

**Department of Commerce
U.S. Census Bureau
OMB Information Collection Request
Quarterly Services Survey
OMB Control Number 0607-0907**

A. Justification

1. Necessity of the Information Collection

In the 1980s, it was determined that the service economy, despite its growing importance and share of Gross Domestic Product (GDP), was not adequately covered by the existing federal statistics programs. At the time, the only services data available came from the Service Annual Survey (SAS) and the quinquennial Economic Census, therefore the decision was made to create a new principal economic indicator designed to expand upon the Census Bureau's existing annual survey. The QSS was first released in 2004, making it the first new U.S. federal government economic indicator in 30 years. The QSS is now a major source for the development of quarterly GDP and an indicator of short term economic change.

The initial scope of the QSS was driven primarily by the Bureau of Economic Analysis (BEA) priorities and what the budget initiative would allow. The goal was to begin covering the most dynamic sectors of the service economy for which BEA had little to no alternate source data. In the wake of the dot-com bubble in the early 2000s, it was clear that information services and high-tech industries needed to be a priority as BEA experienced major revisions to their GDP estimates as annual data came in later. So, at the time it was launched, QSS produced estimates for just 3 North American Industry Classification System (NAICS) sectors (51, 54, and 56).

Shortly after the Financial Crisis in 2007-2008, QSS received approval to expand the scope of the survey to match that of the Economic Census of Services. A major part of this expansion would provide for tracking of the Financial sector which, of course, was now in the spotlight. Between 2009 and 2010, QSS underwent a multi-phased expansion, increasing the total coverage from 3 to 11 NAICS sectors.

QSS expanded yet again in 2012 to cover the Accommodation subsector which was the only remaining service industry with no sub-annual coverage.

We currently publish estimates based on the 2012 NAICS. The QSS covers all or parts of the following NAICS sectors: Utilities (excluding government owned); Transportation and warehousing (except rail transportation and postal) services; Information; Finance and insurance (except funds, trusts, and other financial

vehicles); Real estate and rental and leasing; Professional, scientific, and technical services; Administrative and support and waste management and remediation services; Educational services (except elementary and secondary schools, junior colleges, and colleges, universities, and professional schools); Health care and social assistance; Arts, entertainment, and recreation; Accommodation; and Other services (except public administration). See Section 19 (NAICS Codes Affected) for a list of all of the QSS industries. The QSS provides the most current official measures of total revenue and percentage of revenue by class of customer (for selected industries) on a quarterly basis. In addition, the QSS provides the most current official quarterly measure of total expenses from tax-exempt firms in industries that have a large not-for-profit component. All respondent data are received by mail, facsimile, telephone, or Internet reporting.

The total revenue estimates produced from the QSS provide current trends of economic activity in the service industry in the United States from service providers with paid employees.

In addition to revenue, we also collect total expenses from tax-exempt firms in industries that have a large not-for-profit component. Expenses provide a better measure of the economic activity of these firms. Expense estimates produced by the QSS, in addition to inpatient days and discharges for the hospital industry, are used by the Centers for Medicare and Medicaid Services (CMS) to project and study hospital regulation, Medicare payment adequacy, and other related projects. For select industries in the Arts, entertainment, and recreation sector, the survey produces estimates of admissions revenue.

Beginning with the release of 2016 fourth quarter estimates on February 17, 2017, the first Advance Quarterly Services Report was released in an effort to meet data users needs for more timely data. Published approximately 50 days following the end of the quarter, the Advance Quarterly Services Report contains a snapshot of quarterly estimates of revenue for selected sectors, subsectors, and industries on a not seasonally adjusted basis. Our research found that these selected levels were good predictors of the estimates published in the full quarterly services report.

The Census Bureau will conduct this survey under the authority of Act of Congress, Title 13, United States Code, Sections 131 and 182.

2. Needs and Uses

Reliable measures of economic activity are essential to an objective assessment of the need for, and impact of, a wide range of public policy decisions. The QSS supports these measures by providing the latest estimates of service industry output on a quarterly basis.

Currently, the U.S. Census Bureau collects, tabulates, and publishes estimates to

provide, with measurable reliability, statistics on domestic service total revenue, total expenses, and percentage of revenue by class of customer for select service providers. In addition, the QSS produces estimates for inpatient days and discharges for hospitals.

