

ONE HUNDRED EIGHTH CONGRESS  
**Congress of the United States**  
**House of Representatives**

COMMITTEE ON GOVERNMENT REFORM  
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**SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,  
INTERGOVERNMENTAL RELATIONS AND THE CENSUS**  
**Oversight Hearing**

**Hearing topic: *“Data Mining: Current Applications and Future Possibilities”***

**Tuesday, March 25, 2003**  
**9:30 a.m.**  
**Room 2154 Rayburn House Office Building**

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**OPENING STATEMENT**

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Good morning and welcome to the first in a planned series of hearings addressing the important subject of data mining technology...or “factual data analysis” as some might refer to it. There are a number of proven uses for this technology, which has played a prominent role in many arenas, public and private, for years. This morning we will seek to define the technology itself and examine the parameters of its application. It is no secret that some have expressed concerns about the role of data mining, particularly in the context of potential privacy intrusions.

We will attempt to explore the manner in which this technology will continue to be a valuable tool in a variety of governmental uses...not just those of national security while also acknowledging the public interest in protecting the privacy of personal information. Data mining is a technology that facilitates the ability to sort through large amounts of information through database exploration, extract specific information in accordance with defined criteria, and then identify patterns of interest to its user.

As I understand the technology, a user has the ability to tailor a data mining program to a particular purpose by selecting a number of different databases to search, and setting the criteria for the search. Data mining technology has been utilized successfully for many years in both the private and public sectors to identify and analyze useful data that might otherwise be overlooked or inaccessible. Examples of the variety of commercial or governmental uses associated with data mining software would include; businesses being able to develop a targeted marketing campaign in an effort to identify prospective customers; government agencies expanding opportunities to track down tax evaders; detection of Medicaid and Medicare fraud and corporations utilizing this tool to estimate spending and revenue more accurately, just to name a few.

For instance, a mortgage refinancing lender may seek to determine potential candidates for their services by attempting to identify mortgage holders who have lived in their homes for a certain period of

time, in a particular geographic location, with a market value range of property at a certain level, in order to target a special refinancing rate offer.

As you can imagine, this kind of technology is invaluable to a number of institutions. Because it is such a vast and evolving field, the Subcommittee is interested in exploring the various uses and effects of this technology and in subsequent follow up hearings addressing more particular applications.

While data mining may have many legitimate and worthwhile uses, we must always be vigilant of any potential encroachment on the privacy of the American public. We have great responsibilities as elected officials. We must protect the American ideals of life, liberty and freedom. At times these ideals would seem to come into conflict with each other and it's our job to ensure that we do all we can to protect the public while maintaining the faith entrusted to us by the Founding Fathers -- to protect the right of the people to privacy and freedom. Ben Franklin once said, those that would give up freedom for security, deserve neither.

Today, we have a number of expert witnesses on data mining that will provide us with their professional insight. I'd like to welcome:

- The Honorable Paula Dockery, Florida State Senator;
- Dr. Jen Que Louie, President, Nautilus Systems, Inc.;
- Mark Forman, Associate Director, Information Technology and Electronic Government, Office of Management and Budget;
- Mr. Gregory D. Kutz, Director Financial Management and Assurance, U.S. GAO; and,
- Jeffrey Rosen, Associate Professor at the George Washington University Law School, Legal Affairs Editor of The New Republic.

Interest in expanding the use of this technology at the Federal level of government has become more widespread as we look to use modern technology to improve intergovernmental communications and national security. From our oversight perspective as the Subcommittee on Technology and Information Policy, we have a special interest in learning the pros and cons to data mining technology as well as how its use could be...or is being... expanded at the Federal level.

We appreciate the participation of today's witnesses as they provide valuable information to the Subcommittee on this important topic. Thank you again for taking time out of your busy schedules.

Today's hearing can be viewed live via WebCast by going to <http://reform.house.gov> and then clicking on the link under "Live Committee Broadcast".