

Supporting Statement A
U.S. Department of Commerce
U.S. Census Bureau
Service Annual Survey
OMB Control Number 0607-0422

A. Justification

1. Necessity of the Information Collection

The U.S. Census Bureau requests an extension with revision of the current OMB approval of the Service Annual Survey (SAS). The Annual Services Report is the instrument to collect data for the SAS. Today, over 50 percent of all economic activity is accounted for by services that are narrowly defined to exclude retail and wholesale trade. The U.S. Census Bureau currently measures the total output of most of these service industries annually in its Service Annual Survey. This survey currently covers all or some of: Utilities; Transportation and Warehousing; Information; Finance and Insurance; Real Estate and Rental and Leasing; Professional, Scientific, and Technical Services; Administration and Support and Waste Management and Remediation Services; Educational Services; Health Care and Social Assistance; Arts, Entertainment, and Recreation; and Other Services as defined by the North American Industry Classification System (NAICS).

Estimates from the SAS are essential to a better understanding and higher quality estimates of economic growth, real output, prices, and productivity for our nation's economy. A broad spectrum of government and private stakeholders use these estimates in analyzing business and economic sectors; developing statistics on services; forecasting economic growth; and compiling data on productivity, prices and gross domestic product (GDP). In addition, trade and professional organizations use these estimates to analyze industry trends, benchmark their own statistical programs and develop forecasts. Private businesses use these estimates to measure market share, analyze business potential and plan investments. Comprehensive, comparative annual data on the services sector are not available from any other source.

Annually, the key variables for the SAS are total revenue, total expenses, and general expense detail items. Some sectors also collect revenue detail items that are specific to a particular industry. The availability of these data greatly improves the quality of the intermediate-inputs and value-added estimates in BEA's annual input-output and GDP by industry accounts.

In 2011 we selected a new sample for this survey. During the first year of the new sample, we will ask for two years of data (2010 and 2011). Current- and previous-year data are requested only for the first year in which a new sample is introduced in order to provide a link point with the existing data series. In

subsequent years, only current year data will be requested. Additionally, as a result of feedback given by respondents, we have created separate forms for alpha multi unit companies. The new alpha forms exclude Question #2 (EIN verification) which is only necessary for EIN respondents.

The Census Bureau will conduct this survey under the authority of an Act of Congress, Title 13, United States Code, Sections 182, 224 and 225.

2. Needs and Uses

The estimates produced in the SAS are critical to the accurate measurement of total economic activity.

- The Bureau of Economic Analysis (BEA), the primary Federal user, use the estimates to develop the national income and product accounts, compile benchmark and annual input-output tables, and compute GDP by industry.
- The Bureau of Labor Statistics (BLS) use the estimates as inputs to its Producer Price Indexes and in developing productivity measurements.
- The Centers for Medicare and Medicaid Services (CMS) use the estimates for program planning and development of the National Health Expenditure Accounts.
- The Federal Communications Commission (FCC) use the estimates to assess the impact of regulatory policies.
- International agencies use the estimates to compare total domestic output to changing international activity.
- Private industry also use the estimates as a tool for marketing analysis.

The following is a summary of the data items that we request and the need for this information. See Attachment 1 for a matrix of form content and a representative selection of survey forms. Note that all forms may include technical language. This terminology is already used on the Economic Census and other program questionnaires, or has been pretested during consultations with businesses in the industry (see “8. Consultations Outside the Agency” below).

a. Total Revenue and Detailed Revenue by Source - Needed for BEA’s input-output tables. BLS also uses these estimates for disaggregating weighted price indexes. Better weighting has led to more accurate and reliable indexes for these industries. Due to increasing complexities of business operation,

disaggregation of these items is useful in developing productivity measures for these industries.

b. Total Expenses and Detailed Expenses by Type - Total and detailed expenses are collected from all businesses. These items provide a more complete and accurate measure of economic activity for the non-profit component of these industries. In the national income and product accounts and inter-industry accounts produced by BEA, taxable and tax-exempt establishments are treated differently. Tax-exempt establishments are required to complete the interest expense survey question. The annual industry accounts produced by BEA will use annual expense data to improve measurement of value added.

c. Percentage of Revenue by Class of Customer - Used by BEA in estimating Personal Consumption Expenditures.

