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EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES**

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

April 20, 2004

Good afternoon, Mr. Chairman, and Members of this Subcommittee. I am John D. Graham, Ph.D., Administrator, Office of Information and Regulatory Affairs (OIRA), Office of Management and Budget. I am pleased to be back before this Subcommittee to discuss OIRA's ongoing efforts to improve the Federal government's performance in achieving the important goals and objectives of the Paperwork Reduction Act (PRA). OIRA is committed to improving the quality of the information collected, used, and disseminated, while also reducing the associated burdens that are imposed on the American public. I appreciate this Subcommittee's strong interest in information policy, and have enjoyed working with you and the Subcommittee to improve the manner in which Federal agencies collect, use, and disseminate information, while reducing the paperwork burdens that these activities impose on the public.

My testimony today accompanies the submission to Congress of OMB's Fiscal Year 2004 Information Collection Budget (ICB), which details the implementation of the PRA during my second Fiscal Year as OIRA Administrator. To begin my testimony, I will first discuss three major themes found throughout our information collection activities in FY 03. I will then respond to the questions that the Subcommittee posed in its invitation.

First, I am pleased to report that we have continued progress with our "zero tolerance" policy, which is aimed at ensuring that Federal agencies fully comply with their statutory obligations under the PRA. Soon after becoming OIRA Administrator in November of 2001, I conducted a number of activities to make clear to agencies that anything less than full compliance with the PRA was unacceptable. In particular, I was concerned about information collections that do not have current OMB approval but continue to be used by agencies. I sent memoranda to agencies emphasizing the importance of eliminating PRA violations, and personally met with agency officials to establish procedures that would prevent additional violations from occurring. During this past Fiscal Year I sent two additional memoranda to the Chief Information Officers of all agencies, one detailing their progress toward our goal of eliminating PRA violations and the other reinforcing the needed for a sustained focus on implementing procedures to prevent future violations.

These continual communications have resulted in measurable achievements in Fiscal Year 2004. At this time only 18 collections remain in violation. These 18 were collections that were either incurred in FY 2003, or had been outstanding collections from years past. In comparison, in my testimony on the ICB last year before this Subcommittee I reported that there were 62 violations remaining. Therefore, for this previous Fiscal Year we have achieved a 71 percent decrease in the number of violations. Furthermore, for all 18 of these violations either a 60-day *Federal Register* notice for public comment has been issued, which is the first step towards returning to compliance, or the collections have been submitted to OMB and are currently being reviewed. Although this is a substantive achievement, OIRA will continue to enforce a “zero tolerance” policy for violations.

Second, OIRA has made a substantial start in the difficult but necessary long-term task of reducing paperwork burden on small businesses. These efforts are largely a result of the implementation of the Small Business Paperwork Relief Act of 2002 (SBPRA). This is one of a series of laws enacted in recent years whose purpose is to address the burden imposed upon small businesses by Federal regulatory and paperwork requirements. Under SBPRA, Federal agencies have developed information to help the small business community better comply with paperwork requirements, while minimizing burden.

In compliance with the Act and in consultation with the Small Business Administration, OMB has published a list of compliance assistance resources available to small businesses. Also in compliance with the Act, OMB has worked with Federal agencies and the Small Business Administration to consolidate the list of points of contact who act as liaisons between the agencies and small businesses. This centralized resource makes it easier for small businesses to find compliance information. This list of compliance assistance materials and agency points of contact can be found on the OMB website.

Furthermore, a task force established by SBPRA on information collection and dissemination, chaired by OMB, is preparing to implement its Business Gateway initiative in September 2004. This initiative is a Federal cross-agency infrastructure designed to: (1) provide useful regulatory information in one place, (2) eliminate redundant data collection, and (3) provide electronically fill-able, file-able, and sign-able forms.

In September, the first of three phases will be implemented, enabling users to select from an aggregation of links to Federal web sites selected for content and services relevant to small businesses. The timelines for subsequent phase implementation are yet to be determined.

Third, OMB has sustained efforts to foster the use of the Internet to make the government available to citizens online, both to reduce the burden on the public and make government more accessible. The foundation for e-government is largely a result of

the implementation of the Government Paperwork Elimination Act (GPEA) of 1998 and the E-Government Act of 2002. GPEA requires agencies to provide for electronic submission of information, including electronic signature and proper security, when it is practicable for agencies to do so. GPEA required agencies by October 21, 2003, to provide for the (1) option of electronic maintenance, submission, or disclosure of information, when practicable as a substitute for paper; and (2) use and acceptance of electronic signatures, when practicable. GPEA states that electronic records and their related electronic signatures are not to be denied legal effect, validity, or enforceability merely because they are in electronic form.

