

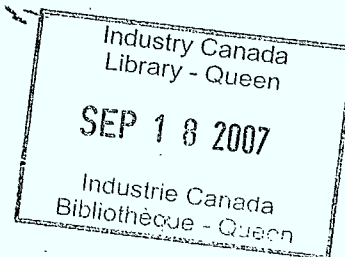
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SMALL BUSINESS PAPERBURDEN REDUCTION

GOVERNMENT-WIDE FEASIBILITY STUDY

Entrepreneurship and Small Business Office

Industry, Science and Technology Canada

January, 1991

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SMALL BUSINESS PAPERBURDEN REDUCTION GOVERNMENT-WIDE FEASIBILITY STUDY

1.0. EXECUTIVE SUMMARY

As directed by Cabinet, departments conducted feasibility studies to assist in the development of new policy recommendations concerning paperwork reduction for small business. This paper provides the results of those studies and also incorporates the departments' 1990-91 small business paperwork reduction plans.

The highlights of the report are:

- Generally, departments have made good progress on addressing specific paperburden problems under the existing system. Real progress has been made and several departments have made very significant improvements.
- Overall, it is anticipated that the government will significantly increase paperburden on the private sector over the next 2-3 years, largely as result of GST, pension reform, and possible increases in StatsCan survey activity necessitated by elimination of certain data from taxation filings.
- Departments believe that it would be unrealistic for the government to maintain its current policy objective of reducing paperburden for small business. Departments favour an objective of "minimizing increases".
- The initial cost of implementing all the proposals including a paperburden budget system is estimated at \$65M; annual operating costs are estimated at \$YM. With the performance monitoring system, annual operating costs would drop to \$YM. This estimate does not include the cost of establishing core departmental inventories of information holdings, as required by the Treasury Board policy on Management of Information Holdings (MGIH).
- In general, departments believe that implementation of the proposals would result in little or no tangible benefits for small business.
- Given the resource constraints faced by the government, the cost of the proposals, and the projected small pay-off for the private sector, departments generally oppose the recommendations and do not propose to initiate action on any of them under their 1990-91 Small Business Paperwork Reduction plans.

2.0 INTRODUCTION

2.1 BACKGROUND

In 1985, federal, provincial, and territorial governments conducted joint studies in all jurisdictions to identify specific small business paperwork problems. The studies concluded that paperwork was perceived to be a major problem by small businesses and that the federal government was responsible for 70 to 75 percent of the problems.

In May, 1987, the government, affirming its commitment to control and reduce paperburden for small businesses, announced an action plan which included an annual government-wide paperwork reduction program and a Small Business Advisory Committee on Paperwork Reduction, comprised of representatives from the small business community, to advise the Minister of State (Small Businesses and Tourism) on paperburden problems.

Several departments achieved significant reductions in paperwork for small business under the first (1987-90) annual plans, in many cases accomplishing more than they were asked to do. However, improvements in some areas during the first years of the Small Business Paperburden Reduction program were counterbalanced by new government initiatives which entailed significant additional paperwork requirements on small businesses. On balance, it was not clear that the government had achieved, or could achieve, overall reduction of paperburden on small businesses.

Although questions were raised as to whether the government could, in fact, actually produce an overall reduction in paperwork, expectations of the small business community did not diminish. The Small Business Advisory Committee established by Cabinet was generally pleased with the progress made by departments, but called on the government to intensify its paperburden reduction efforts and achieve an annual net overall reduction through adoption of improved information management practices.

In March 1988, the Advisory Committee submitted a report to the Minister of State (Small Businesses and Tourism) recommending that the government commit to achieving a measurable net reduction in paperburden on small business through adoption of strengthened information management practices.

The Committee recommended that the government implement the following arrangements to improve existing, and institute new, information management practices to monitor information demands on small business and ensure that the burden is reduced:

- a) prepare an inventory of the information demands they place on the private sector (through forms and surveys);
- b) estimate the total burden imposed by these existing demands;
- c) tighten senior management control over new information demands, estimating any increases to the existing burden;

- d) ensure periodic review by senior management of ongoing information demands, estimating increases or decreases to the existing burden; and
- e) monitor all reductions and additions, providing Cabinet with annual progress reports on achievement of the net reduction objective as part of the annual Small Business Paperwork Reduction Plan.

The information management measures and systems proposed by the Advisory Committee were founded on basic requirements contained in the Treasury Board Administrative Policy Guideline on Management of Government Information Holdings, approved in April 1989. Under the Treasury Board Policy, federal institutions are required to maintain comprehensive inventories of information holdings, institute improved planning and control measures for information collection, and ensure periodic review of information holdings and collections.

There were several key limitations in the proposals advanced by the Advisory Committee. First, it was clear that the improved information management procedures proposed by the Advisory Committee would require some additional resources or re-allocation of existing resources by departments and agencies. The amount of the resources required to carry out the new arrangements, however, was not known.

Second, the Committee's proposals did not fully address the system requirements that would be necessary on a government-wide basis to achieve a policy objective of net reduction. This requirement could entail a form of "budgeting" system under which annual reduction targets would be established for departments, and/or for the government as a whole. (In the alternative, the system might simply be established as a monitoring mechanism, operating on the assumption that if improvements in information management practices are implemented by departments, a net reduction in paperburden would result.)

Third, the Committee's proposals did not address paperburden imposed on the private sector through records retention requirements (i.e. provisions in federal statutes and regulations which require the private sector to create and/or maintain records for specified periods of time). These types of provisions represent a significant source of paperburden for business and, potentially, an important area in which reductions might be achieved.

Finally, the Committee's proposals did not address the implications of limiting the focus of the proposed new systems to paperburden imposed on small business. Small businesses are, on the whole, less able to cope with paperwork requirements than medium and large-size firms. Departments, however, have difficulty estimating private sector compliance costs generally and could have great difficulty distinguishing such costs by size of firm.

After reviewing the report and receiving advice from the Entrepreneurship and Small Business Office (ESBO), the Minister of State (Small Business and Tourism) met with the Committee in the spring of 1988 and advised them that, in general, he agreed with and accepted their proposals. He told the Committee that, while

some of the specific recommendations might not be achievable, he would attempt to obtain the support and agreement of his Cabinet colleagues to institute the required systems. He further advised the Committee, however, that due to the comprehensive nature and potential cost of the proposed arrangements, Cabinet approval would be required.

Subsequently, the Minister wrote to ministers whose departments participate in the existing small business paperwork reduction program, asking for their comments on the proposals. In general, the reactions supported the concept of net reduction, but ministers insisted that the practicality and cost of the Committee's proposals be addressed in any Cabinet submission.

In February, 1990, Cabinet reviewed the status of the small business paperwork reduction efforts generally and directed that the existing program be continued pending a fundamental re-examination of the current policy and approach. Departments covered by the existing Small Business Paperwork Reduction Program were to carry out feasibility studies assessing:

- a) the progress to date under the small business paperwork reduction program;
- b) the potential for further reductions and anticipated increases in paperburden;
- c) the feasibility and implications of adopting net reduction, maintenance at current levels, or minimization of increases as the policy objective for the small business paperburden reduction program; and
- d) the feasibility and implications of extending the existing paperwork reduction program by implementing improved information management practices generally within the government to measure, monitor, and control paperburden imposed on small business, as proposed by the Advisory Committee.

The existing (problem-oriented) program was continued pending completion of the studies, as was the Small Business Advisory Committee on Paperwork Reduction. Departments were also directed to proceed with preparation of their 1990-91 Paperwork Reduction Plans.

The feasibility study was carried out on a joint and coordinated basis by the Entrepreneurship and Small Business Office (ISTC), Statistics Canada, Treasury Board Secretariat, the Regulatory Affairs Branch of the Office of Privatization and Regulatory Affairs, and 9 departments which participate in the existing small business paperwork reduction program.

The Cabinet decision directed that the Minister of State, through ESBO, coordinate and help facilitate the required individual departmental studies, prepare a report on the government-wide planning, monitoring and reporting elements of any system, and carry primary responsibility for preparing the comprehensive report to Cabinet on the matter including recommendations concerning an appropriate

policy objective for the program. Participating departments assessed the feasibility and potential impact of the proposals within their own departments.

As a supplement to the departmental feasibility studies, ESBO prepared a report outlining and assessing options for establishing and operating a government-wide system for planning and allocating governmental/departamental paperwork reduction targets, monitoring departmental performance through reporting systems, audit requirements, possible reporting arrangements (e.g. through StatsCan information collection clearance system), linkages with annual paperwork reduction plans, phasing and timing for implementation of new system requirements in departments and across the government, etc.

This report provides a compilation of the individual departmental studies and the departmental 1990-91 Paperburden Reduction plans.

3.0 ACHIEVEMENTS TO DATE UNDER EXISTING PROGRAM

Most departments have made good progress in addressing specific problem areas which result in unnecessary paperwork for small business. Statistics Canada, in particular, has made very significant reductions through use of data derived from taxation records.

The achievements reported by departments are presented in Annex A.

4.0 1990-91 WORKPLANS

Participating departments have developed extensive plans for continuing work under the existing small business paperwork reduction program during the 1990-91 fiscal year. In many cases, the work to be undertaken represents a continuation of multi-year initiatives commenced in previous years.

The 1990-91 Small Business Paperwork Reduction workplans developed by participating departments are set out in Annex B.

5.0 PROJECTED CHANGES IN PAPERBURDEN

As noted above, it was important for ministers to be given a realistic assessment of the changes that can be expected in paperburden on small business over the next few years. If ministers wanted a very accurate prediction of the magnitude of any reduction or increase, departments would, as part of the feasibility study, have to prepare a complete inventory of sources of paperburden, estimate the burden arising from those sources, and estimate the changes to this base resulting from future initiatives. This would have amounted to implementation of a major part of the Advisory Committee's recommendations in the course of the feasibility study.

