

Supporting Statement Quarterly Services Survey

A. Justification

B. Necessity of the Information Collection

The U.S. Census Bureau requests an extension with revision of the current OMB approval of the Quarterly Services Survey (QSS). The QSS currently canvasses and collects data from employer businesses in select service industries. These industries include information; professional, scientific and technical services; hospitals; nursing and residential care facilities; and administrative and support and waste management and remediation services industries. The QSS provides the most current reliable measures of total operating revenue and percentage of revenue by class of customer on a quarterly basis. In addition, the QSS provides the only current quarterly measure of total operating expenses from tax-exempt firms in industries that have a large not-for-profit component. All respondent data are received by mail, fax, telephone, or internet reporting.

Before the QSS economic indicator existed for the service sector, which accounts for nearly 55 percent of all economic activity, the only data available were from the Service Annual Survey (SAS) and five-year economic census. The QSS was developed to address and provide more up-to date estimates of services output. Based on this effort, the QSS is a major source for the development of quarterly Gross Domestic Product (GDP) and an indicator of short-term economic change.

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

In addition to revenue, we also collect total operating expenses from tax-exempt firms in industries that have a large not-for-profit component. Operating 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.

Beginning in January 2007, the U.S. Census Bureau will expand the QSS to include coverage of truck transportation; couriers and messengers; warehousing and storage; rental and leasing; ambulatory healthcare services; social assistance; arts, entertainment, and recreation; repair and maintenance; personal and laundry services; grant making, civic, professional, and similar organizations from

employer businesses. See “ **19. NAICS Codes Affected**” for a list of all of the QSS expanded industries.

The QSS expansion will be based on data collection from four new forms: QSS-4(A); QSS-4(E); QSS-5(A); and QSS-5(E). The QSS-4(A/E) will only ask for quarterly revenue. The QSS-5(A/E) will ask for quarterly revenue and the percentage of admissions revenue.

In year 2007, for select questionnaires, we may replace select questions with industry specific variable content. This questionnaire adjustment was proposed by the Bureau of Economic Analysis (BEA). According to the BEA, an implementation of such proposed changes would assist them in making better use of the QSS data and lead to improved estimates of Personal Consumption Expenditures (PCE) services. See the “**QSS-Questionnaire Matrix**” (attachment 1) for a list of replacement questions.

We publish data based on the North American Industry Classification System (NAICS) 75 days after each calendar quarter.

The Census Bureau will conduct this survey under the authority of an Act of Congress, Title 13, United States Code, Section 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 data to provide, with measurable reliability, statistics on domestic service total operating revenue, total operating expenses, and percentage of revenue by class of customer for select service providers. In addition, the QSS produces measures of reliable estimates for inpatient days and discharge for hospitals.

The BEA is the primary Federal user of data collected in the QSS. The BEA utilizes this timely data to make improvements to the national accounts for service industries. In the National Income and Product Accounts (NIPA), the quarterly data allow more accurate estimates of both PCE and private fixed investment. For example, recently published revisions to the quarterly NIPA estimates resulted from the incorporation of new source data from the QSS. Revenue data from the QSS are also used to produce estimates of gross output by industry that allow BEA to produce a much earlier version 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 data to develop hospital spending estimates in the National Accounts. In addition, the QSS data improve their ability to analyze hospital spending trends. They also use the data in their healthcare indicator analysis publication; ten-year health spending forecast estimates; and studies in hospital regulation and Medicare policy, procedures, and trends.

The Medicare Payment Advisory Commission (MedPac) utilizes the QSS data 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 data for market research, industry growth, business planning and forecasting.

The following is a summary of the data items that we request. See Attachment 1 for a list of QSS questionnaires, the North American Industry Classification System (NAICS) industries that will receive the form, and their content. See Attachment 2 for the QSS survey forms. Note that the form may include technical language. This technical language has already been used in the Economic Census and other programs or has been verified as conforming to industry usage during cognitive testing of the forms that relate to the QSS expansion initiative (see 8b below).