Since September of 2000, OMB has been tracking agency compliance with GPEA. Agencies have been aggressively working to meet the GPEA deadline, focusing on those transactions that will provide the greatest benefit to citizens. During the first two years of the Act's implementation, 1,800 transactions could be conducted electronically. As of December 2003, around 4,000 government transactions could be conducted electronically. This represents 56 percent of the approximately 7,000 potential transactions meeting the GPEA deadline to provide an electronic option. While we would like the percentage to be higher, we understand that many transactions such as one-time surveys, product labels, and collections affecting a small population are not suitable or cost effective to be conducted on the Internet. We will continue to enforce compliance as we review agencies' information collections. Later in my testimony I will provide examples of how agencies' implementation of GPEA has reduced burden, including two examples from the Department of Defense, where the combined reductions total approximately 40 million hours.

At this time I will address the three specific issues you requested in your letter of invitation to me, which are: (1) expected resolution dates for each outstanding PRA violation; (2) OIRA's contribution to paperwork reduction initiatives by the IRS; and (3) a detailed plan for the "Streamlining regulations and reporting requirements" component of the President's Six-Point Economic Growth Plan, found in the FY 2005 Budget. Then I will address the specific reductions in reporting and recordkeeping requirements of at least 250,000 hours accomplished since last year's ICB hearing of April 11, 2003, as well as the reductions of at least 250,000 hours expected in the next Fiscal Year. Finally, I will describe some agency initiatives for improving agency performance and reducing burden.

Expected resolution dates for each outstanding PRA violation

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

At last year's hearing I reported that there remained 62 unresolved violations for FY 2002. This was a sizeable reduction from the 110 in FY 2001, and represented a 55 percent reduction from FY 2001 to FY 2002. For FY 2003, we have surpassed last year's achievement, having just 18 violations outstanding from FY 2003, as of April 16, 2004. This represents a nearly 71 percent decrease in the number of violations from last year. To clarify, these 18 violations consist of violations incurred in FY 2003, as well as those violations that remained from previous years. For FY 2003, OIRA identified 238 violations that either occurred in FY 2003 or were incurred in previous Fiscal Years and carried into FY 2003. Through rigorous work with the agencies, OIRA was able to bring 220 of those collections into full compliance, and out of violation. I'd like to share with you some of our efforts made in the past year to reduce violations:

May 8, 2003 memorandum to agencies. I sent a memorandum to the Chief Information Officers (CIOs) of all agencies asking for a sustained focus on ensuring that agencies have effective procedures in place to avoid future violations. The memorandum reminded CIOs to review their agency's procedures for avoiding future violations. Furthermore, this memorandum urged CIOs to review the status of collections in their PRA inventory.

FY 2003 ICB Bulletin. In last year's ICB (FY 2003 report on FY 2002), OMB requested that agencies provide a list of violations that occurred in the past Fiscal Year, and to update previously reported violations, as was required in prior ICB bulletins. In addition, OMB required that agencies provide us with a *Federal Register* citation and publication date for the initial 60-day notice requesting public comment on their ICB submission.

Continued notification to agency staff of upcoming expiring collections. As part of standard procedures to ensure PRA compliance, each month OMB sends an inventory to each agency which lists all of the collections that will expire in the next 150 days. This provides the agency with ample time to prepare a 60-day *Federal Register* notice, incorporate any public comments from the notice into the collection, submit the collection to OMB for a 30-day review period, and receive clearance for the collection.

These efforts I just described follow the previous year's efforts, which I mentioned earlier in my testimony. I would like to share just one example of how these violation-reduction efforts have impacted one agency in particular, the Department of Housing and Urban Development (HUD). In 2002 I met with HUD's Chief Information Officer and General Counsel and sent a memorandum to HUD's Deputy Secretary, to assist HUD in creating a plan for ensuring PRA compliance. These HUD officials were extremely responsive and resolved to improve their agency's PRA performance. At the end of FY 2001, HUD had had a total of 37 violations. By the end of FY 2002, the Department had only 18 violations. As of April 16, 2004, HUD has just one violation remaining from FY 2003, which is currently at OMB undergoing review.

As you can see, OMB has made eliminating violations a priority. As I stated earlier, there are 18 violations remaining from FY 2003 as of April 16. Of these remaining 18 collections in violation, 11 have been submitted to OMB and are

undergoing review by OIRA staff. I expect these 11 to be approved and back in compliance by the end of this month. The remaining eight have had or are undergoing a 60-day *Federal Register* notice for public comment. If agencies submit collections to OMB soon after the 60-day public comment period closes, I expect that these eight collections will be back in compliance within the next three to four months.

Please see the Appendix of my testimony for a chart of the number of violations over time.