A more manageable approach was for departments to qualitatively assess possible changes in paperburden arising from initiatives over the next few years and advise ministers generally whether a net increase, decrease, or maintenance at current levels might be expected. This approach was, of course, less precise. The lack of quantification made it difficult to aggregate the information prepared by departments and assess the potential changes in small business paperburden from a government-wide perspective.

A second problem arose in distinguishing between paperwork affecting small business versus that affecting the private sector generally. Although the focus of concern should have been on small business only, it would have been difficult for departments to distinguish impact to this degree and would have significantly increased the cost, and time required to complete the feasibility studies. Accordingly, departments were asked not to attempt to distinguish impact on businesses of different size.

The departmental feasibility study results show that, on balance, there is likely to be a significant increase in the paperburden imposed on small business. While many departments reported little or no change, the overall increases will come from initiatives such as GST, pension reform, and employment equity. StatsCan reported that it may have to considerably increase paperburden through surveys because the required information is no longer being collected by Revenue Canada through its filing requirements.

6.0 VIEWS ON PROGRAM OBJECTIVE

All departments believe that it would be unrealistic for the government to maintain its current policy objective of reducing paperburden for small business. Departments favour an objective of "minimizing increases". One department (ISTC) suggested that a dual objective might be adopted: reduce existing paperwork requirements and minimize future requirements.

7.0 ASSESSMENT OF ADVISORY COMMITTEE PROPOSALS

This section provides an overview and consolidation of the departmental submissions with respect to the costing of the proposals for paperburden reduction suggested by the Advisory Council. The specific initiatives examined by departments were:

- development of a "costed inventories" of departmental information holdings (i.e. inventories that include estimates of the paperburden attributable to each form or survey);
- strengthened approvals processes for new information collection initiatives;
- strengthened approvals processes for new records retention requirements;
- periodic review of information collection activities;

- periodic review of records retention requirements;
- a "paperburden budget system"; and
- a "performance monitoring system" for tracking and reporting on additions and deletions to paperburden on an annual basis.

7.1 COSTING STUDY DESIGN AND METHODOLOGY

Consistency in measuring the implications of each proposal across departments was critical to the success of the feasibility study. ESBO, therefore, provided departments with a common set of paperburden costing assumptions, suggestions for conducting and documenting their internal studies, and information on the measures they would be required to implement as a consequence of the Treasury Board Administrative Guidelines on Management of Government Information Holdings. The object in preparing this material was to assist departments and facilitate the task of analyzing and compiling the results of the various departmental studies into an overall feasibility study.

More specifically, departments received:

- 1) A document providing background information about the small business paperwork reduction program, the proposals of the Advisory Committee, the Cabinet decision authorizing the feasibility study, and the overall approach to be adopted for the studies;
- 3) Detailed costing worksheets for each information management proposal providing information on the proposal and on relevant existing federal administrative policy requirements;
- 4) Guides outlining how each proposal might operate, proposing a suggested methodology for assessing the cost of the proposal, and providing benchmark costing assumptions which departments could use in preparing their cost estimates;
- 5) An annotated outline providing a suggested format and structure for the departmental reports;
- 6) An outline of a standardized methodology for quantification of the burden imposed on small business from paperwork requirements including information collection activities, records retention requirements, (Annex C) etc; and
- 7) A summary of the paperburden-related initiatives that are required of departments pursuant to the TB Policy Guideline on Management of Government Information Holdings (Annex D).

Departments were asked to report the incremental cost of implementing the Advisory Committee's proposals for information collection and any new arrangements respecting records retention requirements on a standardized basis, covering both human resources and expenditures. Human resource estimates were to be expressed as person-days. In preparing this summary report on the feasibility studies, ESBO applied costing assumptions based on

average salaries, overhead, O&M, and project management requirements to arrive at global estimates of the resource implications for the government. Both cost estimates are reported below.

7.1.1 Assumptions Re: Methodology for Estimating Paperburden

As noted above, in order to prepare estimates of what it would cost to implement the information management proposals, departments required some idea of how paperburden costs would have to be measured. For purposes of the feasibility study, it was assumed that such estimates would be prepared using techniques originally developed and currently being applied by Statistics Canada.

Annex C reproduces the paper that was provided to departments explaining the methodology that could be used by departments if there was a requirement to prepare estimates of the burden imposed through information collection activities or records retention provisions. Briefly speaking, for information collection, the methodology would provide an estimate of burden expressed as "annual burden hours". For records retention, the methodology would provide a monetary estimate based on assumptions of commercial storage costs for the information that must be retained. Departments were asked, for purposes of their feasibility studies, to assume that this methodology would be applied.

7.1.2 Concept of Incremental Costs

The government has established certain information handling requirements with which departments must comply. The two policies particularly applicable are the government's regulatory reform policy and the TB Administrative Policy on Management of Government Information Holdings (MGIH). Participating departments were advised that the data for the feasibility study should not include costs associated with complying with these two policies. Instead, only incremental costs—additional costs that would be imposed as a result of paperburden reporting requirements—were to be calculated. Worksheets and guides given to the departments to assist them with their calculations dealt only with incremental costs.

7.1.3 Time-Sensitive Cost Estimates

Most departments are not yet fully in compliance with the MGIH Policy since it is relatively recent (April 1989) and was approved by Treasury Board without specification of a deadline for compliance by departments. Realistically, it could take some departments as much as 10 years to achieve full compliance with all the requirements.

This situation complicated the job of estimating incremental costs in the feasibility study, particularly with respect to the "costed inventory" proposal. If the timing for implementation of the inventory proposal matched the department's plans for implementation of the MGIH Policy, the incremental costs would be limited to those arising from the requirement to prepare and maintain paperburden costing information. However, if implementation of the inventory

proposal were to proceed at a faster rate than the department had planned, the incremental cost should include: (1) some or all of the "base costs" of meeting the MGIH policy requirements, (2) any incremental costs resulting from accelerated implementation, and (3) the incremental costs attributable to the paperburden component. For this reason, and to ensure that sufficient information was generated to allow informed choices to be made concerning the timing of any changes, the methodology prescribed various timing scenarios for each proposal.

7.1.4 Start-up vs. Annual Operating Costs

Departments were asked to estimate both the start-up (implementation) costs and the annual operating costs of the "costed inventory" proposal. This distinction was necessary for the preparation of the time-sensitive cost estimates using various implementation scenarios identified for each proposal.

7.2 COSTED INVENTORY

7.2.1 The "Costed Inventory" Model

Departments were presented with a methodology for estimating the cost of designing, preparing, and operating a "costed inventory" of their information holdings, including all forms and surveys. The methodology identified two components to a "costed inventory" and departments were asked to treat them separately.

First, there was a core inventory of information holdings, surveys, forms, etc. The core inventory would help departmental officials determine whether the information they want is already held by the department. For purposes of the feasibility study, departments were asked to assume that a core inventory of information holdings and collection vehicles would be computerized and that the activities required to design, load, and operate the inventory would be as set out in a model prepared by the Government Consulting Group, DSS (reproduced in Annex E).

Participating departments were advised that the second component of the "costed inventory" would be the data about the paperburden resulting from each collection vehicle listed in the inventory. Departments were asked to assume that the inventories would log the following minimum information about each information collection vehicle:

- private sector respondents (e.g. small business);
- estimated time necessary to complete the form or survey, frequency of use, number of requests made per year;
- number of responses received per year (estimated);
- total potential annual paperburden (completion time \times frequency \times initiated collections); and
- types of information included.

For the paperburden data component of the inventory, departments were told to assume that there would be no incremental costs for designing this feature into the inventory database; the incremental costs would be attributable to generating the paperburden estimates for each collection vehicle, loading the information into the database, testing its accuracy, and maintaining it on an ongoing basis. However, the costs associated with identifying the various collection vehicles were not to be included since this task must be carried out in order to create the core inventory.

The methodology for the feasibility studies established an assumption that the following process would be used to create the paperburden data component of the inventory:

- departmental personnel would prepare estimates of the paperburden for each collection vehicle (for which they are responsible) using the "annual burden hours" methodology
- paperburden estimates would be reviewed and approved by departmental management prior to loading in inventory data base
- paperburden data would be loaded into the inventory database
- accuracy of loaded data would be checked.

Participating departments were asked to assume that as new surveys and forms were approved, and existing ones modified, or eliminated, revised paperburden estimates (which would have been prepared for the "front-end" approvals process) would be loaded into the inventory database, thus maintaining its currency.

7.2.2 Existing Policy Requirements:

Under the Treasury Board Management of Government Information Holdings Policy (MGIH) federal departments and agencies are required to have in place "a current, comprehensive and structured identification or classification system (or systems) which provide an effective means for organization and locating information and, in composite form, comprise a corporate inventory for managing the institution's information holdings".

Participating departments were advised that standards for the departmental inventories, elaborating on the basic MGIH Policy requirements have been approved by an Interdepartmental Working Group. Departments were further advised that the standards suggest departmental inventories should contain information on:

- the content of information collections;
- information vehicles (e.g. forms) employed;

- collection numbers assigned by the Clearinghouse of Government Information Collection (operated jointly by Statistics Canada and the Coordinator of Public Opinion Research);
- description of the class of respondents or sources of information.

It was emphasized to departments that the costs of complying with existing federal government policy requiring departments to prepare and maintain comprehensive inventories of information holdings and collection vehicles should not be counted as incremental costs. The only exception to this would be for timing scenarios under which departments would be required to establish the inventories more quickly than they had planned.

