



## Rockefeller Institute Policy Brief

### REBUILDING THE GOVERNMENT STATISTICS INFRASTRUCTURE

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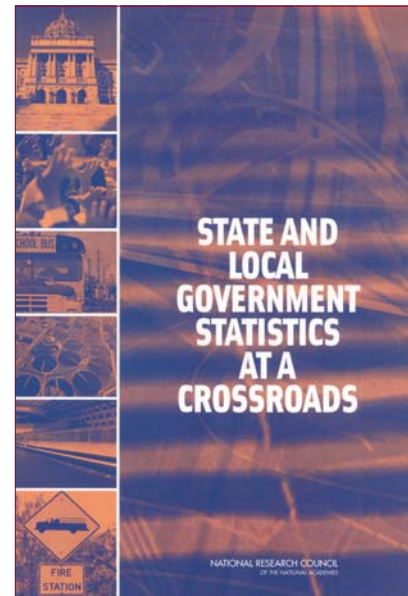
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*Robust statistical systems produce products that are important to understanding the changing state of the economy and to formulating sound policy. But statistical systems, like physical infrastructures, become obsolete or depreciate with time if they are not maintained.*

*Economic Report of the President, February 2008*

In January 2006, the Committee on National Statistics of the National Academies initiated the first-ever external review of the work of the Governments Division of the U.S. Census Bureau (see Appendix Chart 1). After more than one and a half years of hearings, investigations, and deliberations, the interdisciplinary eight-member panel (see Appendix Chart 2) issued its findings under what we hoped would be a provocative and compelling title: *State and Local Government Statistics at a Crossroads*.

One path for the Census Bureau, we concluded, would be to continue to cut back on the quantity and quality of data on state and local governments. The other path would entailed planning for improvements in survey efficiency; building the user base; enhancing the timeliness, relevance, and quality of data; and adding back valuable explanatory material and other assistance to users of Governments Division products. As between these two paths,



The author thanks her fellow panel members, Census Bureau management and staff, and the project team at the National Academies for their helpful comments on this summary and for their ongoing contributions to improving state and local government statistics. The report is available on the website of the National Academies Press: [http://www.nap.edu/catalog.php?record\\_id=12000](http://www.nap.edu/catalog.php?record_id=12000).

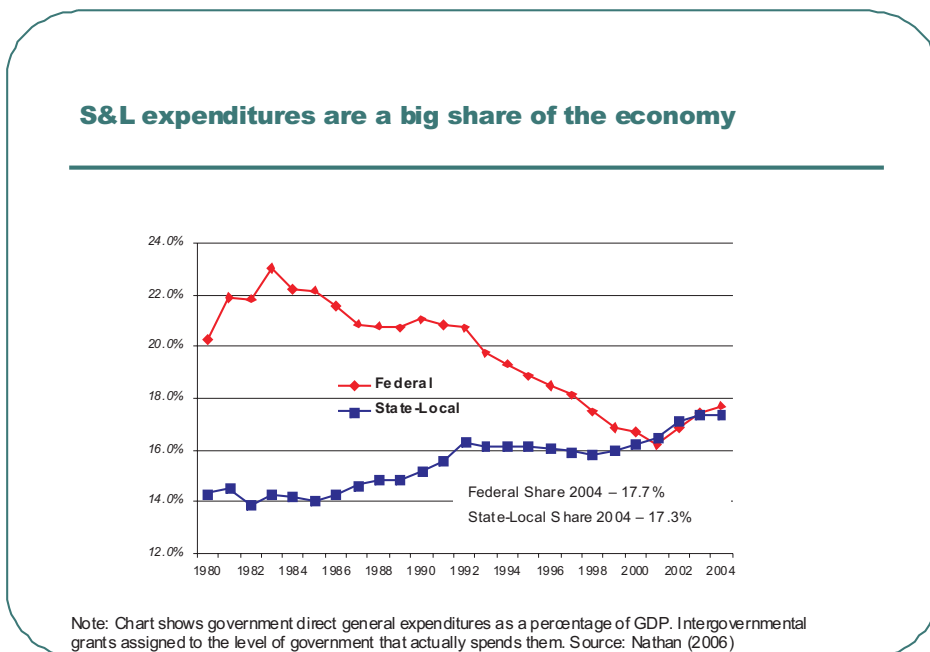
our panel “strongly support[ed the second path,] moving forward in a positive direction, which [would] require the unstinting support of senior Census Bureau management.”