Information quality is an integral part of the pre-dissemination review of information released by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality is also integral to information collections conducted by the Census Bureau, and is incorporated into the clearance process required by the Paperwork Reduction Act.

3. Use of Information Technology

The following are the E-Government services that we will provide for the SAS:

A print on-demand system, referred to as DocuTech, will be used to prepare all questionnaires. The benefit of this system is its ability to print a specific document or set of related documents (when requested) and overlay variable data, bar code, and address label in predetermined locations throughout the documents, all in one pass through the printer. This process reduces the time and cost of preparing mailout packages, while improving the look and quality of the products being produced. This system allows each form to be individually tailored to a particular industry or a particular business, and include industry-specific instructions to clarify reporting criteria.

In 2012, the SAS migrated to a new electronic reporting system called Centurion. Centurion is a software system that provides a highly secure and user friendly means of collecting survey and census data via the Internet. It is accessed by:

1. A user name and password issued by the Census Bureau, and

2. A browser with 128 bit encryption.

Approximately 50 percent of respondents reply through Centurion. Questionnaires are made available to view and download from the Internet.

The SAS program has also provided answers to frequently asked questions on the Business Help Site on the Internet. This site is referenced in the cover letter sent out with the questionnaire.

4. Efforts to Identify Duplication

Consultations were held with representatives of the Federal Government and industry organizations regarding the availability and need of statistical information for the service industries and to ensure that there is no duplication.

5. Minimizing Burden

The stratified random sample design used for the SAS is a design that uses the least number of sampling units required to produce national level estimates with the desired level of reliability, thus minimizing respondent burden. The SAS sample is generally re-selected every five to seven years, at which time most small- and medium- sized firms are replaced in the sample by new firms.

The Census Bureau works with individual companies to set up a customized reporting arrangement tailored to the company's needs. For the first time, in 2012, the SAS supplied an electronic reporting option for consolidated reporters.

An automated paperless processing system is used for mailed-back report forms for timely identification of returned questionnaires, thus minimizing unnecessary follow-up contacts with respondents. We provide respondents with a toll-free number to call if they have questions or need assistance in completing their report.

Firms canvassed are not required to maintain additional records for the survey, nor do we expect participants to incur extra expenses to develop data not readily available. To emphasize this point, a statement is included in the cover letter and reporting instructions to each respondent that estimates are acceptable where book figures are unavailable.

Data are collected from all of the largest firms and from a sample of small- and medium-sized businesses using a stratified random sampling procedure with the probability of selection inversely proportionate to firm size. The minimum sampling rate for a given stratum is approximately 1 in 500.

We will make use of administrative data for nonrespondents, and for nonemployer firms (those without paid employees) in lieu of mailing questionnaires to them.

Current- and previous-year data are requested only for the first year in which a new sample is introduced to provide a link point with the existing data series. In subsequent years, only current year data are requested.

6. Consequences of Less Frequent Collection

Data are collected on an annual basis. If the frequency were reduced, policy makers and others would be increasingly misinformed and misdirected about changes in the economy related to rates and sources of growth in output, prices, productivity and trade. Specifically, BEA would lack accurate, timely measurements of these changing industries for use in its national income and product accounts; BLS Producer Price Indices and productivity measures would be compromised; and CMS would not have data for the development of the National Health Expenditure Accounts. In addition, the ability of other government and private data users to identify industry trends would be impaired.

In support of the SAS, BEA has written,

"The services industries are the most dynamic portions of the U.S. economy and thus require timely, comprehensive and consistent data to accurately measure our economy. Many of the services industries flows measured by BEA for national accounts statistics (such as Gross Domestic Product) have been estimated in the past using a broad range of private and public source data that differ significantly in coverage, concept, level of detail, classification and timing. The Service Annual Survey will provide the timely, comprehensive and consistent data needed to improve BEA's measures of national account statistics."