The TB Standards do not require that the inventories include estimates of the cost imposed on the private sector generally, or on small business in particular, for preparing and providing information to the government. Adding such information to departmental inventories would clearly represent an incremental expense to departments.

7.2.3 Costing Assumptions

Departments were asked to generate "best efforts" estimates of the departmental resources that would be required to design, load, and maintain a comprehensive inventory of information holdings and collection vehicles by preparing cost estimates for each of the activities outlined in the GCG model. Departments were further asked to estimate the incremental costs of preparing, logging, and maintaining paperburden estimates for each collection vehicle. The methodology required that timing assumptions be specified in the report.

The methodology stated that it should be assumed that inventories would be automated, that they would meet both MGIH and paperburden requirements, that each department would be responsible for the development of their inventory system with some central coordinated effort, and that departmental management decision processes and practices would be honoured throughout each stage of systems development.

There were three major phases and associated generic activities to be costed for the core inventory. For each activity, benchmark costs were developed and expressed either as consulting \$ or person-days although departments were free to interchange these. Departments were advised that they could use higher or lower cost assumptions, but were asked to indicate in their reports the rationale for any variation.

The methodology specified an assumption of .5 person days per collection vehicle to prepare a paperburden cost estimate for each collection vehicle; an average of .25 person days per collection vehicle for approval of paperburden estimates; an average of .1 person days per item to input a paperburden estimate into the database; and an average of .1 person days per item to verify the paperburden data from the inventory for each collection vehicle.

7.2.4 Departmental Cost Estimates (Paperburden Component)

Total (Govt-Wide) Costs as Reported:

| | |
|---------------------------------|------------------|
| One-time Start-up Costs (5 yrs) | \$77.8M + 468PYs |
| One-time Start-up Costs (5 yrs) | not feasible |
| Annual Maintenance Costs | \$4K + 1.43 PYs |

Variation in Cost Estimates (Reported)

| | |
|--|-------------------------------------|
| Range in One-time Start-up Costs (5 yrs) | \$30.4 M + 139 PYs - \$0 + 0 PYs |
| Range in Annual Maintenance Costs | \$4K + 1.43 PYs - \$0 + .28 PYs |

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---------------------------------|----------|
| One-time Start-up Costs (5 yrs) | \$77.3 M |
| Annual Maintenance Costs | \$63.8 K |

Variation in Cost Estimates (Adjusted)

| | |
|--|----------------|
| Range in One-time Start-up Costs (5 yrs) | \$21.2 M - \$0 |
| Range in Annual Maintenance Costs | \$25.3 K - \$0 |

Four departments reported that start-up costs over 5 years would exceed \$10 M. Two departments reported annual operating costs of more than \$20 K.

7.2.5 Departmental Positions on The Proposal

In general, departments stated that implementation of the costed inventory proposal would result in no reduction of paperburden for small businesses. Several commented that the requirement would simply add to the internal paperburden and workload of the departments and that the costs of the proposal could not, therefore, be justified.

7.3 INFORMATION COLLECTIONS APPROVAL PROCESS

Under the approvals process proposed by the Advisory Committee, senior management in a department would screen new paperwork requirements to ensure that the information requested was really necessary, that information-sharing was becoming employed to the maximum extent possible (subject to confidentiality and privacy considerations), that the burden of the requirement on business had been estimated, and that the burden had been minimized.

For purposes of the feasibility study, departments were told to assume that an approvals process of the type proposed by the Advisory Committee would work as outlined below, although it was stressed that this was simply a generic model. Departments already have approvals processes in place for forms and surveys. They were advised that the approach should be not to create new, duplicative processes, but to adjust (if necessary) existing processes to meet the proposals.

7.3.1 Model of Strengthened Information Collections Approvals Process

Departments were provided with the following model of how a strengthened approvals process might function:

- a section of the department would determine that it is necessary to carry out an information collection (i.e. conduct a survey or create a form);
- a section of the department would check sources in the department to determine if required information is already available (includes consideration of whether other information is sufficiency current) and could be obtained without the proposed information collection;
- a section of the department would also check any other likely sources of similar information within the government to see if required information is already available and could be obtained without the proposed information collection;
- a section of the department would submit the proposed information collection to the StatsCan Clearing House for review in accordance TB Policy requirements (StatsCan's check includes a review to determine if the information is available elsewhere in the government);
- a section of the department would estimate the paperburden (using the "annual burden hours" methodology) that would result from the proposed collection;
- for surveys:
 - a section of the department would prepare a briefing note seeking approval for the collection and reporting on the results of each of the steps (above);
 - a briefing note would be reviewed and approved by various levels of management prior to submission to the ADM level;

- a briefing note would be read by the responsible ADM who would either approve or disallow the proposed collection;
- for forms prescribed in regulations, a section of the department would incorporate the annual burden hours estimate in the general regulatory compliance cost estimates provided in the Regulatory Impact Analysis (normal RIAS approvals process would apply).

7.3.2 Existing Policy Requirements

7.3.2.1 MGIH Policy

Participating departments were reminded that the Treasury Board MGIH Policy commits the government to:

- manage all information holdings as a corporate resource to support effective decision-making, meet operational requirements and protect the legal, financial and other interests of the government and the public;
- make the widest possible use of information within the government by ensuring that it is organized to facilitate access by those who require it, subject to legal and policy constraints; and
- reduce response burden on the public by eliminating unnecessary collection of information.

The MGIH policy further requires that federal departments and agencies:

- avoid collecting information that is already available by checking with the institutional inventory and, where required, with the Statistics Canada Clearinghouse of Government Information Collection;
- determine during the design phase whether joint collection or information sharing with other institutions is feasible to meet common information needs;
- collect only information directly relevant to the programs and functions of the institution;
- collect personal information directly from the individual to whom it pertains, whenever possible;
- inform all respondents from whom information is collected of the name of the institution, the authority under which the information is collected, whether provision of the information is voluntary or mandatory, the purpose of the collection, and, where applicable, the Personal Information Bank which will contain the information. Exceptions to this requirement are allowed only for omnibus surveys, or where provision of this information to respondents would defeat the purpose of the collection;

- ensure that information needs are clearly defined in relation to program objectives and will be met in a cost-effective manner and that response burden is minimized;
- ensure that the methodology of all government information collection is reviewed by the Clearinghouse prior to the institution's decision to proceed;
- seek the concurrence of the Cabinet Committee on Communications concerning decisions to undertake public opinion research at the earliest possible stage of development; and
- ensure that all government information collection is described and registered in the *Federal Register of Collected Information* by the Clearinghouse before undertaking the collection.

7.3.2.2 Requirements of the Regulatory Reform Policy

Many information collection requirements are established through legal requirements contained in statutes or regulations. Participating departments were reminded that the *Citizen's Code of Regulatory Fairness* contains several policy commitments which are relevant to small business paperburden reduction and to the proposal for front-end controls on information collection requirements.

The *Code* specifies that the government will take all possible measures to ensure that businesses of different size are not burdened disproportionately by the imposition of regulatory requirements. It states that the government will not use regulation unless it has clear evidence that a problem exists, that government intervention is justified and that regulation is the best alternative open to the government. It commits the government to ensure that the benefits of regulation exceed the cost and states that the government will give particularly careful consideration to all new regulation that could impede economic growth or job creation.

The *Regulatory Process Action Plan* specifies that all regulatory proposals must "take account of the potential impact on small businesses and ensure that enterprises of different sizes are not burdened disproportionately by the imposition of uniform regulatory requirements, particularly paperburden implications." The detailed requirements for impact analysis of regulatory requirements specify that the costs and benefits of every proposed requirement should be assessed.

7.3.3 Costing Assumptions

As indicated above, most departments are not yet fully in compliance with the MGIH Policy since it is relatively recent (April 1989) and was approved by Treasury Board without specification of a deadline for compliance by departments. However, the Policy's requirements respecting review and clearance of proposed information collections are not new—they simply re-state requirements in predecessor policies.

Similarly, the government's Regulatory Reform policy has been in effect since 1986. In order to limit the focus to incremental costs, therefore, the methodology for the feasibility study assumed that departments are in compliance with the relevant requirements of both policies. Consequently, for this proposal, the methodology specified that incremental costs would be limited to those arising from differences in the analytical requirements or processes entailed in the new approvals mechanism.

Costing benchmarks were developed to help departments estimate costs incurred in this phase of the process. No assumptions were identified for the various set-up activities as it was determined to be too variable depending on the current state of departmental approvals processes. The methodology did specify that departments could assume an average of .5 person days for each form or survey processed to prepare estimates of the annual burden hours resulting from a form or survey, and an average of .25 person days per level of management (including ADM) for each review and approval by departmental management of additional information in briefing notes or Regulatory Impact Analyses.

In some cases, departments used different cost assumptions. All such variances were explained.

7.3.4 Departmental Cost Estimates

Total (Govt-Wide) Costs as Reported:

| | |
|---------------------------------|----------------|
| One-time Start-up Costs (3 yrs) | \$500K + 4 PYs |
| One-time Start-up Costs (1 yr) | not feasible |
| Annual Maintenance Costs | 11.23 PYs |

Variation in Cost Estimates (Reported)

| | |
|--|---------------------------------|
| Range in One-time Start-up Costs (3 yrs) | \$500K + 4 PYs - \$0 + 0 PYs |
| Range in Annual Maintenance Costs | 10PYs - .12 PYs |

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---------------------------------|----------|
| One-time Start-up Costs (3 yrs) | \$1.97 M |
| Annual Maintenance Costs | \$ 845 K |

Variation in Cost Estimates (Adjusted)

| | |
|--|----------------|
| Range in One-time Start-up Costs (3 yrs) | \$1.04 M - \$0 |
| Range in Annual Maintenance Costs | \$702 - \$0 |

Four departments reported start-up costs over three years in excess of \$50K and annual operating costs in excess of \$40K.