Throughout our lengthy discussions, members of the committee struggled with how to reconcile competing objectives. On the one hand, we wanted our work to result in improved information on state and local government activities. On the other hand, we knew we needed to heed Census officials’ warnings that counting on budgetary largesse for federal statistical programs was a nonstarter. In the end, we called for the Census Bureau to develop a two-track strategic plan. This new approach would prioritize the steps that Census Bureau management would undertake if its resources continued to be constrained, or if, instead, it saw opportunities to develop its programs. We argued that deliberate planning for both eventualities would represent an improvement over what struck us as a history of reactive responses

## The Importance of State and Local Government Statistics

Under the decentralization that is the hallmark of U.S. fiscal federalism, state and local governments control large amounts of spending. As of 2004, direct general expenditures of states and localities amounted to 17.3 percent of U.S. GDP — nearly as much as the expenditures determined by our national government (see chart). Furthermore, these governments are large players in financial markets. In 2006, pension plans sponsored by states and localities controlled \$3.0 trillion in assets, or 22 percent of the sum of total assets in U.S. employer-sponsored retirement plans and individual retirement accounts.

Along with their aggregate importance in the U.S. economy, state and local governments are amazingly diverse in their focus and priorities. These jurisdictions and their residents require accurate information to allow them to benchmark their performance and, possibly, to readjust their spending and financing decisions.



The Census Bureau is responsible for a variety of statistical products that are vital for tracking the activities of these governments. Its Governments Division maintains the official list of governmental units in the United States, which now number in excess of 87,000! Every five years, the agency conducts censuses of these governments to obtain detailed information on their finances and employment. Gathering these data is especially challenging because, unlike the censuses of the U.S. population or private-sector firms, the quinquennial censuses neither obligate the polled governments to respond nor offer confidentiality. The Census Bureau also conducts various annual and quarterly surveys of state and local governments in order to inform private- and public-sector decisions that must be made on a relatively frequent and timely basis.

In the course of its work, our panel heard from a wide array of users of the Census Bureau’s Governments Division data, including federal agencies, public interest groups, and academic researchers. Regardless of their differing needs, these users broadly agreed that the Census Bureau statistics represent the gold standard for state and local data. They view the Governments Division data as authoritative and valuable because of their unsurpassed consistency over time and across governments, and because of their carefully specified standards and definitions for classifying governments and governmental activities. While data users rely on supplemental sources to round out their understanding of particular facets of state and local government sector activities, they clearly see the Census Bureau as providing the essential core information.

### **R&D Priorities**

The Census Bureau’s Governments Division data serve two main communities. Bodies such as the Bureau of Economic Analysis and the Federal Reserve Board use aggregate time-series statistics on the state and local government sector. Other users are more interested in data on individual governments, which they use to prepare research, policy analysis, and comparative rankings. Our

#### **Big and Growing share of pension plan assets**

TABLE I. RETIREMENT PLAN ASSETS, 2006

Pension sponsor	Assets (trillions)	Percent of total
State and local governments	\$3.0	22%
Federal government	1.1	8
Private sector	5.5	40
Defined benefit	2.2	16
Defined contribution	3.3	24
IRAs	4.2	30
Total	13.8	100

Source: U.S. Board of Governors of the Federal Reserve System (2007).

panel concluded that both groups can benefit when the full range of needs is considered in establishing priorities. Moreover, we found that the two groups of users agree that improving the timeliness of the data on state and local government activities should be the Census Bureau's top priority. In this regard, we recommended that the Governments Division give high priority to a program of research on the benefits and costs of adopting earlier release procedures for the annual finance survey and its other surveys, for example, by using such methods as releasing preliminary estimates or releasing data as they are compiled.

Another key recommendation is that the Census Bureau should assure continuity in basic time series. In 2001 and 2003, the Census Bureau reacted to temporary funding pressures by reducing sample sizes for its surveys on government finances and employment. The sample sizes were adequate in terms of producing statistics on the state and local government sector as a whole, but their limited size seriously undermined the ability of users of microdata to make consistent comparisons over time and across jurisdictions. These gaps in time series were particularly unfortunate because they limited analysts' understanding of how state and local governments responded to the fiscal stresses of the early 2000s.