7. Special Circumstances

The data collection will be conducted in a manner consistent with OMB guidelines. There are no special circumstances.

8. Consultations Outside the Agency

Ruth Bramblett of the Bureau of Economic Analysis has been our primary source of consultations concerning the implementation of the recommendations by Federal agencies.

The Census Bureau has periodic contacts with other Federal agencies

regarding the overall survey content and coverage. They include:

- Aaron Catlin, CMS
- Jim Lande, FCC
- Chris Kask, BLS

In 2011, eight interviews were conducted to gain feedback on upcoming form changes. Interviews were conducted with a variety of individuals including chief financial officers, accountants, tax managers, and vice-presidents in the businesses affected by the proposed questionnaire changes. The questionnaires were tested in Maryland, DC, and Virginia.

Further, we published a pre-submission notice in the Federal Register on January 19, 2012 (vol. 77, pg. 2697-2698), inviting public comment on our plans to submit this request. Comments were received during the 60-day comment period from BEA in support of the SAS.

9. Paying Respondents

We do not pay respondents or provide them gifts for filing the SAS.

10. Assurance of Confidentiality

Data collected in this survey are confidential under the authority of an Act of Congress, Title 13, United States Code, Section 9, which states that only persons sworn to uphold the confidentiality of Census Bureau information may see the report forms and may use them only for statistical purposes. Respondents are advised of this, and informed that this survey is mandatory on the questionnaires and in the letters that accompany the initial and follow-up mailings (see Attachment 2 for 2011 copies of the initial and delinquent letters that respondents will receive).

11. Justification for Sensitive Questions

The requested data concern only routine business information and are not of a sensitive nature.

12. Estimate of Hour Burden

We will canvass approximately 83,648 reporting units, representing a universe of about 3 million establishments, with a total response burden of 286,186 hours in the 2011 survey year, as shown in Attachment 3. Burden hours for each form were estimated based on information obtained from respondents during annual company visits and

estimates based on prior year burden hours.

The respondents' cost in time to complete the 2011 Service Annual Survey will be \$8,648,541 based on the median hourly salary of \$30.22 for accountants and auditors. (Occupational Employment Statistics-Bureau of Labor Statistics " Occupational Employment and Wages, May 2011").

13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than that of their time to respond. The information requested is of the type and scope normally carried in company records and no special hardware or accounting software or system is necessary to provide answers to this information collection. Therefore, respondents are not expected to incur any capital and start-up costs or system maintenance costs in responding. Further, purchasing of outside accounting or information collection services, if performed by the respondent, is part of usual and customary business practices and not specifically required for this information collection.

14. Cost to Federal Government

The annual cost to the government for conducting the SAS will be \$14.77 million, all borne by the Census Bureau. This estimate includes planning and development; data collection and processing; and operational costs such as overhead, equipment, printing, and support staff.

15. Reason for Change in Burden

The increase in burden since the last OMB submission is attributable to more reporting units including a new sample.

16. Project Schedule

The following is an outline of the planned schedule for the 2012 survey year:

<u>Operation</u>	<u>Date</u>
Initial Mailout	January 2013
First mail follow-up	April 2013
Second mail follow-up	May 2013
Telephone follow-up	May 2013
Third mail follow-up/certified letter	August 2013
Edit, tabulation and review	March - November 2013

17. Expiration Date

We will continue to display the expiration date on the information collection instruments.

18. Exceptions to the Certification

There are no exceptions to the certification.

19. NAICS Codes Affected

The SAS will collect information from all or parts of the following NAICS sectors:

- 22 Utilities
- 48/49 Transportation and Warehousing
- 51 Information
- 52 Finance and Insurance
- 53 Real Estate and Rental and Leasing
- 54 Professional, Scientific and Technical Services
- 56 Administrative and Support and Waste Management and Remediation Services
- 61 Educational Services
- 62 Health Care and Social Assistance
- 71 Arts, Entertainment and Recreation
- 81 Other Services

Attachment 4a-4k outlines the industries that we cover.