7.3.5 Departmental Positions on The Proposal

In general, departments stated that implementation of the information collection approvals process proposal would result in no reduction of paperburden for small businesses. Several commented that the requirement would simply add to the internal paperburden and workload of the departments and that the costs of the proposal could not, therefore, be justified.

7.4 RECORDS RETENTION REQUIREMENTS APPROVAL PROCESS

7.4.1 Model of Proposed Approvals Process for Records Retention Requirements

Records retention requirements are legal requirements, established through statutes or regulations, which impose a duty on firms or individuals to maintain certain records for specified periods of time.

Departments were provided with a model of an approvals process for records retention requirements to assist them in preparing estimates for this proposal. Under this model, senior management in a department would screen proposals for new or modified requirements prescribed by regulation to ensure that the information that business is required to maintain is really necessary, that the required information could not be obtained from some other source, that the burden of the retention requirement on business has been estimated, and that the burden is minimized. Again, departments were advised that the intent would not be to create new, duplicative processes, but to adjust (if necessary) existing processes to meet the proposals.

In assessing the feasibility of this proposal, departments were advised to assume that their existing processes for preparing and approving Regulatory Impact Analysis Statements (RIAS) would largely suffice. These processes would ensure DM-level and Ministerial approval of all regulatory proposals and require that extensive justification be provided. Regulatory compliance cost estimates for each proposal were also required.

Participating departments were advised that the key difference with this proposal was that the suggested methodology for estimating the paperburden costs of records retention provisions would be used in the course of preparing the compliance cost estimates required for the RIAS. The paperburden methodology used assumptions based on average private sector storage costs and, in most cases, would be more simple than the type of analysis normally expected for a RIAS.

The generic model for review and approval of records retention requirements provided to departments was as follows:

- a section of the department would determine if it is necessary to have a regulation that amends an existing records retention requirement or that creates a new one;
- a section of the department would assess whether the required information could be obtained from alternative sources (includes consideration of whether the information would be sufficiently current, and whether it could be used for the intended purposes, such as to support enforcement proceedings);
- a section of the department would estimate the paperburden costs (using the costing methodology based on average storage costs) that would result from the proposed records retention requirement;
- a section of the department would incorporate the paperburden estimate in the general regulatory compliance cost estimates provided in the Regulatory Impact Analysis (normal RIAS approvals process would apply).

7.4.2 Existing Policy Requirements

Requirements of the Regulatory Reform Policy

Records retention requirements are established through legal requirements contained in statutes or regulations. As was discussed above (Strengthened Approvals Process for Information Collections), the *Citizen's Code of Regulatory Fairness* contains several policy commitments that are relevant to small business paperburden reduction and to the proposal for strengthened controls over new records retention requirements. These commitments include detailed requirements for impact analysis of new regulatory requirements and assessment of the impact of regulatory proposals on small businesses.

The methodology for the feasibility study was founded on the assumption that if a department prepares a proper regulatory impact analysis for a proposed records retention requirement, in accordance with the Regulatory Reform policy, and follows the required procedure for DM level sign-off and transmission of the regulation to the Office of Privatization and Regulatory Affairs, the department would also have satisfied all aspects of this paperburden reduction proposal. Consequently, if a department was in compliance with the Regulatory Reform policy, it would not require any further expenditure to be in compliance with the front-end controls requirement. The incremental cost of this proposal would, therefore, be zero.

Departments which believed that compliance with the regulatory impact analysis requirement would not satisfy this proposal were requested to explain the differences and provide estimates of the incremental costs.

7.4.3 Costing Assumptions

No assumptions were identified for the various set-up activities associated with this proposal as they were considered to be too variable depending on current state of departmental approvals processes. To prepare estimates of the paperburden resulting from a records retention requirement, departments were advised to assume an average of 2 person days for each records retention requirement, and an average of .25 person days per level of management (including ADM) for each Regulatory Impact Analysis processed.

It is likely that records retention requirements will be changed infrequently—perhaps once every 5-10 years. To arrive at an estimate of the incremental annual costs for processing changes to existing records retention requirements, departments were asked to assume that each requirement would be changed once every 5 years and to multiply the number of records retention requirements by the estimated incremental resources for each regulation and divide by 5.

To arrive at an estimate of the incremental annual costs for processing new records retention requirements, departments were advised to assume that one new requirement would be added by the department each year and to multiply this by the estimated incremental resources for each regulation.

7.4.4 Departmental Cost Estimates

Total (Govt-Wide) Costs as Reported:

| | |
|---------------------------------|--------------|
| One-time Start-up Costs (3 yrs) | . 53 PYs |
| One-time Start-up Costs (1 yr) | not feasible |
| Annual Maintenance Costs | 17.55 PYs |

Variation in Cost Estimates (Reported)

| | |
|--|-----------------|
| Range in One-time Start-up Costs (3 yrs) | .6 PY - . 03 PY |
| Range in Annual Maintenance Costs | 1.88 PY - 0 PY |

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---------------------------------|----------|
| One-time Start-up Costs (3 yrs) | \$83.5 K |
| Annual Maintenance Costs | \$47.8 K |

Variation in Cost Estimates (Adjusted)

| | |
|--|----------------|
| Range in One-time Start-up Costs (3 yrs) | \$48.3 K - \$0 |
| Range in Annual Maintenance Costs | \$26.7 K - \$0 |

7.4.5 Departmental Positions on The Proposal

In general, departments stated that implementation of the proposed approval process for new records retention requirements would result in no reduction of paperburden for small businesses. Several commented that the requirement would simply add to the internal paperburden and workload of the departments and that the costs of the proposal could not, therefore, be justified.

7.5 INFORMATION COLLECTION PERIODIC REVIEW PROCESS

This proposal would require departments to periodically review their information collection requirements (forms, surveys, etc.), assess the paperburden they are imposing on the private sector, and re-justify them to senior management.

7.5.1 Model of the Information Collection Periodic Review Process

The Advisory Committee recommended that the government's information management policy require federal departments and agencies to periodically review the information they collect from the private sector (particularly small business). They proposed that departmental senior management should authorize the continuation of an information collection activity only if it meets the same criteria applied in the front-end controls, namely:

- a) all information to be collected is necessary;
- b) information sharing is being used to the maximum extent possible (subject to confidentiality and privacy considerations);
- c) the burden to be imposed on the private sector, and on small business in particular, has been estimated; and
- d) the least burdensome method of obtaining the information has been chosen.

For purposes of the feasibility study, departments were asked to assume that the requirement for periodic review of information collections would be accommodated through existing departmental arrangements for regulatory program evaluations, internal audits, legislative review, or other *ex poste* review processes. Under this approach, the paperburden aspects of the information collections activity would be added as a standard issue to be considered in any evaluation or other review of the relevant legislation/program. The paperburden resulting from the requirement would be estimated and the issue would be addressed in the evaluation report, audit report, or proposals for legislative change.

The following generic model on how the periodic review process could work was provided to departments:

- for forms prescribed by regulation, departments would include as an element in the program evaluation of the program administering the regulation, a review and re-justification of the paperburden costs arising from the forms. The evaluations would address whether the collected information is being used by the department and whether it could be obtained from another source. The estimate of paperburden would be re-calculated using updated information on the number of businesses affected and the average time to complete. The evaluation would assess whether the least-cost method of gathering the information is being used.
- for forms not prescribed by regulation and for surveys, departments would include as an element in the periodic review of information collections (as required by TB Administrative Policy) a review and re-justification of the paperburden costs arising from the forms and surveys. The review would address whether the collected information is being used by the department and whether it could be obtained from another source. The estimate of paperburden would be re-calculated using updated information on the number of businesses affected and the average time to complete. The review would assess whether the least-cost method of gathering the information is being used.
- in both cases, the additional information would simply be captured in the report prepared for the review or program evaluation. No additional reports or management approval processes beyond those already required would be necessary.

7.5.2 Existing Policy Requirements

7.5.2.1 Requirements of the TB MGIH Policy

The MGIH Policy requires that federal institutions review all of their information collection periodically to ensure that policy requirements are met and that the information continues to meet identified needs. The Policy states that this review of information collection is particularly important with regard to personal information (see section 4 and subsections 6(2) and 71(3) of the *Privacy Act*) and for information collected from business and other private organizations. The Policy indicates that such reviews may be conducted during the annual update of classes of records required by Section 5 of the *Access to Information Act* and of personal information banks required by section 11 of the *Privacy Act*.

7.5.2.2 Requirements of the Regulatory Reform Policy

The federal Regulatory Process Action Plan stipulates that all regulations will be reviewed over a seven-year period. It further stipulates that all regulation program will be evaluated for efficiency and effectiveness at least once every seven years by the Office of the Comptroller General in consultation with the Regulatory Affairs Secretariat.

7.5.2.3 Requirements of the Program Evaluation Policy

Treasury Board Administrative Policy 1977-47 ("Evaluation of Programs by Department and Agencies") stipulates that departments and agencies of the federal government will periodically review their programs to evaluate their effectiveness in meeting their objectives and the efficiency with which they are being administered. The OCG "Guide on the Program Evaluation Function on Program Evaluation" notes that program evaluations should include an examination of the impacts and effects of the program as well as its outputs (e.g. regulations)

7.5.3 Costing Assumptions

No costing assumptions were identified for the various set-up activities associated with this proposal as they were considered to be too variable depending on current state of departmental periodic review processes.

Departments were advised that when obtaining and analyzing the required data concerning need for an information collection, including preparing updated estimates of the annual burden hours resulting from a form or survey, assessing alternatives etc., they could assume an average of 10 person days or an additional \$5000 consulting fees for each form or survey reviewed (\$ 500/day).