The BEA is the primary Federal user of QSS results. The BEA utilizes the QSS estimates to make improvements to the national accounts for service industries. In the National Income and Product Accounts (NIPA), the QSS estimates allow more accurate estimates of both Personal Consumption Expenditures (PCE) and private fixed investment. For example, published revisions to the quarterly NIPA estimates are often the result of incorporation of the latest source data from the QSS. Revenue estimates from the QSS are also used to produce estimates of gross output by industry that allow BEA to produce a much earlier release of the gross domestic product by industry estimates.

Estimates produced from the QSS are used by the BEA as a component of quarterly GDP estimates. The estimates also provide the Federal Reserve Board (FRB) and Council of Economic Advisors (CEA) with timely information on current economic performance. All estimates collected from this survey are used extensively by various government agencies and departments on economic policy decisions; private businesses; trade organizations; professional associations; academia; and other various business research and analysis organizations.

The CMS uses the QSS estimates to develop hospital spending estimates in the National Health Expenditure Accounts. In addition, the QSS estimates improve their ability to analyze changes in spending trends for hospitals and other healthcare services. The CMS also uses the estimates in its ten-year health spending forecast estimates and in studies related to Medicare policy and trends.

The Medicare Payment Advisory Commission (MedPac) utilizes the QSS estimates to assess payment adequacy in the current Medicare program.

The FRB and the CEA use the QSS information to better assess current economic performance. In addition, other government agencies, businesses, and investors use the QSS estimates for market research, industry growth, business planning and forecasting.

Private sector data users and other government agencies both benefit from an earlier release of U.S. services data. The Advance Quarterly Services Report allows policymakers and private data users to make data-driven decisions sooner due to this high-level snapshot of economic data. In addition, the release also allows the BEA to incorporate services data into the second estimate of the GDP. Prior to the implementation of the Advance Quarterly Services Report, Quarterly Services Survey estimates were incorporated in the third estimate of GDP. The following is a summary of the data items that we request. See Attachment 1

for a list of QSS survey forms, the NAICS industries that will receive the survey form, and the survey form content. See Attachments 2-19 for the QSS survey forms and Attachments 20-24 for the cover letters. Note that the form may include technical language. This technical language has been used in the economic census and other programs or has been verified as conforming to industry usage during cognitive testing of the forms.

- Total Revenue - Needed for the national economic accounts produced by BEA. Revenue estimates are used in the estimates of services within PCEs and for estimates of software investment. These estimates are also used for developing the GDP by industry estimates.
- Total Expenses - Total expenses are collected from tax-exempt organizations in selected industries. Expenses are a better indicator of economic activity than revenue for non-profit firms and organizations.
- Source of Revenue – Used by BEA in estimating PCE. It includes:
 - Percentage of receipts by class of customer.
 - Percentage of revenue from admissions from select arts and entertainment companies such as spectator sports.
 - Gross billing, direct costs of worksite employees, and net revenue.
- Inpatient and Discharge Days - Used by CMS to develop hospital spending estimates in the National Health Accounts.

Information quality is an integral part of the pre-dissemination review of information disseminated 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 currently provide for the QSS:

- A print on-demand system referred to as DocuPrint is used to prepare all questionnaires. The benefit of this system is its ability to print a specific document or set of related documents (upon request) and overlay variable data in predetermined locations throughout the documents. This process reduces the time and cost of preparing mailout packages, while allowing each form to be individually tailored to provide industry and even company specific instructions to clarify reporting criteria.

