

WRITTEN STATEMENT

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SECRETARY OF COMMERCE

Senate Homeland Security and Governmental Affairs Committee

U.S. Senate

31 October 2017

Chairman Johnson, Ranking Member McCaskill, and Members of the Committee, thank you for your continuing support and oversight of the 2020 Census, a critical, constitutionally mandated endeavor.

An efficient 2020 Census that provides a full, fair, and accurate count of everyone living in this country has been one of my highest priorities since being confirmed in February. I was an enumerator while working my way through business school, and so I have a strong appreciation for the responsibilities and the unique challenges of counting everyone in the United States once every 10 years.

We are now just 30 months away from the 2020 Census. Any operation that must hire and manage half a million temporary employees, with temporary offices across the nation, using new systems, and meet specific dates, is bound to be a difficult undertaking for even the most experienced managers. Moreover, this is the first Decennial that will extensively use Internet technologies to complete our work.

From the beginning of my tenure it has been clear that the 2020 Census would be one of the most challenging aspects of the entire Commerce portfolio. The Census is the bedrock upon which we construct our system of democratic representation. It provides for apportionment, redistricting, and the distribution of hundreds of billions of dollars of federal funding. Accordingly, some of my first meetings as the newly confirmed Secretary of Commerce were with Census Bureau staff.

In those meetings, I sought to identify and then address the key issues faced by the Decennial Census. My early concerns were heightened when only two months into my tenure, the Census Bureau suddenly announced a 40 percent cost overrun in one component, namely, the Census Enterprise Data Collection and Processing, (CEDCaP) program—a critical part of the technology infrastructure for the 2020 Census.

In terms of the broader Decennial Census, the prior administration's last lifecycle cost estimate, announced in October 2015 was \$12.5 billion. When testifying before Congress in June, I did

not accept that figure. Instead, I vowed to return to Congress after a thorough review, with a properly prepared and thoroughly vetted 2020 Census lifecycle cost that I could support. In conducting our review, we looked at the many concerns raised by the Government Accountability Office (GAO), our Inspector General (IG) and Members of Congress, including those on this Committee about the Census Bureau's cost estimates. The product of that review is what brings me here today.

As the 2020 Census currently transitions from a planning, research and methodology phase to implementation mode—with so much development still underway—our revised lifecycle cost estimate consists of both discrete program costs and contingency funding to address possible known and unknown risks. The 2020 Census operational plan includes many innovations. This will be the first Census to introduce and promote Internet response; to introduce telephone call centers as an additional mode of response; to use aerial imagery to update maps and addresses for the entire country; to automate field procedures and use algorithms to improve the efficiency of our field enumerators and, to use administrative records to increase accuracy and reduce workload. We are keenly aware of the challenges, risks and costs associated with this technology transition. However, we believe these technologies will improve efficiency while reducing costs that would be otherwise realized if investment in these technologies did not occur, and will serve as a solid foundation for future Decennial Censuses.

Where We Are

Our revised 2020 Census lifecycle cost estimate is \$15.6 billion, which consists of \$14.4 billion for program costs and \$1.2 billion in contingency funding for known and unknown risks. The basis for these numbers is an independent cost estimate of \$14.1 billion conducted this summer. I know this Committee is not responsible for providing this funding; however, your support is significant to ensuring the successful execution of the 2020 Census.

This estimate is the product of a rigorous deep dive by cost estimation and management experts, as well as a thorough review of Census programming. The estimation team was comprised of financial management experts from the Department of Commerce and the Office of Management and Budget, former Census employees, two former technology executives with experience in rolling out complex systems, and other experts with extensive private sector experience. We also had a group of outside experts review program integration, major contracts, and the budget.

This new, thorough cost estimate increase includes contingency funding of \$1.2 billion to address additional potential risks and associated challenges. These risks and challenges include natural disasters, the potential for even lower self-response rates, the difficulty and cost of hiring 500,000 temporary workers in a tight labor market, and the complexity of developing and integrating multiple information technology innovations.

In addition, the contingency funding will allow Commerce to address the unique challenges associated with a huge project with costs that are not evenly spread out over time. Instead, over 80 percent of the projected spending will occur post-2018. This is a very back-ended expenditure with a rapid ramp-up, which in the near future will bring its own challenges to both implementation and to cost control.

A 10 percent contingency is commonplace for complex private sector projects. Government tends not to set up reserves, instead funding overruns through subsequent appropriation requests. Recognizing its uniqueness, our \$1.2 billion reserve—a contingency of 10 percent of the post-FY 2018 budget, allocated on top of the independent cost estimate level—will be managed at the secretarial level and used only if unforeseen developments occur.

Both the GAO and the Commerce Inspector General are right to be concerned with the prior 2015 lifecycle cost estimate. On the whole, we found that the prior administration provided Congress and the public with overly optimistic assessments of both the ease of implementing new technologies and the cost savings they would provide. For example, the GAO estimated that the IT budget would be at least \$4.8 billion. Our estimate is \$4.96 billion, or \$160 million over the floor that the GAO estimated would be the correct number. In addition, there was a failure by the prior Administration to follow basic management practices like using certified cost estimators and checking estimates against actual cost.