Both groups of users, those who use macrodata and those who use microdata, offered worthwhile suggestions for improvements in the detail provided and in the classification structure of the data. In the end, our panel was unable to make specific recommendations on which of these proposals merited particular attention. We hoped, however, that by presenting these various ideas, we would be guiding the Governments Division toward developing a coherent framework for considering such innovations. Another particularly tough set of issues concerned the collection of data on taxable property values, which the Governments Division had discontinued in 1992 despite the strong and principled objection of the National Tax Association. Our panel recommended that the Governments Division explore conceptually sound and cost-effective means of collecting these data, either in conjunction with or independent from the Census of Governments.

## **What Next?**

Having worked diligently and productively in identifying research and development priorities for the Governments Division, the members of our panel are eager to see our report have a positive impact. We are on the lookout for signs that the Bureau is making progress on our long list of specific tasks concerning data quality, statistical methodology, and outreach. Already, we have seen progress on a number of fronts.

The Governments Division has started a major program of reengineering its surveys with a goal of implementing all the changes by the 2012 Census of Governments. This effort will likely touch upon many of the panel's recommendations concerning improvements in timing, data design and accuracy, and the availability of information on survey nonresponse. Already, the Census Bureau is making progress in releasing survey results on a timelier basis. For example, Census provided preliminary finance data for eighteen state governments six weeks before releasing the entire data set for 2006, which itself was the shortest completion time for this data set in about 15 years.

The Governments Division is actively expanding and institutionalizing its contacts with outside experts. After the National Academies report was issued, the Financial Accounting Foundation granted the Census Bureau a permanent seat on the Governmental Accounting Standards Board,

**Panel's Conclusion and Recommendation:  
Census Bureau's Governments Division is at a Crossroads**

- One path: Continue to cut back on data series
- The other path - Plan for ways to do the following:
  - Improve survey efficiency
  - Build user base
  - Enhance timeliness, relevance, and quality of data series
  - Add back valuable explanatory material and other assistance to users
- “The panel strongly supports moving forward in a positive direction, which will require the unstinting support of senior Census Bureau management.”
- Best approach is to develop a two-track strategic plan:
  - #1 Reactions to environment of constrained resources
  - #2 Opportunities for development

thereby providing Census with regular channels of communication with the GASB staff and the other 29 groups that are involved with setting government accounting standards. The Census Bureau has also opened discussions about establishing an expert committee to provide ongoing commentary about the Governments Division's programs, under the auspices of a consortium that might consist of the American Society for Public Administration, the National Academy of Public Administration, and some Washington-area universities. In addition, Census Bureau staff are proposing a session for the 2009 annual meeting of the American Statistical Association in order to both boost the visibility of its governments data and provide research into some additional statistical issues raised in the National Academies report.

Federal agencies responsible for developing and maintaining statistical systems face competing demands on their limited resources. In this environment, it is important for public policy decision makers and analysts at all levels — as well as members of the general public — to make their voices heard concerning the recommendations of the National Academies review board on government-sector statistics.

## Appendix Chart 1

**Panel Mission and Work:**  
**Recommend “R&D priorities” for Census Bureau’s  
Governments Division**

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- Governments Division products:
  - official list of governmental units (87,000+ separate governments in U.S., varied and interrelated)
  - quinquennial censuses of finances and employment of governments (voluntary compliance, no confidentiality)
  - various annual and quarterly surveys
- First-ever external review
  - Other parts of Census have gotten more attention
  - Scope did not include contract work for other agencies

## Appendix Chart 2

**Panel Mission and Work:**  
**Members**

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- RICHARD NATHAN (*Chair*), Nelson A. Rockefeller Institute of Government, Albany, New York
- JOHN L. CZAJKA, Mathematica Policy Research, Inc., Washington, DC
- JOHN L. KNAPP, Business and Economics Section, Weldon Cooper Center for Public Service, University of Virginia
- YOLANDA K. KODRZYCKI, Federal Reserve Bank of Boston
- DAVID A. MARKER, Westat, Inc., Rockville, Maryland
- DAVID YOUNG MILLER, Graduate School of Public and International Affairs, University of Pittsburgh
- ROBERT PARKER, Consultant and Bureau of Economic Analysis and Government Accountability Office (Retired), Washington, DC
- ROBERT P. STRAUSS, H. John Heinz III School of Public Policy and Management, Carnegie Mellon University