OIRA's contribution to paperwork reduction initiatives by the IRS

I welcome this opportunity to clarify how the Internal Revenue Service's (IRS) substantial paperwork burden on American taxpayers – both individuals and businesses – fits into the total information collection story. As we all know, completing any type of tax form leaves many citizens wondering about the complexity and seemingly illogical taxation of income. Unfortunately, there is little that is straightforward and simple in preparing and filing individual income tax returns. Completing a tax return can be compared to a complex numbers game filled with additions, subtractions, special rules, special rates, carryovers, adjustments . . . the list goes on and on.

However, we must not lose sight of the truth regarding IRS paperwork. The reality is that our complex tax system is not the product of administrative actions of the IRS but of well-intended choices made by elected representatives of the people. Furthermore, our system is the result of our constitutional structure and a balancing of competing interests and compromise.

Federal tax policy is the result of many factors. Paperwork reduction can be a consideration during the legislative process but – as we know – there are many other factors that must be considered in the formulation of tax policy. Both Congress, through its committee structure, and the Executive Branch, in its organization, recognize the vital importance of taxation as the lifeblood of all government. It is essential to the funding and functioning of our Federal government. Consideration of paperwork burden, although important, can never be considered in isolation.

I will now briefly outline OIRA's work with IRS on paperwork burden reduction. We have a close working relationship with the IRS in this area. The IRS devotes considerable resources to the development of forms to minimize taxpayer burden. Forms development in the IRS utilizes the policy and graphic layout expertise of numerous individuals as well as public focus groups. We believe that more so than with any other agency, IRS utilizes public focus groups to gather information on how to make improvements in how it collects information. OMB formally reviews requests for paperwork approval only after they have gone through a comprehensive IRS and Treasury development and review process. We continue to believe that although the primary work and responsibility in this area resides in the IRS, OMB's review of recurrent submissions from IRS over a twenty year period has had a sentinel effect and contributed positively toward curbing excess IRS paperwork.

OMB is always interested in identifying opportunities for IRS burden reduction, both independently and in collaboration with the IRS and other agencies. During the past year, OMB, in conjunction with a public meeting for small business representatives chaired by the Small Business Administration's Office of Advocacy, requested identification of specific examples of possible opportunities to reduce IRS paperwork burden. Also, OMB asked the public, in the context of our draft report on the costs and benefits of Federal regulation, to recommend specific IRS paperwork requirements that can and should be reduced to lessen burden on the small business sector. It is too early to assess results. However, we do think that any dialogue in this area is useful as a foundation and may lead to more focused work in the future. We are in continuing dialogue with IRS and SBA staff to facilitate better coordination between those agencies in the areas of taxpayer education and assistance.

As you may know, IRS has underway an effort to revise the methodology used to compute taxpayer burden. The current IRS methodology, based on survey data almost twenty years old, is more sophisticated than the approach used by most agencies. Nevertheless, it measures only certain types of taxpayer burdens and has limited ability to predict changes in compliance burden resulting from changes in tax policy or tax system administration. OMB has been supportive of this undertaking to revise the IRS burden methodology since its beginning during the last administration. More accurate measurement of burden can lead to more informed decisions.

In the ICB, we have outlined several substantial paperwork reduction initiatives that affected 2002 tax year filings and consequently impacted IRS paperwork burden during FY 2003. These involved an increased threshold for filing Form 1040 Schedule B, detailing interest and dividend payments received by individual taxpayers. By raising this threshold to \$1,500 from the previous level of \$400, taxpayer burden was decreased by over 15 million hours. Although taxpayers still must report total dividends and interest, the detailed reporting is no longer required for many.

Similarly, IRS implemented changes affecting tax year 2002 for small businesses who file corporate income tax returns so that companies having less than \$250,000 in gross receipts and \$250,000 in gross assets no longer have to report certain detailed information. These changes affected some 2.6 million small businesses and were estimated to reduce burden by over 50 million hours annually. These reductions are discussed in more detail in this year's Information Collection Budget, describing FY 2003 activities.

IRS-initiated burden reduction decreases in FY 2003 were more than offset by the burden to implement statutorily-mandated changes. For example the Jobs and Growth Tax Relief Act of 2003 resulted in changes to a number of tax forms. Net burden increases for those forms exceeded 38 million hours. Major provisions of that statute affected the tax treatment of dividends and capital gains. This resulted in changes to forms that required additional lines, revised detailed instructions and created new worksheets. These changes affected not only forms used by individual taxpayers but the

content of reporting required by payers of dividends and reports from brokers on the proceeds from transactions. These changes, resulting in more complexity have received much public attention; however, they are compelled by the complexity of the tax code enacted by Congress.