We have addressed those failures and corrected the record with this new lifecycle cost estimate. In this estimate, we have identified key areas where Census programming would likely create cost above the 2015 estimate. These include a continued decline in self-response rates, increased public concerns about privacy and cybersecurity, high levels of mistrust of the federal government, a tightening labor market due to improvements by this Administration, development and integration of new technologies, and the complex array of contractors and subcontractors assembled by the prior Administration.

Our new \$15.6 billion 2020 Census lifecycle cost estimate includes a request for a \$187 million adjustment for fiscal year 2018. We are working with our House and Senate appropriators on this request.

These funds would allow us to make a significant course correction to keep crucial programs on track and provide much-needed financial oversight and better management at the Census Bureau. The Census Bureau and the Department of Commerce will be held accountable to manage the 2020 Census efficiently while maintaining the highest quality. With the exception of additional program management activities, this adjustment does not fund additional activities beyond those outlined in the previous FY 2018 request.

What We Are Doing Going Forward

I am staying closely involved in these areas going forward. I recently called a meeting with the executives and program managers for the Technical Integration contract, the major CEDCaP contract, and the Census Questionnaire Assistance contract to ensure their commitment to providing the highest quality of service and outcome for a successful 2020 Census operation. This is the first of a series of meetings I will have with the Census team and their contract partners to bring oversight and accountability into the Decennial operation. These meetings will help me ensure that we are on track, on time, and on budget.

The Census Bureau has a long-standing relationship with GAO. We have worked with them closely throughout the decade. We appreciate their input which improves our program. The GAO has made 84 recommendations about the 2020 Census program since 2008, mostly

regarding IT development and security, schedule, field operations and cost estimation. For each recommendation, the Census Bureau prepared a formal action plan. After the Census Bureau completed those plans and submitted documentation, GAO closed 48 of the 84 recommendations. Of the remaining 36 recommendations, seven have a due date of 2018 or later. Work has been completed on the other 28, and the Census Bureau is working with GAO to review the associated documentation. The Census Bureau and GAO meet quarterly to discuss open recommendations and the steps needed to close them. Since 2011, the OIG has also made 59 recommendations about the 2020 Census. All but 14 are closed.

The Under Secretary for Economic Affairs, Karen Dunn Kelley, has been in place since late August and has direct oversight over the 2020 Census, the Census Bureau itself, and the Bureau of Economic Analysis. She brings over three decades of management experience in the financial investment sector, with experience managing people, strategy, budgets, operations, public relations, and thought leadership across the globe.

Seasoned and experienced senior management is also in place at the Census Bureau itself. Ron Jarmin, performing the nonexclusive functions and duties of the Director of the U.S. Census Bureau and Enrique Lamas performing the nonexclusive functions and duties of the Deputy Director and Chief Operating Officer of the U.S. Census Bureau, are jointly leading the Census. Each has nearly three decades of experience in Census.

As the Census Bureau moves into the implementation phase of the 2020 Census operation with the 2018 Census End-to-End Test now underway, the Census Bureau is making changes by pulling in staff with decades of decennial and field operations experience into the Decennial Directorate. Al Fontenot will serve as the new Associate Director for Decennial Programs. He brings an operational and implementation focus for the 2020 Census needed during this critically important phase. Jim Treat will serve as the Assistant Director for Decennial Programs, having previously led all program and schedule management for the 2010 Census. Lisa Blumerman will serve in a new but crucially important role focused on the expanded use of administrative records in the Research and Methodology Directorate. The use of existing information already provided to the government by taxpayers, along with other third-party data, is immensely important for the 2020 Census and the future of all data collection activities for the federal statistical system. Lisa recently led the research, planning and development for the 2020 Census; and she will continue to serve as an important part of the team.

Commerce now conducts weekly 2020 Census oversight reviews and will require metric tracking and program execution status on a real-time basis. Commerce also has monthly meetings with the Office of Management and Budget, Census program managers, and Commerce's 2020 leadership team, headed by Under Secretary Kelley, to review issues related to the programs budget, scope, schedule, and risks.

These management meetings include detailed reviews of the evolving budget and lifecycle cost estimate for the 2020 Census. The results of these meetings are reported directly to me by Under Secretary Kelley and her staff so that I can personally oversee the progress of the Decennial Census.

The Census Bureau is making good progress in the development of systems for the 2020 Census. Currently, we are validating our systems by conducting the 2018 End-to-End Census Test. This test includes most of the operations in the 2020 Census, and we are deploying a total of 44 systems in support of these operations. Twenty-four of these systems have been deployed during the Address Canvassing Operations and the Field Enumeration recruiting for peak operations. These 24 systems have been developed and tested, fully integrated into 2020 operations, and have received their Authority to Operate. The remaining 20 systems are scheduled for deployment during further operations testing next spring.

Finally, we have taken corrective action to provide reliable oversight of the CEDCaP program. We are making a programmatic change by moving CEDCaP into the 2020 Decennial operation in order to provide a more focused, central location to more efficiently manage the program. The move will allow for better budget oversight with less overlapping layers of management. In addition, I have met with the contractor and subcontractors of the CEDCaP program to emphasize our support for and mutual interest in the success of their performance.

Conclusion

Many challenges still lie ahead for the 2020 Census. We are keenly aware of the challenges, risks, and costs associated with this new approach. However, we believe these innovations are promising and will serve as a solid foundation for future Decennial Censuses.

I look forward to working with this Committee, your staff, and the rest of Congress over the months and years to come. And I thank the Committee for the opportunity to come before you today. I look forward to your questions.