7.5.4 Departmental Cost Estimates

Total (Govt-Wide) Costs as Reported

| | |
|---------------------------------|--------------------|
| One-time Start-up Costs (3 yrs) | \$130 K + 18.5 PYs |
| One-time Start-up Costs (1 yr) | \$130 K + 18.5 PYs |
| Annual Maintenance Costs | \$140 K + 3.55 PYs |

Variation in Cost Estimates (Reported)

| | |
|--|----------------------------------|
| Range in One-time Start-up Costs (3 yrs) | \$500 K + 4 PYs - \$0 + 0 PYs |
| Range in Annual Maintenance Costs | 17 PYs - 0 PYs |

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---------------------------------|---------|
| One-time Start-up Costs (3 yrs) | \$3.5 M |
| Annual Maintenance Costs | \$1.7 M |

Variation in Cost Estimates (Adjusted)

| | |
|--|---------------|
| Range in One-time Start-up Costs (3 yrs) | \$2.3 M - \$0 |
| Range in Annual Maintenance Costs | \$1.3 M - \$0 |

7.5.5 Departmental Positions on The Proposal

In general, departments stated that implementation of the periodic review proposal for information collections would result in no reduction of paperburden for small businesses. Several commented that the requirement would simply add to the internal paperburden and workload of the departments and that the costs of the proposal could not, therefore, be justified.

7.6 RECORDS RETENTION PERIODIC REVIEW PROCESS

7.6.1 Model of the Records Retention Periodic Review Process

Departments were advised that the approaches they might adopt for the review process would be similar to those outlined for information collection. Departments were provided with the following generic model of how the records retention review process would work:

- evaluations of the programs administering the regulations would be included in a review and re-justification of the paperburden costs arising from the records retention requirements. The evaluations would address to what extent the information is actually being obtained and used by the department and whether it could be obtained from another source. The estimate of paperburden would be re-calculated using updated information on the number of businesses affected. The evaluation would assess whether the least-cost method of obtaining the information is being used.
- The results of this enquiry would be incorporated in the program evaluation report and would be reviewed by senior management according to normal departmental procedures. No additional reports or management approval processes beyond those already in required would be necessary.
- The current cycle for regulatory program evaluations would remain the same (each program must be reviewed at least once every seven years.)

7.6.2 Existing Policy Requirements

Records retention requirements are established through legal requirements contained in statutes or regulations. As was noted above (Periodic Review of Information Collections), the government's Regulatory Reform policy requires that regulations and regulatory programs be reviewed periodically. The Treasury Board Administrative Policy on Program Evaluation requires that all programs be periodically evaluated. In both cases, the policies require that the external impacts of the programs be examined.

7.6.3 Costing Assumptions

No costing assumptions were identified for the various set-up activities associated with this proposal as they were considered to be too variable depending on current state of departmental periodic review processes.

Departments were advised that when obtaining and analyzing the required data concerning need for and use of the information, preparing updated estimates of the burden resulting from the requirement, assessing alternatives etc., they should assume an average of 10 person days or an additional \$5000 consulting fees for each records retention requirement (\$500/day).

7.6.4 Departmental Cost Estimates

Total (Govt-Wide) Costs as Reported:

| | |
|---------------------------------|--------------|
| One-time Start-up Costs (3 yrs) | 4,21 PYs |
| One-time Start-up Costs (1 yr) | not feasible |
| Annual Maintenance Costs | 13.5 PYs |

Variation in Cost Estimates (Reported)

| | |
|--|------------------|
| Range in One-time Start-up Costs (3 yrs) | 4.21 PYs - 0 PYs |
| Range in Annual Maintenance Costs | 6.6 PYs - 0 PYs |

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---------------------------------|---------|
| One-time Start-up Costs (3 yrs) | \$1.1 M |
| Annual Maintenance Costs | \$1.1 M |

Variation in Cost Estimates (Adjusted)

| | |
|--|---------------|
| Range in One-time Start-up Costs (3 yrs) | \$1.1 M - \$0 |
| Range in Annual Maintenance Costs | \$492K - \$0 |

For several departments, the costs of the proposed review process for records retention provisions were included in the estimates relating to the information collection review process. Aggregated estimates for a comprehensive periodic review process are presented below.

Adjusted Total (Govt-Wide) Cost Estimate for Aggregated Review Process

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---------------------------------|---------|
| One-time Start-up Costs (3 yrs) | \$4.6 M |
| Annual Maintenance Costs | \$2.8 M |

Variation in Cost Estimates for Aggregated Review Process (Adjusted)

| | |
|--|---------------|
| Range in One-time Start-up Costs (3 yrs) | \$3.4 M - \$0 |
| Range in Annual Maintenance Costs | \$1.3M - \$0 |

7.6.5 Departmental Positions on The Proposal

In general, departments stated that implementation of the records retention periodic review proposal would result in no reduction of paperburden for small businesses. Several commented that the requirement would simply add to the internal paperburden and workload of the departments and that the costs of the proposal could not, therefore, be justified.

7.7 PAPERBURDEN BUDGET SYSTEM

7.7.1 A Paperburden Budget System Model

The Advisory Committee, in recommending that the government establish a system for achieving measurable net reduction, understood that some flexibility would be required in the system. It accepted that individual departments might, for legitimate and justifiable reasons, need to increase the paperburden they impose on the private sector. The Committee agreed that it was the burden imposed by the government as a whole that was to be considered, not the burden from any particular department. Accordingly, it contemplated that some sort of government-wide "paperburden budget" system would be established under which Cabinet would set limits on the burden hours to be imposed on the private sector by the government as a whole, and by each department. The Committee did not elaborate on how the budget system would operate.

As a rule, when estimating incremental costs, departments were advised to not include the cost of complying with relevant administrative policies that are already in effect. For the paperburden budget, however, there were no applicable policies or relevant systems. All costs associated with this proposal would, therefore, be incremental.

A paperburden budget system would be dependent on implementation of the proposals for a costed inventory of information collection requirements and, to some extent, for front-end controls over information collection and records retention requirements. Departments were advised the costs of these initiatives should not be included in their calculations. However, a budget system would

involve additional costs. The front-end system would operate only when the department proposed to change a paperwork requirement or records retention requirement. The budget system, on the other hand, would operate every year and would require the department to review all paperburden sources and identify targets for reduction. While the paperburden costing methodology would be applicable, and the basic front-end system might be used for aspects of the budgetary process within the department, it is evident that more would be required.

The paperburden budget proposal would require that departments establish a new system for reviewing the existing base, identifying targets for reduction, estimating the magnitude of possible reductions, and securing approval of the budget by departmental senior management. It would also require the department to participate in consultations with the central agency that would be assigned responsibility for administering the paperburden budget system on a government-wide basis. Finally, the department would have to expend resources in connection with the Cabinet submission process relating to the government-wide budget. It is reasonable to assume that extensive negotiations might be required concerning what "share" of a global reduction target was to be carried by the various departments.

There are many ways to structure a paperburden budget system. For purposes of the feasibility study, departments were advised to assume that a federal paperburden budget system would operate as follows:

- Departments would first prepare a tentative paperburden budget through the following process:
 - review the entire departmental base of paperburden requirements (both information collections and records retention requirements), identifying requirements which could be eliminated or simplified and estimating the reduction in annual burden hours that would result;
 - review anticipated new paperburden requirements, estimating the increase in annual burden hours that would result;
 - prepare a draft budget estimating the aggregate paperburden change that the department anticipates.
- Departments would also review their performance under the previous year's budget and would compile data on the changes in paperburden levels, indicating whether paperburden budget targets had been met. (This report on performance might be developed as part of the process for developing the department's annual Small Business Paperwork Reduction Plan.)
- Departments would submit the draft budget and report on performance to the central agency (or department) which is assigned responsibility for administering the paperburden budget system.
- The central agency would consult with each departments concerning a reasonable global paperburden reduction target for the ensuing

year and regarding the department's individual "share" of that reduction. (In some cases, e.g. GST, the consultations would deal with the size of an increase.) Following these consultations, the agency would prepare a Cabinet submission reporting on the departments' performance under the previous year's budget and seeking Cabinet approval for the global target and departmental shares for the ensuing year.

- The targets approved by Cabinet would be communicated to departments which would finalize their internal paperburden budgets. This might necessitate a further review of their paperburden requirements and further identification of requirements to be eliminated or simplified.

It was assumed that, under a paperburden budget system, Cabinet would set global paperburden reduction targets (expressed as a percentage of the government's base paperburden costs or as a specified number of annual burden hours). Cabinet would determine the extent of reduction for each department and would monitor department's performance in the next year's budget submissions.

7.7.2 Existing Policy Requirements

No existing policies of the federal government require departments to prepare paperburden budgets or to report on paperburden reduction performance measured in terms of annual burden hours. No department or agency of the federal government has a budget system in place. Statistics Canada does have a system for tracking changes in paperburden (measured as annual burden hours), but the system is not a budget system *per se*.

7.7.3 Costing Assumptions

Departments were asked to estimate costs on the assumption that no existing departmental processes or systems could be modified to create the budget system. All costs associated with this proposal were, therefore, assumed to be incremental. Departments were further asked to assume that a "costed inventory" would be available. This assumption meant that the costs of establishing and maintaining the inventory would not included in both the inventory proposal cost estimate and also in the budget system cost estimate.

Finally, departments were advised to assume that proposals for strengthened approvals processes and for periodic review had been implemented. Again, this meant that the costs of establishing and operating these processes were not included in the cost estimates for the various proposals). Since the postulated approvals process could be operated without keeping track of the total burden hours approved departments were advised to treat this aspect as incremental (i.e. departments were asked to estimate the cost for logging this data in a central location each time a new requirement is approved).