Detailed plan for the “Streamlining regulations and reporting requirements” component of the President’s Six-Point Economic Growth Plan

As part of the President’s Six-Point Plan for Economic Growth, the Administration is pursuing a “smart” regulation agenda, which will streamline regulations and reporting requirements. This means adopting rules only when justified by sound science, economics and the law, and modernizing existing rules. In particular, the following activities are being pursued:

- **Enforcing Rigorous Analysis of New Regulations:** We follow the regulatory management principles in Executive Order 12866 – cost-effective regulation based on sound science, and we are vigorously implementing these principles. We have strengthened and modernized agency guidance to the agencies on state-of-the-art regulatory impact analysis (see OMB Circular A-4).
- **Targeting Rules Impacting Small Businesses:** The President issued an Executive Order, (E.O. 13272, "Proper Consideration of Small Entities in Agency Rulemaking"), directing all agencies to avoid imposing unnecessary regulatory burdens on small businesses, small communities, and non-profit organizations. Furthermore, OIRA and the SBA Office of Advocacy have established a Memorandum of Understanding which compliments this E.O., and is intended to generate better agency compliance with the Regulatory Flexibility Act and other statutes requiring an economic analysis of proposed regulations. Also, OMB launched an interagency task force to reduce the paperwork burden on small businesses and to provide Internet-based methods for small businesses to learn how to comply with regulations.
- **Modernizing and Streamlining Outdated Rules:** This Administration has initiated a public notice-and-comment process allowing the public to suggest outdated, burdensome regulations and guidance documents in need of reform. About 100 reforms are adopted or underway based on nominations received in 2001 and 2002. OMB works with the agencies on high priority reforms. This year, OMB has requested public nominations of rules that should be streamlined to improve job creation and competitiveness of the manufacturing sector of the U.S. economy.
- **Establishing Information Quality Standards for Regulators:** To implement information quality legislation passed by Congress, OMB has issued government-wide guidelines promoting quality control standards for the wide variety of information disseminated by the agencies. In turn, the agencies have developed more detailed data quality guidelines tailored to their programs. These guidelines provide the public with an opportunity to petition agencies to correct flawed information.

- Peer Review Standards for Agency Scientific Information: OMB and the Office of Science and Technology Policy (OSTP) are developing government-wide standards for peer review of scientific information used for influential agency decisions and pronouncements.

The Bush Administration's more rigorous approach to regulatory reform is having a substantial, measurable impact on the growth of regulatory burdens. The Appendix to this testimony presents agency estimates of the total costs of new regulatory mandates by year from 1987 through 2003. The estimates include only those major Federal rules with impacts on the private sector and State and local governments, the kinds of rules that OIRA is most responsible for reviewing (in other words, rules that induce Federal budgetary expenditures are excluded). What these data show is that there has been roughly an 80 percent reduction in the growth of major regulatory burdens under this Administration. At the same time that we have reduced the growth of costly rules, we have moved forward with vital new regulations in diverse fields such as homeland security (e.g., border protection), food safety (e.g., labeling of the trans-fat content of foods) and environmental protection (e.g., slashing emissions from diesel engines).

Although curbing the growth of regulatory burdens is an important accomplishment, we acknowledge that much more needs to be done to modernize the sea of existing Federal regulations, guidance documents and paperwork requirements. As a modest start, this Administration -- through initiatives begun in 2001 and 2002 -- has reformed or is in the process of reforming about 100 existing regulations. As I mentioned earlier, we are now in the process of a targeted effort to streamline existing regulations of the manufacturing sector of the economy. At this time we are accepting public comments through May 20 on our draft *2004 Report to Congress on the Costs and Benefits of Federal Regulation*. This draft report reviewed the economics literature on the impacts of regulation on manufacturing enterprises, and specifically requested public nominations of regulatory reforms relevant to the manufacturing sector. Please see the Appendix to my testimony for information on the reduction of the costs of regulatory burden over the last 17 years, as well as examples of regulatory reforms currently underway.

Reductions in reporting and information collection for FY 2003

The public spent about 8.1 billion hours responding to or complying with information requirements. This represents a 1.5 percent decrease compared to last year's burden total of 8.2 billion hours. While the majority of this decrease, approximately 158 million hours, is simply a product of agency re-estimates or factors outside the agency's control, agency actions also reduced burden by approximately 54 million hours. These declines in burden were offset by an increase in burden of about 111 million hours from the implementation of new statutes passed by Congress.

A variety of influences affected burden hours during the past Fiscal Year. I'd like to take a few moments to discuss how agencies are able to reduce burden. Burden can be reduced in several ways: one is to eliminate questions from a form; another is to increase reporting "thresholds" and thereby exempt whole categories of persons from having to

respond to a collection; and another is to use information technology to make it easier for the public to comply with Federal paperwork collections. And, in addition to the improvements that have been made in individual collections, the Executive Branch has been taking action to identify ways to reduce paperwork burden on a broader, across-the-board basis through our implementation of the laws that Congress has enacted in recent years. As I discussed earlier, these laws include the Small Business Paperwork Reduction Act and the Government Paperwork Elimination Act. Finally, the importance of paperwork reduction needs to be understood in the context of larger efforts to reform the regulatory system and the tax code. Most paperwork burden is rooted in a statute or implementing regulations, and thus in some cases (the Internal Revenue Code is a notable example) one cannot easily reduce paperwork burden without reforming the governing statute and program regulations.

