on states, metro areas, counties, cities and places, and neighborhoods. In this regard, the Census Bureau is about to take a major step forward with its upcoming first-time publication of annually updated small area American Community Survey (ACS) data. Data users will have access to current five-year averages for areas as small as census tracts and block groups, replacing the traditional once-a-decade, nearly always outdated, long-form decennial data.

However, the Census Bureau is facing a significant issue in that the ACS sample size, fixed at 3 million households annually, is increasingly too small to provide reliable small area estimates. To approach the accuracy of the decennial long form data, the ACS needs to survey at least 3 percent of households annually (about 3.5 million households at the moment). For the nation to obtain the full benefit of the ACS, I strongly suggest that the Census Bureau request, and the OMB and Congress approve, funds to support an annual 3 percent sample.

Web tools that integrate small area data from the Census Bureau and nonfederal sources, such as state and local governments, greatly increase the capacity for improved data analysis and decisionmaking. For instance, census data populate an ever-growing number of national and local community indicator websites that provide a detailed picture of the socioeconomic conditions of local areas, down to neighborhoods. To facilitate this important use, the Census Bureau should explore means of providing direct, current data feeds to data intermediaries through a distributed data system. The bureau's innovative DataFerrett tool could be the foundation of such an effort.

The Census Bureau should take steps to better meet the needs of federal, state, and local economic development organizations for detailed, current subnational statistics. Historically, the Census Bureau has viewed the nation's macroeconomic policymakers as the primary customers for its economic statistics. This orientation developed at a time, in the late 1940s and 1950s, when national economic policy was concerned primarily with managing the economic cycle through fiscal and monetary policy. The nation's economic geography was thought to be highly stable—Detroit would always be the car-making center and Pittsburgh would always make steel. International competitiveness was not an issue.

Since 1980, however, due to globalization, increased capital mobility, and faster technological change, the nation's economic geography has been in a continual state of flux. Over the last three decades, many once-stable regions have experienced economic shocks; as experience makes clear, no region can take its economic base for granted.

Today, our nation's economic health is very much a function of the international competitiveness of its regional economies. Consequently, federal, state, and local policymakers need a full understanding of the economic structure of, change in, and flows among the nation's regions and the world. State and regional economic development organizations are actively preparing and implementing economic adjustment strategies; the value of such strategies depends on good data that reflect economic, not political, boundaries.

Hence, detailed, accurate economic data on metropolitan areas, which provide the large majority of the nation's GDP, are quite important. Based on existing data collections, for example, the Census Bureau could publish much needed metropolitan-level data on research and development; innovation; foreign trade in goods; place-to-place domestic migration; and business starts, expansions, reductions, and closures, by industry.

Historically, the Census Bureau has been relatively insulated from the broad array of its data users. In light of the substantial potential for improved public and private decision-making, I encourage the Census Bureau to more actively seek to develop relationships with representatives of a wide array of users in order to ascertain how it can best meet their needs. Experience suggests that trade and professional associations of important data users (e.g., National Association of Counties, Council for Community and Economic Research, National Association for Business Economics, National Retail Federation, Association of Public Data Users) would be useful channels for this purpose.

TECHNICALLY INNOVATIVE DATA PRODUCTS

Advances in computer hardware and software are allowing all statistical agencies to explore and develop new data products and methods, to the nation's benefit. The Census Bureau has been in the forefront of this innovative activity, including:

- Very large administrative datasets that replace the need for more expensive surveys. Under its traditional confidentiality strictures, the Census Bureau operates the Statistical Administrative Records System (StARS) that maintains a variety of federal, state, and private databases.
- Dynamic data that describe how firms and people move through the economy over time and space, giving us a "look under the hood" of the economy. The Census Bureau has a number of data programs that create dynamic data: on hires and fires and where people live in relation to where they work (Local Employment Dynamics [LED] Program); on firm change over time, by age and firm size (Business Dynamics Statistics); and on establishment births, deaths, expan-

sions, and contractions (Statistics of U.S. Businesses). Dynamic data have the potential to be a very powerful new tool for federal and regional economic policy.