The methodology prescribed that the costs of complying with the existing federal government policy requiring departments to prepare and secure approval of

annual small business paperwork reduction plans were not to be counted as incremental costs.

No assumptions were identified for the various set-up activities (too variable). Departments were advised that for each item processed through the front-end approvals system, they should assume an average of .1 person days per item to log the paperburden data and update the corporate record, extract data from the corporate records including "bottom-line" figures only in the annual small business paperwork reduction plan, and assume an average of .5 person days per year to incorporate the aggregate paperburden data in the department's annual plan.

7.7.4 Departmental Cost Estimates

Total (Govt-Wide) Costs as Reported:

| | |
|---------------------------------|--------------------|
| One-time Start-up Costs (3 yrs) | \$1.2 M + 40.8 PYs |
| One-time Start-up Costs (1 yr) | not feasible |
| Annual Maintenance Costs | \$100K + 6.2 PYs |

Variation in Cost Estimates (Reported)

| | |
|--|--------------------------|
| Range in One-time Start-up Costs (3 yrs) | \$900 K + 12.8 PYs |
| Range in Annual Maintenance Costs | 4.1 PYs - \$100 K + 1 PY |

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---------------------------------|---------|
| One-time Start-up Costs (3 yrs) | \$4.6 M |
| Annual Maintenance Costs | \$539 K |

Variation in Cost Estimates (Adjusted)

| | |
|--|--------------|
| Range in One-time Start-up Costs (3 yrs) | \$2M - \$0 |
| Range in Annual Maintenance Costs | \$287K - \$0 |

Several departments did not generate estimates for a one year start-up period, suggesting that they did not consider it feasible to implement this proposal within that time-frame.

7.7.5 Departmental Positions on The Proposal

In general, departments stated that implementation of the Paperburden Budget System proposal would result in no reduction of paperburden for small businesses. Several commented that the requirement would simply add to the internal paperburden and workload of the departments and that the costs of the proposal could not, therefore, be justified.

7.8 PERFORMANCE MONITORING SYSTEM

7.8.1 A Performance Monitoring System Model

The feasibility study also assessed an alternative to the budget proposal, a simple process that would allow senior management and Cabinet to monitor annually the increases and reductions in paperburden achieved by each department.

Departments would be required to keep track of the paperburden levels approved through the "front-end" approvals process. Each year they would calculate the following:

- the annual burden hours resulting from recurring surveys;
- the annual burden hours resulting from approved *ad hoc* surveys;
- the annual burden hours resulting from approved forms.

These three measures could be summed to generate a total for a department. In addition departments would keep track of the costs associated with any records retention requirements that were approved.

This data would be included in the "progress report" portion of the department's annual Small Business Paperwork Reduction Plan which would be approved by the responsible minister and submitted to Cabinet in accordance with the existing process.

7.8.2 Existing Policy Requirements

No existing policies of the federal government require departments to report on paperburden reduction performance measured in terms of annual burden hours. Only Statistics Canada has a system for measuring, tracking, and reporting on changes in paperburden.

7.8.3 Costing Assumptions

As with the paperburden budget proposal, departments were asked to assume that proposals for strengthened approvals processes and for periodic review had been implemented. However, since the postulated approvals processes could be operated without keeping track of the total burden hours approved, departments were advised to treat this aspect as incremental (i.e. departments were asked to estimate the cost for logging this data in a central location each time a new requirement is approved).

Also as was the case with the budget proposal, the methodology for the performance monitoring process stipulated that departmental processes established to prepare and monitor performance under the small business paperburden plan were to be used as a base. This meant that the costs of complying with the existing federal government policy requiring departments to prepare and secure approval of annual small business paperwork reduction plans were not to be counted as incremental costs.

No assumptions were identified for the various set-up activities. Departments were advised that for each item processed through the front-end approvals system, they should assume an average of .1 person days per item to log the paperburden data and update the corporate record, extract data from the corporate records including "bottom-line" figures only in the annual small business paperwork reduction plan, and assume an average of .5 person days per year to incorporate the aggregate paperburden data in the department's annual plan.

7.8.4 Departmental Cost Estimates

Total (Govt-Wide) Costs as Reported:

| | |
|---------------------------------|--------------------|
| One-time Start-up Costs (3 yrs) | \$300 K + 6.2 PYs |
| Annual Maintenance Costs | \$6.96 M + 2.6 PYs |

Variation in Cost Estimates (Reported)

| | |
|--|------------------------------------|
| Range in One-time Start-up Costs (3 yrs) | \$300 K + 6.2 PYs - \$0 + 0 PYs |
| Range in Annual Maintenance Costs | \$6.96 M - \$0 |

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---------------------------------|----------|
| One-time Start-up Costs (3 yrs) | \$1.15 M |
| Annual Maintenance Costs | \$1.29 M |

Variation in Cost Estimates (Adjusted)

| | |
|--|-----------------|
| Range in One-time Start-up Costs (3 yrs) | \$1.15M - \$16K |
| Range in Annual Maintenance Costs | \$1.1 M - \$0 |

Seven departments reported estimates of less than \$10K per year for operation of the proposed performance monitoring system. One department reported annual operating costs of \$1.1 M.

7.8.5 Departmental Positions on The Proposal

In general, departments stated that implementation of the Performance Monitoring System proposal would result in no reduction of paperburden for small businesses. Several commented that the requirement would simply add to the internal paperburden and workload of the departments and that the costs of the proposal could not, therefore, be justified.

7.9 AGGREGATE COSTS FOR INFORMATION MANAGEMENT PROPOSALS

7.9.1 Complete Package with Paperburden Budget System

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---|----------|
| One-time Start-up Costs (5 yrs for Inventory/3 yrs for other proposals) | \$1.51 M |
| Annual Maintenance Costs | \$4.1 M |

7.9.2 Complete Package with Performance Monitoring System

Adjusted Total (Govt-Wide) Cost Estimate

(Incorporates O&M, Overhead, Project Management and Corrects Computational Errors)

| | |
|---|----------|
| One-time Start-up Costs (5 yrs for Inventory/3 yrs for other proposals) | \$147.6M |
| Annual Maintenance Costs | \$4.9M |

If an annual operating cost of \$200K (the next highest departmental estimate is \$182 K) is assigned to the department that estimated \$1.1M, the estimated government-wide annual cost for the performance monitoring proposal drops to \$393 K. Approximately 97% of this estimated cost would be attributable to two departments.

8.0 OPTIONS FOR PLANNING AND ALLOCATING PAPERWORK REDUCTION TARGETS

Crucial to effectively achieving the policy objective of net reduction on a government-wide basis, is the necessity of developing and implementing a systematic budgeting system under which annual reduction targets could be established for departments and/or the government as a whole.

8.1 THE NECESSITY OF A BUDGET

To achieve the goal of net reduction, a mechanism must be established to measure successes in policy implementation. The mechanism which flows naturally as a consequence of the net reduction principle is a budget. A paperwork budget process would be critical to ensure that planning takes place and that quantifiable paperburden reduction targets are set. As well, the imposition of a budget process ensures that performance can be measured and that departments/agencies will be accountable for their performance.

As an alternative, the system might simply be established as a monitoring mechanism, operating on the assumption that if improvements in information management practices are implemented by departments, a natural consequence would be a net reduction in paperburden.

8.1.1 Complexities

The Advisory Committee accepted the principle that some government departments/agencies might be allowed to increase their paperburden provided that offsetting reductions were made by other departments. Such a possibility adds complications to the design and soundness of the budget process. In such a case, simply setting a common target for each department would not suffice. The process would be far more complicated in that the overall federal burden would first have to be quantified and then each department's share determined and allocated through an internal inter-agency decision-making process. Under such a system, limits would be set on the burden hours to be imposed on the private sector by the government as a whole, and by each department.

8.2 ELEMENTS OF AN EFFECTIVE BUDGETING SYSTEM

An effective budgeting system has several basic requirements:

First, a common methodology must be developed for estimating paperburden, and this must be adhered to by all departments and agencies.

Second, the system must be designed with the ability to aggregate paperburden estimates, or there must be acceptance of the fact that budgeting must be done separately for different categories. The system must, in this latter case, be capable of distinguishing increases in paperburden that arise as a consequence of departmental action from those arising as a result of external (economic or demographic) factors. In the first case, the department has created a situation which leads to increased paperburden (for example, a change in taxation law which requires more companies to file returns). This would be a legislative

initiative leading directly to an increased paperburden on the private sector. The department, an active player in this scenario, should be accountable for the increased costs. In the case of externally-imposed results, as, for example, would occur if there were an increase in tax filings attributable to an upswing in the business cycle, the department is a "passive player" in the increased paperburden and could not be accountable for increases in costs. In both situations, however, increased costs result.

Third, there must be clear and effective linkages between the budget process and the policy/legislative approvals process. This would apply equally in the cases of statutory initiatives and regulations. If a proposed new bill or regulation would result in a department exceeding its authorized paperburden budget, special Cabinet dispensation would be required or the matter would not be allowed to proceed.

Fourth, an effective budgeting system would necessitate an effective, central monitoring/reporting/audit process capable of detecting inaccurate estimates of paperburden costs. This would be particularly important in the case of a paperburden system since there would be considerable scope (and, possibly, incentive) for creative approaches to the preparation of estimates. The methodology for estimating paperburden is not stringent, nor are the estimates easily verified.

Fifth, the system would require an effective method for ensuring accountability, whereby "good" and "bad" performances are detected, and, once recognized, rewarded or penalized.