Through these methods of burden reduction, agencies were able to contribute many reductions that were in excess of 250,000 hours. Burden reductions can be generally categorized as reductions from: cutting redundancy; using information technology; changing regulations; changing forms; or statutory changes. The following are some examples of reductions made in FY 2003. I invite you to view the complete listing of burden reduction efforts in Appendix B of the ICB.

Cutting Redundancy

- The Department of the Treasury deleted worksheets on the Form 1040A used for Income Tax Returns by individual taxpayers to report their taxable income and calculate their correct liability. As a result, the Department reduced burden by approximately 5.2 million hours.

Using Information Technology

- The Department of Defense implemented electronic collection of the information required from contractors for its Acquisition Management Systems and Data Requirements Control List, which is used in contracts for supplies, services, hardware, and software. Automation decreased burden by an estimated 26 million hours per year for the affected firms.
- The Department of Defense enabled electronic transmittal of the information required for its Acquisition Process Solicitation Requirements. This information supports contractor solicitations for Department of Defense contracts. Electronic transmittal and reduced information requirements have reduced the burden on participating contractors by over 14 million hours per year.

Changing Regulations and Forms

- The Department of the Treasury changed regulations so that two paperwork collections saw a reduction in burden. Corporations with total receipts and assets of less than \$250,000 are no longer required to complete several forms. Furthermore, changes were made throughout additional forms, schedules, instructions, and attachments, resulting in a burden reduction of 37.4 million hours for small businesses.

Statutory Changes

- The NAFTA Implementation Act significantly reduced Modernization Act Recordkeeping Requirements maintained by the Department of Homeland Security by reducing the number of companies that were eligible for the Drawback Program, a program that required extensive recordkeeping. The law reduced the number of respondents that were required to keep records, resulting in approximately 2.2 million hours in burden reduction.

Looking Ahead: Expected reductions in reporting and recordkeeping requirements for FY 2004

In addition to the efforts made to reduce burden in FY 2003, the following are examples of burden reductions of at least 250,000 hours expected in the coming Fiscal Year (10/1/04 – 9/30/05). Again, I invite you to view the complete listing of burden reduction efforts in Appendix B of the ICB:

Cutting Redundancy

- The Department of Veterans Affairs will streamline its data collection for the application and renewal of health benefits by redesigning its form to better include questions on race and ethnicity. Additionally, a new form will be used by veterans to update their personal information, and therefore eliminate the need to report on information that does not change. This will reduce burden by an estimated 541,667 hours per year.

Changing Regulations

- The Department of Agriculture will consolidate thirteen regulations into a single regulation for Multi-Family Housing Programs. This action is being taken to reduce regulations, assure quality housing for residents, improve customer service, and improve the Agency's ability to manage the programs' portfolio. As a result, the program can better ensure that applicants meet program requirements and repay loans. It is estimated that this may reduce burden by 894,833 hours.
- The Department of Defense plans several rule changes relating to Defense Federal Acquisition Regulation Supplement (DFARS) that are expected to reduce burden on the contractor community by eliminating, reducing and streamlining information requirements relating to Defense acquisitions. It is estimated that these changes will reduce burden by over 323,000 hours per year,

Agency Initiatives to Improve Agency Performance and Reduce Burden

As the examples given above for the upcoming Fiscal Year demonstrate, OMB and the agencies are already looking ahead for places where burden can be reduced. The combination of initiatives in the small business and e-gov arenas, along with cuts in redundancy and changes in regulations, forms and statutes, provide an array of tools for burden reduction. Also, OMB asked each agency to provide a summary progress report on initiatives identified in last year's ICB and on newly planned initiatives. In response

to this request, agencies reported on numerous initiatives that have made or have the potential to make meaningful improvements for the public. Below is a selection of these initiatives. A complete list of initiatives is in Chapter VI of the ICB. These initiatives include ongoing and planned agency initiatives expected to significantly reduce the paperwork burden on a large number of small businesses, in addition to initiatives to reduce burden on the general public. The following initiatives show that there has been and continues to be a special focus by OMB and agencies to consider the burdens that their proposed paperwork requirements would impose on small businesses:

Reduction Initiatives with an impact on Small Businesses:

Program System Contracts (ProTracts). USDA plans to implement ProTracts, a web-enabled application that eliminates several paperwork steps and streamlines the program application and cost-sharing agreements for conservation programs. ProTracts became operational nationally for the Environmental Quality Incentives Program (EQIP), the Wildlife Habitat Incentives Program (WHIP), and the Agricultural Management Assistance (AMA) program in October 2003. ProTracts has the functionality and potential to be integrated with other agencies' automated processes. Almost all of the participants in cost-share contracts are classified as small businesses. The system will allow USDA customers to go on-line to complete and submit a program contract application. This online capability will significantly reduce the paperwork burden for small businesses and other conservation stakeholders. In seven pilot States USDA clients using ProTracts completed the required paperwork in 75 percent of the time required to complete manual contracts. This timesaving will increase as USDA simplifies contracting processes and fully implements electronic signatures.