- Synthetic microdata that allow the analysis of individual records without betraying confidentiality—greatly expanding the potential for understanding the patterns of local economic activity, with positive implications for public policy. IT advances have resulted in traditional public use microdata sets being more vulnerable to possible breeches of confidentiality. One means to address this problem is by creating synthetic microdata that generate true statistics (for example, mean, median, and frequency distribution). The Census Bureau's LED Program has been in the forefront of this area of work, using synthetic data to map where people live in relation to where they work—data useful for economic and workforce development, transportation planning, and emergency planning.
- Modeled estimates that reduce the need for large surveys. By working with administrative records and existing surveys, the Census Bureau has been able to estimate income, poverty, and insurance coverage for small areas, enabling more accurate distributions of federal funds, among other uses.

As these innovative efforts are inexpensive and have substantial benefits, the Census Bureau has been eager to pursue them. However, despite the low cost and high potential, the bureau has had difficulty in obtaining the funds needed to fully exploit the possibilities.

A case in point is the LED program, which works with business and wage records from state unemployment insurance systems. LED has been in existence for over a decade, but with a congressional appropriation of only $2 million; to keep the program afloat, the Census Bureau has had to draw another $6.5 million from discretionary funds and reimbursable work, primarily for the Department of Labor. Consequently, LED has been limited in its geographic coverage and policy impact.

However, full funding for LED may be on the horizon. In its FY2010 budget, the Administration requested $13.7 million to expand and stabilize the program. As part of the proposal, LED would provide nationwide coverage, giving federal macroeconomic policymakers a valuable new tool to assess economic dynamics. Further, the bureau proposes to add new functions, such as a job-to-job flows tool that would allow analysts to track the industry, geographic location, and wages of a group of workers over time. With this tool, for example, LED would be able to determine the current employment situation of workers who were in a regional industry that recently experienced substantial restructuring (such as the Manhattan financial industry, the Detroit auto industry, or the southern California residential construction industry). Such a tool would have great value for federal and state workforce policy. The House and the Senate Appropriations Committee have approved a Census Bureau budget that includes the requested funding for LED. I encourage the full Senate to approve this funding as well.

CONCLUSION

As valuable as it is today, the Census Bureau has the potential to transform how the nation conducts its work, at little additional cost to the taxpayer. For the Census Bureau to fully become a 21st century statistical agency, several conditions need to be met. The Census Bureau must understand and effectively respond to the data product needs of its diverse customer base. In doing so, it should take complete advantage of opportunities offered by cutting-edge information technologies. And it must have the support of the Commerce Department, OMB, and Congress to obtain the stable funding necessary to sustain the programs that meet those needs. As the one congressional committee with an overview of the nation's economic statistical system, the Joint Economic Committee can play a valuable role in ensuring that these steps are taken so that the bureau can achieve this potential.

I thank the committee for your attention and welcome your questions.

PREPARED STATEMENT OF DR. LINDA A. JACOBSEN

Good afternoon, Chairwoman Maloney and members of the Committee. Thank you for the opportunity to testify today before the Joint Economic Committee. I will share my perspective on the benefits and challenges of using the Census Bureau's American Community Survey.

Without a doubt, the American Community Survey (ACS) is fundamentally changing the way we collect and use data to assess the nation's population and housing. While the traditional census long form collected detailed socioeconomic data just once a decade, the ACS is a continuous survey that provides updated demographic,

economic, and housing data every year. As the pace of change has accelerated in the U.S., so has the need for timely and reliable data. The ACS has replaced the census long form to meet that need.

