Abstract - This article provides an unofficial summary of the findings and recommendations of the Panel on Research and Development Priorities for the U.S. Census Bureau’s State and Local Government Statistics Program. The panel was convened by the Committee on National Statistics of the National Research Council, one of the four organizations that comprise the National Academies. The author served as a member of this panel.

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.


INTRODUCTION

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. After more than one and a half years of hearings, investigations, and deliberations, the interdisciplinary eight-member panel issued its findings under what it hoped would be a provocative and compelling title: State and Local Government Statistics at a Crossroads.2

1 In addition to the author, the panel consisted of the following members: Richard Nathan (Chair), Rockefeller Institute of Government; John L. Czajka, Mathematica Policy Research, Inc.; John L. Knapp, Business and Economics Section, Weldon Cooper Center for Public Service; David A. Marker, Westat, Inc.; David Young Miller, Graduate School of Public and International Affairs, University of Pittsburgh; Robert Parker, Consultant (Retired from Bureau of Economic Analysis and Government Accountability Office); and Robert P. Strauss, H. John Heinz III School of Public Policy and Management, Carnegie Mellon University.

One path for the Census Bureau, the panel concluded, would be to cut back further on the quantity and quality of data on state and local governments. As documented in the report, various curtailments have occurred since the 1988 demise of General Revenue Sharing, which had required the Governments Division to collect data on state and local taxes in order to determine allocations of federal funds to subnational governments. The other path would entail 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 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 their lengthy discussions, members of the committee struggled with how to reconcile competing objectives. On the one hand, panel members wanted their work to result in improved information on state and local government activities. On the other hand, they needed to heed Census officials’ warnings that counting on budgetary largesse for federal statistical programs was a nonstarter. In the end, the panel 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. The report argued that deliberate planning would represent an improvement over what struck panel members as a history of reactive responses. Moreover, the document called on Census Bureau leadership to make available the resources needed to begin implementing one or two aspects of the plans for improved information on state and local governments.

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 GDP—nearly as much as the expenditures determined by the national government (Figure 1). 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 total assets in U.S. employer–sponsored retirement plans plus individual retirement accounts (Figure 2).

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 adjust 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 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 case of 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
Figure 1. Government Direct General Expenditures as a Percentage of GDP, by Level of Government, FY 1980–2004

Note: Intergovernmental grants assigned to the level of government that actually spends them.

Figure 2. Composition of Retirement Plan Assets by Pension Sponsor, 2006

<table>
<thead>
<tr>
<th>Pension Sponsor</th>
<th>Assets (trillions)</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State and local governments</td>
<td>$3.0</td>
<td>22</td>
</tr>
<tr>
<td>Federal government</td>
<td>$1.1</td>
<td>8</td>
</tr>
<tr>
<td>Private sector</td>
<td>$5.5</td>
<td>40</td>
</tr>
<tr>
<td>Defined benefit</td>
<td>$2.2</td>
<td>16</td>
</tr>
<tr>
<td>Defined contribution</td>
<td>$3.3</td>
<td>24</td>
</tr>
<tr>
<td>IRAs</td>
<td>$4.2</td>
<td>30</td>
</tr>
</tbody>
</table>

and local governments in order to inform private– and public–sector decisions that must be made on a relatively frequent and timely basis.\(^3\)

In the course of its work, the 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 were in broad agreement that the Census Bureau statistics represent the gold standard for state and local data (see Conclusion 3–2 in list of key findings and recommendations in Figure 3). 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. The panel concluded that both groups can benefit when the full range of needs is considered in establishing priorities (Conclusion 3–3). Moreover, it 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 (Conclusion 3–4). In this regard, the panel 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 other surveys, for example, by using such methods as releasing preliminary estimates or releasing data as they are compiled (Recommendation 5–1).

Another key recommendation is that the Census Bureau should assure continuity in basic time series (Recommendation 3–2). 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.