A paperburden budget system would be dependent on implementation of the proposals for a costed inventory of information collection requirements and, to some extent, for front-end controls over information collection and records retention requirements. Whereas a front-end system would operate only when the department proposed to change a paperwork requirement or records retention requirement, a budget system would operate annually and would require the department to review all paperburden sources and identify targets for reduction.

8.3 OPTIONS

Two models are outlined below, the first being a descriptive model of a paperburden budget system. The alternative to a budget system, discussed in Section 3.2, is a performance monitoring process.

8.3.3 Paperburden Budget System

This section outlines the steps that would be necessary for federal departments and agencies to adapt to and fully comply with the requirements of a paperburden budget system. Essentially, departments would be required to review their costed inventories, review upcoming initiatives that would affect paperburden levels on the private sector, prepare estimates of the paperburden they would impose in the ensuing fiscal year, submit proposed budgets to a central agency for review and

consultation, and submit final budgets to the central agency responsible for compilation and submission to Cabinet for approval.

8.3.3.1 *How would a paperburden budget work?*

At present, no policies of the federal government require departments to prepare paperburden budgets or to report on paperburden performance measured in terms of annual burden hours. The following steps are illustrative of the process and actions that would be necessary to ensure a workable budget system:

Preparing a Paperburden Budget

- a) each department would be required to review its entire departmental base of paperburden requirements (both information collections and records retention requirements), identifying requirements which could be eliminated or simplified and estimating the reduction in annual burden hours that would result;
- b) next, a review of anticipated new paperburden requirements would be necessary, and an estimate would be required of the increase in annual burden hours that would result;
- c) this would be followed by preparation of a draft budget which estimates the aggregate paperburden change that the department anticipates.

Review of previous year's performance

Departments would also review their performance under the previous year's budget and would compile data on the changes in paperburden levels, indicating whether paperburden budget targets had been met.

Submission of draft budget to agency responsible

Departments would submit the draft budget and report on performance to the central agency (or department) which is assigned responsibility for administering the paperburden budget system.

Establishing global paperburden reduction targets

The central agency charged with budget responsibility would consult with each department concerning a reasonable global paperburden reduction target for the ensuing year and regarding the department's individual "share" of that reduction. (In some cases, e.g. the Goods and Services Tax, the consultations would deal with the size of an increase). Following these consultations, the agency would prepare a Cabinet submission reporting on departments' performance under the previous year's budget and seeking Cabinet approval for the global target and departmental shares for the ensuing year.

Approved targets communicated to individual departments

The targets approved by Cabinet would be communicated to departments which would then finalize their internal paperburden budgets. This might necessitate a

further review of their paperburden requirements and further identification of requirements to be eliminated or simplified. The paperburden budget system would impose upon departments requirements to review the existing base, identify targets for reduction, estimate the magnitude of possible reductions, and secure approval of the budget by departmental senior management. It would also require the department to participate in consultations with the central agency that would be assigned responsibility for administering the paperburden budget system on a government-wide basis. Finally, the department would have to expend resources in connection with the cabinet submission process relating to the government-wide budget. It is reasonable to assume that extensive negotiations might be required concerning each department's "share" of a global reduction target.

8.3.4 Paperburden Performance Monitoring System

As an option to a "real" budget which estimated and allocated reduction targets in terms of "burden hours imposed", a less complex monitoring system could be implemented, which would simply require that information be collected annually and submitted to the appropriate agency (for example, the Entrepreneurship and Small Business Office of ISTC). This alternative to the budget system is a straight reporting system under which departments could simply include data on paperburden increases or decreases in annual small business paperburden reduction plans. Under such a regime, there would be no mandatory adjustments in cases where a department's paperburden appeared excessive, could not be attributed to external causes, or where no action on reduction was planned whatsoever. Of course, such action would always be open to Cabinet on the recommendation of the monitoring agency.. This would not, however, be the purpose of a performance monitoring system.

8.3.4.1 How would a paperburden performance monitoring process work?

Although there is no paperburden budget system in place within the federal bureaucracy, there is a precedent for a monitoring system. For several years, Statistics Canada has operated an internal system for tracking changes in paperburden it imposes on the private sector through its various information collection activities (i.e. surveys).

Once a year, Statistics Canada prepares and reviews the level of paperburden it is imposing on business through its information collection activities. The annual review is carried out through the following procedure:

- 1) The departmental responsibility centre for small business paperburden reduction maintains a master data base (set up in a standard spread-sheet program on a personal computer) which identifies each information collection activity, the frequency, the number of businesses to which it applies, and the estimated time it would take the average business to provide the information.
- 2) Once a year, managers are sent a print-out of the surveys for which they are responsible. They are asked to simply "note-up" any changes to the

information shown and to add information on any new surveys commenced during the year.

- 3) The departmental responsibility centre adjusts the master data base using the noted-up returns from the managers. Data is reviewed to see if it "makes sense", and a summary report is prepared for review by each managers and by the agency's senior management committee.

The Statistics Canada system is simple, low cost, yet effective. It ensures that both line managers and the senior management complement are kept aware of the agency's performance on paperburden reduction and allows progress to be measured. It places primary responsibility at the program level, but incorporates an element of corporate monitoring and quality control. The StatsCan approach would, however, require modification if it were to be applied more generally to other departments. Statistics Canada deals only with relatively small number of surveys and the methodology for estimating paperburden is applicable only to survey situations. In other departments, surveys may account for a small proportion of the paperburden sources and much larger number of information collection vehicles may be used. Nevertheless, the StatsCan monitoring system provides a model on which a more generalized system could be developed. A description of such a system is provided below.

Departments to track approved levels

Under a government-wide performance monitoring system, departments would keep track of the paperburden levels approved through the "front-end" approvals process. Each year they would calculate the following:

- the annual burden hours resulting from recurring surveys;
- the annual burden hours resulting from approved ad hoc surveys;
and
- the annual burden hours resulting from approved forms.

Aggregate measures into departmental totals

These three measures could be summed to generate a total for a department. In addition departments would keep track of the costs associated with any records retention requirements that were approved.

Report to Cabinet on progress

These data would be included in the "progress report" portion of the department's annual Small Business Paperwork Reduction Plan which would be approved by the responsible Minister and submitted to Cabinet in accordance with the existing process.

8.3.5 Advantages and Disadvantages of the two models

Clearly, a paperburden budget system would place more onerous requirements on individual departments and on the government as a whole. The budget system

would be completely new and could not be treated as a modification of existing processes or systems. In that sense, all costs associated with the first option would be incremental. As well, the paperburden budget option would require a "costed inventory" to be available and to be maintained. A complete inventory of the sources of paperburden would be prerequisite to an accurate determination of the magnitude of any potential reduction. If reduction targets were determined not to be necessary, then the need for a costed inventory of information holdings would be obviated.

Both systems would require procedures for front-end approvals and periodic review, and departmental estimates of the costs involved (both in terms of dollars and person-years) in establishing, maintaining and updating such procedures.

Based on feasibility studies conducted by 8 departments, it is estimated that the annual operating costs of the paperburden budget system would amount to approximately \$539,000. Start-up costs for the departments over three years are estimated at approximately \$4.6 million.

To this must be added the start-up costs that would be incurred by the central agency which would be given overall responsibility for the system. This agency would have to prepare a detailed proposal for the system and its procedures, consult with and obtain interdepartmental agreement on the arrangements, consult and obtain the agreement of relevant central agencies (particularly PCO and OPRA), secure ministerial agreement, establish and obtain approvals for timetables, prepare explanatory materials, conduct briefing sessions for departmental and central agency officials, establish or arrange for an audit capability, and create the required linkages to the policy-legislative approvals process of the government.

Assuming that two officers and one administrative support staff would be required for a 6-month period to carry out its work, it would likely cost the central agency at least 1.5 PYs for start-up. Approximately .2 PYs would also be required in each of the 8 participating departments and the 2 key central agencies. In all, a rough estimate of the aggregate resources required for set-up of the budget system would be 3.5 + dept. estimates) PYs.

Resource requirements for the performance monitoring system would be much less. The departmental feasibility studies suggest that the annual operating costs would amount to approximately \$1.3 million while start-up costs for the departments would be approximately \$1.2 million.

Since the central reporting mechanism, the annual paperburden reduction workplans, is already in existence, no incremental central agency costs would be required for start-up and operation of this option.

8.4 An Overview of the United States Federal Experience with a Paperburden Budget

The U.S. federal paperburden budget system was originally developed and instituted as a result of legislation passed by Congress. The *Paperwork Reduction*

Act required that departments prepare paperburden budgets and set reduction targets of 15% for the first several years. The overall management and control of the budgeting system was located in the Office of Management and Budget (OMB), which is found within the Executive Office of the President. For the first several years of the program OMB focused on the numbers and achieving the reduction targets with the process working as follows:

- Individual federal agencies would review all their active collection activities and would prepare a budget proposal which would be submitted to OMB.
- OMB personnel would review this proposal and a meeting would be held to discuss the proposal with the originating agency.
- Based on the results of these discussions, OMB would then set a target reduction for the agency. In setting this reduction target, OMB would have regard to the statutory requirement for a 15% reduction by all federal agencies covered under the legislation.

8.4.1 The Information Collection Budget: Evolution and Description

The U.S. federal government collects vast amounts of data and other information through its forms, surveys, questionnaires, and regulatory requirements. The Information Collection Budget was instituted in fiscal year 1982 in an attempt to balance the costs of supplying information against its practical utility to the government and the public. It was the first effort to apply budgeting procedures – long familiar in connection with direct government expenditures – to the costs of public policies on the private sector.

