

FACT SHEET FOR THE ADMINISTRATION'S PROPOSAL ON STATISTICAL CONFIDENTIALITY AND DATA SHARING

The Council of Economic Advisers has taken the lead in the Administration's proposal (HR 5215) to improve Federal statistical programs.

The Administration's proposal would:

- Authorize the sharing of business data among the Bureau of the Census (Census Bureau), the Bureau of Economic Analysis (BEA), and the Bureau of Labor Statistics (BLS) to improve the accuracy and reliability of economic statistics and to reduce the duplicative paperwork burdens imposed on businesses, and
- Establish a uniform set of statutory protections to ensure the confidentiality of information acquired from the public under a pledge of confidentiality for exclusively statistical purposes, including tough criminal and civil penalties for inappropriate disclosure.

The broad principles of these reforms were outlined in the *FY2002 Statistical Programs of the United States Government*, the President's *FY2003 Budget of the United States Government*, and in the *2002 Economic Report of the President*.

The proposal delivers improvements without additional budget costs by targeting existing statutory impediments to efficient management—cleaning up statutory impediments is a centerpiece of the Administration's Freedom to Manage initiative:

- Statutory provisions that restrict the sharing of confidential statistical information prevent the Census Bureau, BEA, and BLS from producing the highest quality statistics. Enhanced data sharing would allow these agencies to resolve existing and growing data anomalies in important measures such as labor productivity, industrial activity, and the National Income and Product Accounts. Better economic statistics will lead to better public and private decision making.
- Different statutory disclosure rules for confidential statistical information across Federal agencies raise concerns about the Federal Government's ability to provide clear and consistent safeguards for confidential information provided by the public. One high and consistent minimum standard should be established and applied to all statistical information.

The Administration looks forward to working with Congress on enactment of this proposal so that the American public can start benefiting from higher quality economic statistics for public and private decision-making, greater Federal Government efficiency, and increased protection of confidential statistical information.

TWO KEY PARTS OF THE ADMINISTRATION'S PROPOSAL

1. Improving the Efficiency of Federal Statistical Programs and the Quality of Economic Statistics through Enhanced Data Sharing

The sharing of data among the Census Bureau, BEA, and BLS will facilitate joint statistical projects to improve the quality and reduce the burden and cost of statistical programs. The sharing of business data among the Census Bureau, BEA, and BLS is limited to uses for exclusively statistical purposes. Household and demographic data will not be part of the data sharing proposal.

Written agreements will specify the business data to be shared; the statistical purposes for which the business data are to be used; and the appropriate security procedures to safeguard the confidentiality of the business data.

Key Benefits of Enhanced Data Sharing

Improved Quality of the Nation's Economic Statistics

Enhanced data sharing will improve the ability of the Census Bureau, BEA, and BLS to track rapidly changing trends in the U.S. economy. In particular, the Administration's proposal will allow these agencies to:

- 1) improve employment, price, and shipment data by better classifying establishments in appropriate industries;
 - A limited research study compared the Census Bureau's and BLS's business lists for 1994 and found that 30 percent of the same single-establishment firms had been assigned different industry codes at the 4-digit Standard Industrial Classification (SIC) level. Industry analyses that rely on employment or price survey data from BLS and shipments survey data from the Census Bureau may well provide unreliable characterizations of changes in real output and productivity for particular industries. Moreover, as the economy changes it is expected that this discrepancy will worsen.
- 2) increase accuracy and resolve data anomalies;
 - At the end of 2001, the statistical discrepancy (the difference between the National Income and Product Accounts) was historically high, approaching 2 percent of GDP. The discrepancy distorts our readings of such critical indicators as output and productivity growth. Data sharing would allow more accurate measures of industry output and compensation trends that could help reduce the statistical discrepancy.
- 3) keep abreast of our dynamic economy by producing statistical samples that are consistently adjusted for the entry and exit of new businesses in a timely manner and correcting reporting of errors quickly and efficiently
 - BLS-based payroll data in the information technology sector was 13 percent higher than the payroll as reported by the Census Bureau for that same industry in

the last economic census year of 1997. Similar differences exist in other industries. With data sharing, the Census Bureau could collect more accurate information on multi-location business establishments to update sampling frames and classify plants by using quarterly BLS data on local operations of these companies. Data sharing would also allow the Census Bureau to improve the coverage and accuracy of existing surveys.

Increased Efficiency of Federal Statistical Programs

Federal statistical agencies sometimes conduct separate collections of information from the public on similar subjects. This occurs when multiple agencies have a critical need for such information but are prohibited by law from sharing it. Data sharing would provide new opportunities for the agencies to coordinate their efforts by integrating or eliminating duplicative collections of information. Reducing reporting burdens and providing greater assurances of confidentiality will raise the likelihood that businesses will respond to surveys, and therefore lead to more accurate descriptions of the economy.

2. Strengthening Safeguards to Protect Confidential Statistical Information Provided by the Public to the Federal Government

Requiring All Federal Agencies to Ensure a Consistent and High Minimum Standard of Protection for the Public's Confidential Statistical Information

Individuals, businesses, and other organizations currently have varying degrees of statutory protection for confidential statistical information that they provide to the Federal Government. The Administration proposal would apply clear and uniform statutory restrictions on the use of confidential statistical information. In particular, information about individuals or organizations acquired for exclusively statistical purposes and under a pledge of confidentiality could only be used for statistical purposes.

Strengthening Safeguards by Imposing Tough Statutory Disclosure Penalties

Currently, Federal agencies face different penalties for unauthorized disclosure of confidential statistical information. The Administration proposal provides consistent, tough penalties for unauthorized disclosure of confidential statistical information provided to the government. The proposal does not diminish or restrict the applicability of harsher penalties that already exist in the law for unauthorized disclosure.

Building on a Strong Record of Protecting Confidentiality

Consistent and uniform minimum statutory penalties not only provide incentives that protect confidentiality but also should boost the public's confidence in Federal statistical programs and the Federal Government. The Administration proposal would raise the likelihood that the statistical agencies' strong record of safeguarding confidential statistical information will not be tarnished.

Summary

The Administration proposal would strengthen protection of the public's confidential information, raise the quality and usefulness of the Nation's Federal economic statistics, boost efficiency of the Federal statistical system, and reduce reporting burdens of the public. This initiative contributes significantly to the Administration's goal of better management of the Federal Government.