- Internet collection is conducted through the Centurion Internet Reporting System. This method of data collection reduces the amount of data entry, thus providing a means of cost-effective data retrieval. In addition, the system's built-in data checks/edits improve quality of response and reduce the need for telephone follow-up. Respondents can complete the survey online by visiting the following website: <http://econhelp.census.gov/qss>. The web address and the respondent's username and password are located on page 1 of the form. Once the respondent is logged into the system, they may complete the entire QSS, save any unfinished QSS form(s) to complete at a later time, and print any forms they complete online. No additional software is needed by the respondent. In addition, all data submitted through the Centurion Internet Reporting System are encrypted. At the beginning of a new sample, approximately half of the QSS respondents are mailed a full paper form that provides the option for submission by Internet, mail, or facsimile. The remaining half of respondents are mailed only the first page of the form containing their username and password providing for submission by Internet. Historically, over time the percentages tend to shift towards a smaller percentage of respondents receiving the full paper form and a larger percentage of respondents receiving the shorter version. For example, at the end of the last sample, approximately 20% of respondents received the full form, while approximately 80% received the shorter version. Respondents that report via the Internet for two consecutive quarters are mailed first-page-only forms with their username and password in subsequent quarters.
- A facsimile reminder system called the Paperless Facsimile Image Reporting System (PFIRS) improves data quality and minimizes reliance on labor intensive telephone follow-up. Using this system, delinquent respondents are reminded by facsimile rather than by phone to return their response.
- A laser printer facsimile machine connected to an "800" telephone line gives respondents the capability to submit data by facsimile to our collection facility in Jeffersonville, Indiana. Responding via facsimile expedites our receipt of questionnaires.
- Beginning in the spring of 2018, we will begin to utilize email notifications to inform respondents that the online reporting portal is open and remind them of delinquent responses. We hope this will improve the timeliness of notification, and will reduce the use of outdated paper and fax technologies. Sample e-mail notifications can be found in Attachments 25-27.

4. Efforts to Identify Duplication

During the initial launch of QSS, and its subsequent expansion, 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. We continue to coordinate with these stakeholders to assess ongoing relevance of service industry measurement through the QSS.

Service industry data are collected in the Service Annual Survey (OMB Approval Number 0607-0422) and in the quinquennial Economic Census. While the annual and quinquennial data provide service industry data, they do not provide the data points needed to monitor the current state of the economy. The QSS estimates are the only available data source for evaluating current business conditions.

5. **Minimizing Burden**

The stratified systematic, probability proportional-to-size sample design used for the QSS utilizes the least number of sampling units required to produce national level estimates with the desired level of reliability, thus minimizing respondent burden.

Data are collected from the largest firms and from a sample of small- and medium-sized businesses using a stratified random sampling procedure with the probability of selection increasing with increasing firm size. The sampling rate for the smallest businesses is approximately 1 in 750.

The Census Bureau provides respondents with the option of reporting electronically via the Internet and will work with individual companies that desire to set up a customized reporting arrangement tailored to the company's needs.

An automated, paperless processing system is used for mailed-back report forms for timely identification of returned cases, thus minimizing unnecessary follow-up contacts with respondents. We provide respondents with a toll-free number if they have questions or need assistance. In addition, we have a Web site that contains information about the survey and how respondents can complete 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, depending on the participant's method of financial bookkeeping and reporting, respondents have the option of reporting fiscal data if necessary. Estimates are acceptable. Furthermore, the Census Bureau works with respondents in the QSS to set up special mailing and other reporting arrangements to help ease the reporting burden. We give respondents the option to consolidate their data and report these consolidated data to us. They then receive a consolidated report instead of multiple forms.

Some multi-establishment companies operate in several NAICS industries covered by the QSS. To minimize response burden on these companies, the

Census Bureau will collect data only for the industries which represent a substantial portion of the company's total revenue or are deemed a significant contributor to the aggregate industry measurement. The Census Bureau will impute data for the industries in which they have minimal operations. This practice eliminates approximately 4,100 forms from mailing. Excluding these reporting units from collection is expected to have a negligible effect on the published estimates.

6. Consequences of Less Frequent Collection

Estimates from the QSS are used by government and private economists to evaluate current economic, fiscal, and monetary policies. The quarterly service estimates are important economic indicators and provide timely input for BEA's computation of the national accounts. Less frequent data collection would leave a serious gap in the economic information available to evaluate current economic conditions and to formulate economic policy.

7. Special Circumstances

Because of the importance of the survey as an economic indicator, respondents are requested to report on a quarterly basis. Note, the key data we collect in this survey are normally maintained on a quarterly basis by respondents. Because the timeliness of the QSS is critical to its value, respondents are asked to reply to the questionnaire within 10 business days of receipt of the form.

8. Consultations Outside the Agency

Consultations with Principal Data Users: During the initial planning of the QSS, the Census Bureau convened an Interagency group meeting with representatives from the Bureau of Labor Statistics (BLS), BEA, FRB, CMS and the Department of Commerce to assist in formulating our plans for data collection of the QSS. This Interagency Group included representatives from the following agencies:

- Associate Director for National Economic Accounts, BEA
- Associate Director for Industry Accounts, BEA
- Chief Statistician, BEA
- National Income and Wealth Division, BEA
- Associate Commissioner for Productivity and Technology, BLS
- Industry Productivity Studies Division, BLS
- Industrial Output Section, Division of Research and Statistics, FRB
- National Health Statistics Group, Office of the Actuary, CMS
- Department of Commerce

We continue to work closely with the above entities on an ongoing basis to ensure the QSS remains a valuable and relevant source of service industry measurement,

including identifying potential gaps or duplication in effort. During the development and approval phases of the Advance Quarterly Services Report, we reached out to the Census Bureau's Advisory Committee of the American Economic Association and to the National Association of Business Economists for feedback.