Integration of PRO-Net and Central Contractor Registration (CCR) Systems. SBA partnered with the Department of Defense (DOD), the Office of Management and Budget (OMB), and the General Services Administration (GSA) to establish a single vendor registration point for small businesses to do business with Federal, State, and local governments, and prime contractors, and the acquisition community for small business procurement preference programs. CCR electronically shares the data with Federal agencies to facilitate paperless procurement and payment through Electronic Funds Transfer. On December 31, 2003, CCR assumed all of PRO Net's search capabilities and functions, and small businesses no longer have to manually register in both PRO Net and CCR. This initiative eliminated the need for small businesses to enter the same information into many different databases, when they wish to do business with the government.

Previous and ongoing initiatives:

Common Data Definitions. The Department of Education is working to develop a language with common data definitions to enhance communication between the department and its partners. The effort started with analysis of approved collections under the Paperwork Reduction Act. The department identified 27 data elements used in those collections that met the criteria for "consensus" status. Also, the Performance-

Based Data Management Initiative (PBDMI) has accelerated this effort, allowing for prepopulated data fields for simplified customer and staff use. Completion of the department's data architecture in FY 2004 will further enhance the effort to develop a comprehensive data dictionary.

Public and Indian Housing Information Center. HUD's Office of Public and Indian Housing's Information Center allows participating business partners to collect and process information electronically. Enhancements last year allowed seven OMB approved information collections to be conducted electronically. The initiative will continue to reduce burden, as was demonstrated by one collection which had a 3.6 percent reduction in burden (170,000 hours) after being incorporated into the initiative. HUD expects that additional system enhancements during FY 2004 will automate the processing of four more information collections; automation of eight more collections is expected in FY 2005.

eDecs. The U.S. Fish and Wildlife Service's (FWS) Office of Law Enforcement allows submission of electronic declarations and fee payments for import or export of fish and wildlife. Electronic submission began in June 2002, and electronic fee payment (which was enabled by a successful partnership between the FWS and the Department of the Treasury) began in April 2003. Because the system is on the Internet, many filers no longer have to be in the same location as the shipment they are trying to import or export. This remote filing ability greatly reduces the burden on small businesses and, in particular, on researchers returning to the United States, who may file their entry and begin the review process while they are still abroad. The *eDecs* will reduce annual burden hours on the public and decrease the time needed to process forms. Nearly one-third of those required to complete the declaration and pay fees already use *eDecs*, and this percentage is expected to increase.

RCRA Burden Reduction Initiative. The Environmental Protection Agency plans to amend its regulations to significantly reduce the paperwork burden imposed under the Resource Conservation and Recovery Act (RCRA). For example, the rule establishes higher chemical use thresholds for small businesses (facilities below these thresholds would not have to report). EPA wants to ensure that only the information actually needed to run the RCRA program is collected. EPA estimates that the initiative will reduce burden by 929,000 hours and save \$120 million annually. A proposed rule was published in 2002, and public comment was solicited on new burden reduction items in 2003. EPA plans to issue a final rule in June 2004.

New Initiatives:

Standards For Business Practices Of Natural Gas Pipelines. FERC adopted consensus standards of the North American Energy Standards Board for the business and communication practices of interstate pipelines. This will streamline the way pipelines and their customers/shippers receive and send important information. Standardizing business practices will improve the efficiency of the gas market and how the gas industry conducts business across the interstate pipeline grid. These standards provide additional

flexibility to shippers, and improve current practices for conducting business over the Internet. FERC expects the standards, which went into effect July 1, 2003, to reduce burden imposed on natural gas pipelines by over 600,000 hours per year.