Although the budgeting procedure is a relatively new concept, OMB and most agencies have been measuring paperwork burdens for more than 40 years under the *Federal Reports Act* of 1942, and have been refining their estimation procedures constantly. The measure of burden includes not only the time required to fill out a form, but also that necessary to read and understand the instructions, and to develop, compile and review the information requested. Burden estimates are prepared separately for each reporting or record keeping requirement, based upon a detailed assessment of the requirement itself, experience with comparable information collections, and in some cases respondent interviews. The ICB is administered by the OMB, as required by the *Paperwork Reduction Act* of 1980. The *Act* directs OMB to establish general policies and procedures for controlling information collections, and to report to the Congress at least annually the estimated reporting hours imposed by the information collections of each Federal agency. OMB's paperwork-control regulation establishes the ICB as a principal mechanism for accomplishing these and other directives of the *Act*. The ICB was instrumental in achieving these directives, and has furthered the *Act's* goal of encouraging high-level responsibility for paperwork reduction within each agency.

The ICB is prepared each year through a procedure similar to the preparation of the President's fiscal budget. Based upon the prior year's experience and the best

current estimates of the "burden hours" imposed by each form, survey, and other information collection, each agency submits to OMB a proposed budget of total burden hours for the new fiscal year, together with a description of changes in existing paperwork requirements that will meet this budget. Agency submissions are followed by OMB reviews, passbacks, and meetings between agency and OMB officials until final budgets that minimize paperwork burden, consistent with program needs and actual use of collected information, are determined. During the fiscal year, adjustments to meet the budgeted burden hours are made through review and revision of individual paperwork requirements. Possible adjustments include:

- a) changes in private use of government forms, such as application forms for benefit programs, passports, and certain tax elections. The use of such forms may be greater or smaller than an agency anticipated at the beginning of the fiscal year. Such changes reflect real changes in paperwork, but are beyond the direct control of the agency;
- b) unbudgeted additions or deletions of paperwork requirements. Statutes enacted during the year may require new forms or impose new regulatory requirements unanticipated at the time an agency's ICB was prepared. Review of individual forms under the *Act* may have uncovered new opportunities for paperwork reduction. These are real changes in paperwork from those planned during the ICB process at the beginning of the fiscal year.

Historically, at the end of each fiscal year, each agency's budget would be examined and adjusted to determine its actual "expenditure" of paperwork burden hours for that year. This produced the final measure of each agency's record in meeting, exceeding, or falling short of its budget. Each agency's year-end adjusted total paperwork burden was then used as the "base" for preparing its ICB for the following fiscal year. The end-of-year adjustment was the last opportunity to revise the figures prior to the development of the ICB targets. During the first few years of administering the ICB, year-end adjustments to the base included substantial revisions unrelated to actual reduction in paperwork. These revisions were due to the gradual incorporation into the ICB of additional kinds of Federal paperwork (such as procurement paperwork, record keeping and disclosure requirements, and regulatory paperwork) under the provisions of the *Paperwork Reduction Act*.

The ICB was modified in FY 1984 to improve its clarity and effectiveness. In place of the simple burden-hour allowance used in the past, each agency was given two separate allowances -- one controlling changes to information collections contained in the FY 1984 base, and another controlling the introduction of new reporting and record keeping requirements.

The first years of implementing the *Paperwork Reduction Act* provided an opportunity to cut away most of the underbrush of paperwork burden that was unnecessary, duplicative, or otherwise unjustified. The OMB worked with the

agencies to ensure that no new paperwork burdens were created that would repeat these mistakes. Ultimately, the OMB's success resulted in most of the remaining paperwork being either firmly grounded in statute or thoroughly justified to meet the agencies' mandates. Very recently, a new strategy was deemed necessary, whereby the administration determined to shift its emphasis to an information management perspective.

8.4.2 Problems Experienced with the U.S. System

There were a variety of practical problems experienced by the U.S. federal government in implementing its paperburden budget system. First, no standardized methodology was prescribed for calculating burden hours. Second, important areas of federal paperburden were omitted (e.g., procurement, which was only added in 1985/86). There was a major problem distinguishing between changes which resulted from actions taken by the government agency and those which did not. OMB was required to create two types of categories: "program" changes and "adjustment" changes. Program changes were those within the control of the agency and the resulting paperburden adjustment was its responsibility. Adjustment changes, (e.g., due to changing demographics) were not considered to be within the responsibility of the agency. Records retention requirements were included in the budgeting process. The U.S. approach was different from that proposed for Canada, however. The U.S. system required estimation of the amount of time necessary to keep and maintain the records and updating as required by the legislation.

Another source of problem with the U.S. system was the failure to distinguish between paperburden resulting from existing programs and those resulting from new programs. In theory, the 15% reduction targets were targets for overall net reduction. In reality, departments were allowed to distinguish between paperburden from existing programs and that from new programs. The 15% reduction target was limited to existing paperwork requirements and the focus of attention for new requirements was on minimization.

In the last year, there has been a significant change in the U.S. paperburden budget program. Although the legislation still requires that paperburden estimates and budgets be prepared, the focus has shifted clearly away from the numbers game to the pursuit of a broader "information management perspective". OMB is promoting programmatic reviews which look at how different agencies do their business, what information is required and how it can be most efficiently obtained at the least cost to the private sector. Departments are still required to prepare budgets and the agency is still operating this system, but in reality it is no longer considered to be a useful or effective approach to controlling paperburden.

Another problem with the old system was that it resulted in the creation of little "paperburden reduction bureaucracies" that became isolated in the various federal agencies. Paperburden reduction as an objective for program management was not accepted and built-in as a normal part of program management throughout the agencies. The failure to accomplish this re-orientation of attitudes and approaches to public administration of information

collection activities has been judged to be one of the causes of the failure of the existing U.S. approach. Consequently, under the new approach, the focus is on the program activity level, with a shifting of primary responsibility for paperburden control from the central agency control process to the program activity level in the federal agencies. The judgment on the historical U.S. approach is that it was not successful in actually achieving a net reduction of paperburden through the budgeting system.

Approximately three years ago, as a result of Congressional re-authorization of the Office of Information and Regulatory Affairs, an innovation was introduced whereby agencies were required, when publishing forms, to indicate the estimated completion time and to publish this with a notice of a contact point on the form. This has proven to be quite an effective mechanism for obtaining private sector feedback on paperburden resulting from various forms.

The U.S. Internal Revenue Service recently re-examined its forms and re-estimated paperburden costs twice as high as the original estimates created when the paperburden budget system was first introduced. This is illustrative of the deficiencies in the original approach to establishing the budget system. The orientation of the U.S. paperburden control process is now shifted from a numbers process to a substantive review of major information collections carried out by various agencies such as the IRS. There are approximately 6,500 information collections that have been approved by the OMB. The top 100 of these result in 95% of the burden imposed on the private sector by the U.S. Government.

8.4.3 Conclusion on the U. S. Paperburden Budget System

In general the U.S. paperburden budget was not successful and had undesirable adverse side effects. Its failure is in part due to methodological problems and in part due to its not focusing primary responsibility for paperwork reduction at the program level, where it belongs and where it can be most successfully implemented. This can be accounted for by the budget's focus on numbers instead of effective information management and in part attributed to a failure to recognize that the system could not possibly hope to prevent new paperburden resulting from new program initiatives and legislation approved by Congress.

The OMB is now shifting to the information-management approach already adopted through the Treasury Board's Management of Government Information Holdings (MGIH) Policy. The program-focused approach is clearly preferable and is consistent with new directions being pursued through the PS 2000 initiatives.

8.5 IMPLEMENTATION: CONSIDERATIONS FOR TIMING AND PHASING

8.5.1 Budget System

If a decision were made to adopt a paperburden budget system, it is forecast that a minimum period of two years would be required for implementation. As a necessary first step, departments/agencies would be required to develop paperburden estimates for their existing base of information collection vehicles. This would most efficiently be accomplished if done in parallel with departmental

creation of inventories of information holdings, in compliance with the Treasury Board MGIH policy. It is estimated that most departments would require on average five years to implement their inventories. For some departments, that process could well go on longer.

Consequently, it would likely be no less than six-to-seven years before full implementation of a paperburden budget system.

8.5.2 Performance Monitoring System

Given its relative simplicity, a performance monitoring system could be implemented in a much shorter time. If departments were to implement the front-end approval process reforms, it would be a simple matter for individual estimates to be centrally logged, compiled, and included in the department's annual small business paperwork reduction plan. These reforms would require that senior management be provided with paperburden estimates for all new or amended collection activities (including all recurring activities).

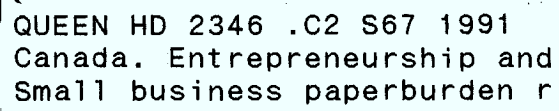
It is estimated that most government departments could implement the approvals process changes in one year. It follows, therefore, that the performance reporting system could show its first results at the end of the second year.

8.6 CONCLUSIONS

Based on the discussion above and the extensive experience of the U.S. Federal Government, a paperburden budget system is awkward at best, likely unworkable, and implies excessive costs relative to the potential benefits. It would not accomplish the desired objectives.

The concept of a budget process to achieve net reduction is fundamentally flawed because it focuses on the symptoms of the problem and does not deal with the causes. The failures of the U.S. paperburden control system were well-known to and understood by Treasury Board officials who developed the MGIH policy. The orientation which underlies the new Treasury Board Management of Government Information Holdings Policy holds much more promise for effective long-term control of paperburden resulting from government information collection activities.

A paperburden reduction performance monitoring system makes more sense, is far less costly and could well introduce a greater measure of discipline into departmental information gathering activities. The performance monitoring system, however, suffers from problems that stem from inconsistent methodology. This could become highly problematic given the inevitability of inter-departmental comparisons and aggregation. In spite of its weaknesses, the performance monitoring model is the preferable option if any requirement for government-wide monitoring and reporting is to be accepted.

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