QSS representatives continue to meet with BEA representatives at least once per year to discuss future plans for the survey. An annual meeting is also held with CMS representatives to discuss its continued use of QSS data.

Tiffany Burrell of the Bureau of Economic Analysis, (202) 606-9618, has been our primary source of consultations concerning the implementation of the Interagency Working Group's recommendations.

Presubmission notice: The presubmission notice was published in the Federal Register on January 29, 2018, Vol. 83, No. 19, pages 4027-4028, inviting comments on our plans to submit this request. Two comments were received during the 60-day comment period.

The first comment was from the Bureau of Economic Analysis (BEA) stating that the BEA strongly supports this data collection because data collected in this survey are crucial to key components of BEA's economic statistics. BEA's letter of support can be found in Attachment 28. We followed up with BEA and thanked them for their support.

The second comment was from a concerned citizen, Mr. Donald E. Williamson, suggesting that the calculation of the burden rate was incorrect and that the frequency of the survey should be reduced, or that the survey be removed altogether. Additionally, the comment included a complaint regarding the estimated total annual cost to the public being reported as \$0 in the Federal Register Notice. The comment suggests that this estimate underestimates the costs incurred by respondents to the QSS in terms of the time they spend completing the questionnaire. The full comment can be found in Attachment 29.

The presubmission notice indicated 22,150 respondents and 19,087 annual burden hours. It should be noted that this calculation is based on the use of different variations of the forms which hold a different estimated time per response (some forms are estimated at 15 minutes and some are estimated at 10 minutes). The calculation utilizes the number of minutes required for the respective form, and therefore the number of respondents per form is multiplied by the number of minutes for that respective form. The estimated total annual burden hours published in the presubmission number was an appropriate calculation of the burden hours given the estimated number of respondents. The details of the calculations can be found in Section 12. Estimate of Hour Burden.

Were the QSS to utilize responses from the Services Annual Survey, as the commenter suggested, the data would not be available for tabulation and subsequent publication until much later, as the respondents on the longer and less frequent annual survey are given ample time to complete year end calculations for a much larger set of data points than are requested on the QSS. The timeliness and frequency of the data produced in the QSS are directly tied to their usefulness. Estimates from the QSS are used by government and private economists to evaluate current economic, fiscal, and monetary policies. The quarterly service estimates are important economic indicators and provide timely input for BEA's computation of the national income and product accounts and quarterly GDP estimates. Less frequent data collection would leave a serious gap in the economic information available to evaluate current economic conditions and to formulate economic policy.

The Census Bureau recognizes that business owners take time out of their busy schedules to complete Census Bureau surveys; time that could be spent growing their businesses. The Census Bureau also recognizes there is a cost associated with this time. The Census Bureau reports on the annualized "Hour Burden" cost to respondents within this request for OMB review, found in Section 12 – Estimate of Hour Burden of this document.

The \$0 cost estimate reported in the Federal Register notice was not intended to represent the cost of the "hour burden" incurred by respondents. The OMB prescribes that agencies also estimate the "cost burden" of surveys. It was this "cost burden" which was reported in the notice. This separately-calculated estimate includes costs which respondents may incur other than their time. These other costs might include: purchases of software, hardware, or capital equipment specifically required for gathering information for or responding to the survey; the maintenance of such reporting systems; or purchases of outside accounting, reporting or record storage services required specifically for responding to the survey. The QSS imposes no such costs and therefore, the "cost burden" was reported as \$0. In the future, the Census Bureau will add a notation explaining what the "cost to the public" reported in its Federal Register notices represents.

9. Paying Respondents

The Census Bureau does not pay respondents nor provide gifts for participation in the QSS.