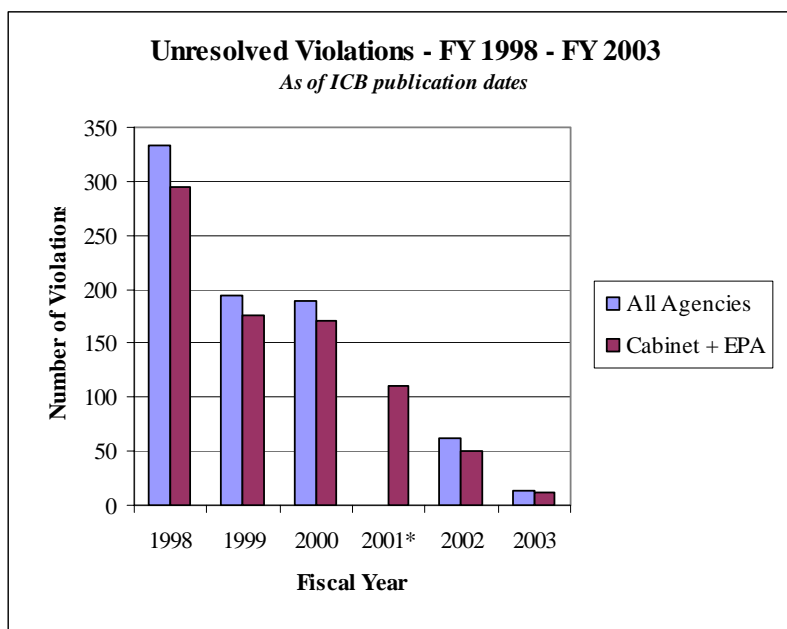
ES-202 Program: Multiple Worksite Report (MWR) and Report of Federal Employment and Wages (RFEW). Using the Department of Labor's Electronic Data Interchange Center, approximately 200 businesses and Federal agencies avoided filing 7,186 paper reports for the second quarter, 2003, or a projected 28,744 total paper reports for the year. This results in an annual burden hour reduction of approximately 10,635 hours for these firms.

That concludes my prepared testimony.

APPENDIX

Appendix A. Number of Paperwork Violations Over Time

In the late 1990's, agencies frequently allowed violations of the PRA to occur: OMB's approval of a continuing collection would lapse without the approval being renewed by the agency. In the fall of 2001, OMB emphasized to the agencies the critical importance of full compliance with the PRA and, in particular, the need to avoid lapses in OMB approval for continuing collections. In last year's ICB, OIRA demonstrated that the number of violations was steadily decreasing between FY 2001 and FY 2002, with just 62 violations outstanding. For FY 2003, OMB worked with agencies to not only reduce the number of violations that occurred in FY 2003, but also to resolve some lingering violations from previous Fiscal Years. As of April 16, 2004, there were just 18 violations remaining on record from FY 2003 and prior Fiscal Years – this is a 71 percent decrease from the FY 2002 ICB. These 18 are either undergoing a 60-day Federal Register notice for public comment (the first step in obtaining authority to collect information under the PRA) or are currently at OMB under the 30-day mandatory review period awaiting approval. The chart below displays the accelerated drop in outstanding PRA violations.



* Only Cabinet agencies and EPA were addressed in the FY 2001 report.

Appendix B. Progress in Regulatory Reform

New Regulations

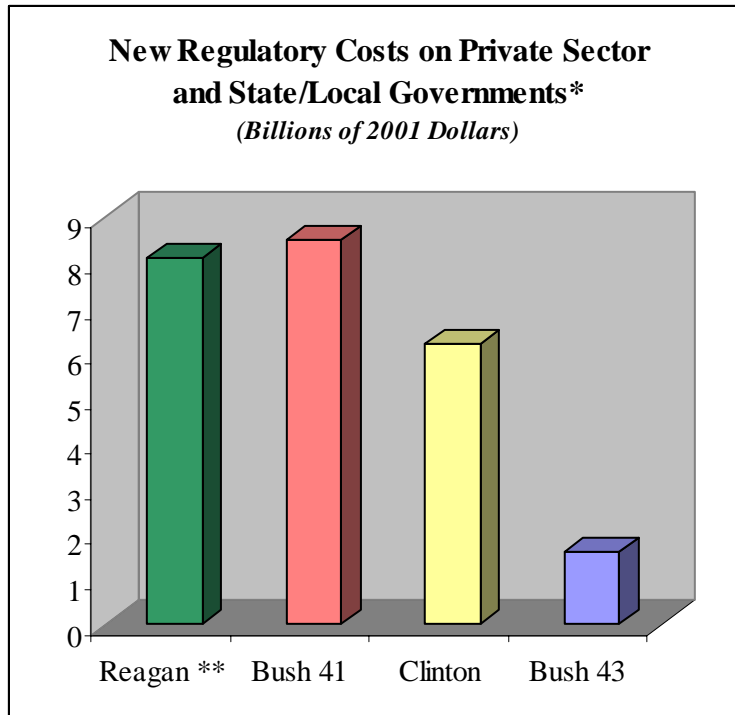
Each year since 1987, OIRA has collected estimates of the new regulatory costs imposed on the economy by major rules (rules over \$100 million) due to actions by Cabinet agencies and EPA that were reviewed by OIRA. Over the 17-year period from 1987 to 2003, these new regulatory costs added a total of \$103.6 billion per year to the total costs of regulation. Included in this \$103.6 billion figure are the major new "unfunded mandates" that impose capital and labor costs on the private sector or State and local governments. (Excluded from the figure are new rules whose costs are reflected in the Federal budget).