In general, the advisory group urged the Census Bureau to provide further information to users about the accuracy of its statistics. Not only does this represent “best practice” for any statistical agency issuing survey data, but it is particularly important in considering changes in sample size or sample design (Recommendation 4–1). The panel also encouraged the

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\(^3\) In addition to the programs funded in the annual and periodic budgets of the Census Bureau, the Governments Division obtains funding from other government agencies through so–called reimbursable programs. These programs are projects for which the Government Division acts as a contractor to conduct survey work. Major sponsors of reimbursable surveys include the National Center for Education Statistics, the Bureau of Justice Statistics, and the Office of Management and Budget. The National Academies panel was not charged with reviewing reimbursable programs.
Figure 3. Selected Key Conclusions and Recommendations

**Conclusion 3–2:** Virtually all users of the Census Bureau’s Governments Division data, including federal agencies, public interest groups, and academic researchers, view the data as authoritative and valuable because of the unsurpassed consistency of the data over time and across governments and the use of carefully specified standards and definitions for classifying governments and governmental activities.

**Conclusion 3–3:** The Census Bureau’s Governments Division data serve two main communities: users of aggregate estimates (macrodata) for key economic time series, which include the federal agencies that produce these time series, primarily the Bureau of Economic Analysis and the Federal Reserve Board, and users of data for individual state and local governments (microdata) for research, policy analysis, and comparative rankings. While these two groups of users differ in some respects in their views of priority needs from the division, both groups benefit when the full range of needs is considered in establishing priorities.

**Conclusion 3–4:** Users are in broad agreement about priority improvements they would like made in the Census Bureau’s Governments Division data on state and local government finances and employment. Improving the timeliness of the data is of the highest importance, followed closely by improvements in the detail provided and in the classification structure and avoidance of gaps in time series.

**Recommendation 5–1:** The Governments Division should give high priority to a program of research on the benefits and costs of adopting earlier release procedures for the annual finance survey and other surveys by such methods as releasing preliminary estimates or releasing estimates as they are compiled. The research should include evaluation of the ability of preliminary releases to replicate prior–year data and analysis of preliminary–to–final differences attained by using different estimation techniques.

**Recommendation 3–2:** The Governments Division should give priority to maintaining basic time series on state and local government finances and employment. It should avoid gaps and interruptions in basic time series, which undermine the ability of users to make consistent comparisons over time and across jurisdictions. When new or modified content is introduced, the division should use such methods as overlapping series or bridges between new and old series to assist users in making the transition.

**Recommendation 4–1:** With respect to future modifications of its methodologies, the Governments Division should conduct research to determine the effects of any redesigns of its surveys or changes in sample sizes on the accuracy of the data, especially the accuracy of measures of change. The division should provide information to users, including standard errors and confidence intervals, to help them assess the effects of redesigns and changes in sample sizes on the accuracy and usefulness of time series.

**Recommendation 5–3:** The Governments Division should add value to the data that are released on its website by providing simple derived measures, such as per capita expenditures and taxes, more explanatory material, and comparative contextual analyses—for example, of trends by type of government and region. The division should also facilitate wider dissemination of its data by regularly issuing press releases that include statistical comparisons with previous data.

**Recommendation 3–4:** In view of the importance of consistent, comparable, objective data on property tax valuation and other features of property taxation by state and local governments, the Governments Division should carry out a program of research and testing to explore conceptually sound and cost–effective means of collecting these data in conjunction with, or independent from, the Census of Governments.
Bureau to aid users by providing simple analyses of its data on governments via its website (Recommendation 5–3). For example, discussions of trends by type of government or by region of the country would alert analysts and policymakers as to important findings on the activities of state and local governments.

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, the panel was unable to make specific recommendations on which of these proposals merited particular attention. It hoped, however, that presenting these various ideas in the report would guide 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 on the part of the National Tax Association. The panel recommended that the Governments Division explore conceptually sound and cost-effective means of collecting these data, either in conjunction with its quinquennial censuses (its past practice) or via a new survey instrument (Recommendation 3–4).

WHAT NEXT?

The Census Bureau is in the process of reforming various aspects of its operations related to state and local government statistics. Some of the changes are in direct response to the National Academies report. Other changes were already in train prior to the report’s publication, but are nevertheless consistent with its recommendations.

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 18 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 (GASB), 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 also has 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 panel on government–sector statistics.

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