10. Assurance of Confidentiality

Data collected in this survey are confidential under Title 13, United States Code, Section 9, and may be used only for statistical purposes. Respondents are advised of this on both the full form mailing and the front-page-only form. The full form mailing also informs the respondent that this survey is voluntary. The voluntary

nature of the survey is also included in the burden statement on the Centurion Internet Reporting System for respondents who receive the front-page-only form. Please see Attachment 30 – Instrument Screenshots.

11. Justification for Sensitive Questions

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

12. Estimate of Hour Burden

Form	Respondents	Responses per Respondent per year	Annual Responses	Time per Response	Annual Burden
QSS-1A, QSS-1E, QSS-1PA, QSS-1PE, QSS-2A, QSS-2E, QSS-3A, QSS-3E, QSS-3SA, QSS-3SE, QSS-5A, QSS-5E,	12,961	4	51,844	15 min	12,961 hrs
QSS-4A, QSS-4E, QSS-4FA, QSS-4FE, QSS-4SA, QSS-4SE	9,189	4	36,756	10 min	6,126 hrs
Totals	22,150		88,600		19,087

We estimated the burden hours based on extensive contact and routine discussions with survey respondents. The estimated time per response includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Forms with a burden estimate of 10 minutes collect only one data item, revenue, in addition to collecting general information about the company such as correct coverage and changes in organizational structure. Forms with a burden estimate of 15 minutes collect additional data items such as expenses, source of revenue breakouts, and hospital inpatient days and discharges. These items, especially source of revenue breakouts, are not always maintained on a quarterly basis as part of standard accounting practices and therefore may require more time to gather.

The estimated annual cost to the respondents is \$704,119. We calculated this annual cost by multiplying the total burden hours by the average hourly wage of \$36.89. (Occupational Employment and Wages - Bureau of Labor Statistics May 2016 National Occupational Employment and Wage Estimates; \$36.89 represents the mean hourly wage of the full-time wage and salary earnings of accountants and auditors, SOC code 13-2011.)

<http://stats.bls.gov/oes/current/oes132011.htm>

13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than 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 QSS will be \$3.7 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. This cost should remain relatively consistent over the 3 years of clearance.

15. Reason for Change in Burden

The annual reporting burden for the QSS decreased primarily as a result of a change in the way in which the burden was calculated.

As mentioned above, some multi-establishment companies operate in several NAICS industries covered by the QSS. To minimize response burden on these companies, the Census Bureau will collect data only for the industries which represent a substantial portion of the company's total revenue or are deemed a significant contributor to the aggregate. The Census Bureau will impute data for the industries in which they have minimal operations. This practice eliminates approximately 4,100 forms from mailing. In previous submissions, the calculation for number of respondents included these additional forms, which were in fact, never actually mailed. Additionally, as part of this updated calculation, we have removed the documented refusal companies, from which we no longer request data. With the calculation for this submission, we have removed these numbers from the estimated number of respondents, which had the effect of lowering the overall number of respondents. The number of respondents added due to the introduction of the new sample, which is discussed in detail in Supporting Statement B section 1. Universe and Respondent Selection, partially offset this decrease in the calculation.

16. Project Schedule

Survey forms are mailed to respondents at the end of each calendar quarter. They are expected to be completed 10 business days after receipt. Respondents have the

option of reporting by mail, the Internet, telephone, or by facsimile. The data from this collection contributes to two separate press releases: the Advance QSS, which is published approximately 50 days after the end of each calendar quarter, and to the QSS, which is published no later than 75 days after the end of each calendar quarter.

The data are tabulated and published at the two-, three-, selected four-, and selected five-digit NAICS levels. Summary data are analyzed to ensure the estimates are consistent with the SAS estimates and meet all publication standards.

The schedule of activities for this quarterly survey is as follows:

First month	Mail-out on the last business day of the reference quarter i.e. the last business day of the previous month. Send facsimile reminder the third week of the month. Begin telephone follow-up (TFU) the last week of the month.
Second month	Analyze, process, and tabulate data for the Advance Quarterly Services Report. Publish Advance data in the Advance Quarterly Services Report. Analyze, process and tabulate data for the Quarterly Services Report.
Third month	Publish data in the Quarterly Services Report.

17. Request to Not Display Expiration Date

We will display the expiration date on all information collection instruments, including the survey forms, first-page-only forms, and online reporting website.

18. Exceptions to the Certification

There are no exceptions to the certification.

19. NAICS Codes Affected

<u>NAICS</u>	<u>Description</u>
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
721	Accommodation
81	Other services (except public administration)