A useful way to compare the burdens of new regulatory policy in this Administration is to examine the year-by-year additions to regulatory burden since OIRA began this exercise in 1987. Below are the data presented in two tables: by year and the averages for the last four Administrations.

The Economic Burdens of New Major Rules by Year, 1987-2003

Year	Cost (in billions of 2001 dollars)	Number of rules over \$1 billion
1987	3.6	N/A
1988	12.5	N/A
1989	4.1	N/A
1990	3.8	0
1991	9.7	2
1992	16.3	7
1993	5.1	2
1994	8.7	2
1995	3.5	0
1996	2.6	1
1997	2.4	0
1998	5.4	1
1999	8.4	3
2000	13.1	4
2001	0	0
2002	1.9	0
2003	2.5	1
Total	103.6	23

Notes: From 1997 to 2000, costs are on a regulatory year basis with April 1 of the year listed as the start. Starting in 2002 costs are on a Fiscal Year basis with Oct 1, 2001 the start. (There were no costs April thru Sept 30, 2001).



* Average annual costs over Administrations, from Bush 43 to 9/30/03. Excludes regulation-induced expenditures that are included in the Federal Budget.

** Only the last two years of the Reagan Administration are accounted for in this chart.

Over the full 17-year period, the average increase in regulatory burden from new rules was \$6.1 billion per year. During the first 32 months of this Administration, the comparable figure is an average increase of \$1.6 billion. That means there has been roughly an 80 percent reduction in the growth of major regulatory burdens in the Bush Administration. OIRA staff caution, however, that the fourth year of an Administration is typically the worst from the perspective of regulatory burden. For example, the last year of the Clinton Administration added a whopping \$13 billion in new regulatory burden – and that figure does not include the expensive OSHA ergonomics rule that Congress disapproved at the beginning of this Administration.

An even better measure of new regulatory performance would be net benefits (benefits minus costs to society). However, many major rules lack quantitative benefit information and thus it is difficult to make a similar historical comparison for benefits and net benefits. However, OIRA staff is preparing whatever information on benefits is available and we plan to present that information in the 2004 OMB Report to Congress on the Costs and Benefits of Regulation. For a more complete discussion of 1987-2003 data on the costs of major Federal rules, see the draft 2004 OMB Report to Congress on the Costs and Benefits of Federal Regulation (located at <http://www.whitehouse.gov/omb/>).

Reform of existing regulations

The sea of existing Federal regulations represents a much more difficult challenge since OMB has cleared over 1,000 major new regulations since 1980, when OMB began to keep records. To the best of our knowledge, most of these major rules have never been examined to determine their actual benefits and costs. This Administration has begun a modest effort to modernize existing regulatory programs based on public nominations of promising reforms. Here are some concrete examples of promising reforms that are completed or underway:

- *Rescission of DOT's Outmoded Airline Ticketing Rule.* In January 2004 the Department of Transportation decided to deregulate airline computer reservation systems. DOT concluded that, due to the rise of Internet ticketing and other competitive forces, this entire regulatory program can be phased out. The elimination of these rules could save airline passengers and companies as much as \$1.9 billion per year. A sunset provision that Congress had added to DOT's statutory authority played an important role in this success story in deregulation.
- *The Department of the Interior's Rulemaking Incentives for New Gas Production.* In January 2004 the Department of Interior's Minerals Management Service issued a final rule creating new incentives for natural gas development in hard-to-reach areas of the Gulf of Mexico. This rule will save American consumers an estimated \$570 million per year, create as many as 26,000 new jobs, and help boost our nation's energy production. The rule is structured to avoid any significant adverse environmental impacts while stimulating the development of new sources of clean natural gas.
- *EPA, Effluent Guidelines for Stormwater Runoff from Construction Sites.* In the Spring of 2002, EPA submitted for interagency review a draft proposed rule under the Clean Water Act to set nationwide controls for stormwater runoff, including post-construction runoff, from all construction sites 1 acre or larger. During interagency review, concerns were raised about the proposal's high cost (\$4.1 billion per year) and adverse impacts on small businesses, jobs, affordable housing, and highway construction. Concerns also were raised that the rule could create unintended health and safety risks. The benefits (protecting the ecology of small streams) of the rule did not appear to justify either its high costs or the unprecedented Federal intrusion into local land-use and water resource planning. In its recent final decision, EPA determined that a more effective way to deal with construction-related runoff was to support existing State and local efforts through its existing Phase I and Phase II Stormwater Programs.