The ACS is already providing substantial benefits to federal agencies, nongovernmental organizations, and state and local governments. For example, the Department of Veteran Affairs uses ACS data to evaluate the need for educational, employment, and health care programs for veterans, while the Council on Virginia's Future relies on ACS data to monitor annual trends in the travel time to work. At PRB, we have used ACS data to track changes in the number, location, and well-being of children in immigrant families.[1] We have also used the ACS to produce a database and wall chart on the U.S. labor force, including state and metropolitan area estimates of people working in high-tech and other science and engineering jobs.

ACS data are also contributing to planning for the 2010 Census. ACS data from 2005, 2006, and 2007 were used to validate and enhance population segmentation for the Census 2010 Integrated Communications Campaign.[2] The Census Bureau is also using 2005–2007 ACS data on language spoken at home and English-language ability to select census blocks that will receive a Census 2010 bilingual English and Spanish form.

There are some important differences between the census long form and the ACS that are essential to understand in evaluating the benefits and trade-offs in the switch to the ACS.[3] Foremost is the fact that the sample size of the current ACS is much smaller than the sample size of the 2000 Census long form. As a result, ACS data from multiple years must be combined to provide reliable estimates for geographic areas with smaller population sizes. The ACS provides 1-year estimates for areas with populations of at least 65,000, 3-year estimates for areas with populations between 20,000 and 65,000, and 5-year estimates for areas with less than 20,000 people. This last group includes small counties, cities, and towns as well as census tracts and block groups. The ACS was fully implemented nationwide in 2005, so the first 3-year estimates for 2005–2007 were released last December. The first 5-year estimates for 2005–2009 are scheduled for release in 2010.

In 2000, the long form was sent to approximately 18 million addresses, resulting in 16.4 million final interviews. This represented about 1 in every 6 households, the same share of households that received the long form in 1990. In contrast, the ACS is sent to about 3 million addresses each year, resulting in about 2 million final interviews. When combined over five years, then, the ACS will only be sent to 15 million addresses, resulting in about 10.5 million final interviews. This represents only about 1 in every 9 households. Of course, the number of households in the U.S. continues to increase every year. Between 2000 and 2007, the number of households increased by 7 million. While the decennial long form sampled the same proportion of households in 1990 and 2000, the ACS samples the same number of households each year. Maintaining a fixed sample size over time necessarily means that ACS data will be collected from a smaller share of U.S. households each year.

As a result of the smaller sample size, estimates from the ACS also have higher levels of sampling variability than estimates from the 2000 Census long form. This means the ACS estimates are less precise or less reliable, particularly for small geographic areas and population subgroups. Several evaluation studies have reported that combining 5 years of ACS data did not provide reliable estimates for census tracts in some counties.[4] In a recent PRB analysis of 2005–2007 data for 26 states, we found that one-fifth (20 percent) of counties with a population of 20,000 or more did not have a reliable estimate of the share of working families that are below 200% of the poverty level. Although this clearly constitutes a smaller population subgroup, there were still more than 9.5 million such families nationwide in 2007, and they are an important group for policy considerations.

To achieve the objective of fully replacing the long form, the ACS must provide a comparable scope of reliable data for smaller geographic areas, including census tracts. The current sample size of the ACS is the result of funding constraints. Based on their experience to date, a growing share of data users are calling for an increase in the sample size of the ACS to improve the reliability of estimates for smaller geographic areas and subgroups. The ACS has tremendous potential to provide the timely, detailed data critical for evidenced-based policy and program design

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[1] See the report at *http://www.prb.org/Publications/ReportsOnAmerica/2009/childreninimmigrantfamilies.aspx*.

[2] See the report at *http://2010.census.gov/2010census/pdf/C2POMemoNo9.pdf*.

[3] These are described more fully in the ACS Handbook available at *http://www.census.gov/acs/Downloads/ACSGeneralHandbook.pdf*.

[4] For example, see the reports and presentations at *http://www.census.gov/acs/www/AdvMeth/Multi*__Year__Estimates/presentations.html.

and implementation. Additional funding could significantly increase the likelihood the ACS will realize this potential.

Thank you for this opportunity to testify and I will be happy to answer any questions the Committee may have.

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