- a. Total Revenue - Needed in the national economic accounts produced by BEA. Revenue data are used in the estimates of services within personal consumption expenditures and for estimates of software investment. These data are also used for developing the GDP by industry estimates.
- b. 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.
- c. Percentage of Receipts by Class of Customer - Used by the BEA in estimating PCE.
- d. Percentage of Revenue from Admissions from select arts and entertainment companies such as spectator sports - Will be used by BEA in estimating PCE

(proposed for year 2007).

e. Percentage of Cable Distribution, Internet, Basic Telephony, and Other Services - Will be used by BEA in estimating PCE (proposed for year 2007).

f. Percentage of Fixed Local and Fixed Long-Distance from wired telecommunications carriers - Will be used by BEA in estimating PCE (proposed for year 2007).

g. Percentage of Internet Access Revenue from information services companies - Will be used by BEA in estimating PCE (proposed for year 2007).

h. Percentage of Revenue Attributable to Lawsuit Settlements- Will be used by BEA in estimating PCE (proposed for year 2007).

i. Percentage of Residential non-hazardous waste and recyclable material collection services- Will be used by BEA in estimating PCE (proposed for year 2007).

j. Percentage of Revenue from Contributions, Gifts, and Grants from grant making, civic, and professional organizations - Will be used by BEA in estimating PCE (proposed for year 2007).

k. Inpatient and discharge days- Used by the 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 Census Taker 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 systems's built-in data checks/edits improve quality of response and eliminate the need for telephone follow-up. Respondents can complete the survey online by visiting the following website: <http://help.econ.census.gov/econhelp/qss>. The WEB address and the respondent's username and password is located on the form above item 1, Survey Coverage. Once the respondent is logged onto 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 Census Taker Internet Reporting System are encrypted.
- 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.
- Finally, an automated system for check-in of returned forms and a move toward return of delinquent cases by facsimile during telephone follow-up allows for more timely identification of completed questionnaires.

We will also provide the same E-government services when the QSS expands.

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.

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 census data provide service industry data, they do not provide the

data points needed to monitor the current state of the economy. The quarterly revenue data will be the only available data source for evaluating current business conditions.

5. **Minimizing Burden**

The stratified random sample design used for the QSS 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.

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.

To minimize response burden on multi-establishment companies, the Census Bureau will impute data for approximately 3,000 reporting units, instead of attempting to collect their data. These reporting units are 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 selected to report on a quarterly basis. Note, the 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

a. Consultations with Principal Data Users

Before the initial QSS mailout, the Census Bureau convened an Interagency group meeting with representatives from the Bureau of Labor Statistics (BLS), BEA, FRB, and Economic Statistics Administration (ESA) of the Department of Commerce to assist in formulating our plans for current data collection and the expansion of QSS. This Interagency Group included representatives from the following agencies:

- Deputy Under Secretary for Economic Affairs, ESA
- 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

We also presented our plans to the Census Bureau's Advisory Committee of the American Economic Association and to the National Association of Business Economists.

Ruth Bramblett of the Bureau of Economic Analysis, (202) 606-9653, has

been our primary source of consultations concerning the implementation of the Interagency Working Group's recommendations. See letter of support from the BEA (Attachment 4).

b. Consultations with Respondents

Between June and August 2006, approximately 15 company interviews were conducted to discuss and explain the importance of the QSS and the QSS expansion. In addition, the interviews provided an opportunity to establish and verify reporting units with select respondents.

Interviews were conducted with prospective respondents including chief financial officers, accountants, tax managers, and vice presidents. The questionnaire was presented in four geographic areas: Washington, D.C. Metro area; New York; Atlanta; and Virginia.

These interviews consisted of gaining perspective on a respondent's ability to navigate through the questionnaires, as well as their response strategies. The primary issues addressed during the course of the interview were the reference period of the survey, the burden it imposed on companies, and the reporting of quarterly revenue.

In addition to the company interviews, we contacted approximately 80 companies that will be introduced into the sample during the QSS expansion. Consultation with these companies enabled us to receive feedback from respondents on survey content and reporting unit setup and verification. In addition, each consultation allowed us the opportunity explain the importance of each company's participation with the QSS, the background of the QSS, reporting option, and the BEA's use of the QSS data.

Finally, we published a pre-submission notice in the Federal Register on March 10, 2006, inviting public comment on our plans to submit this request (Vol. 71, pg. 12340). Two comments were received during the 60-day comment period. One comment requested that we reduce the frequency of service industry data collection. However, due to the requirements and standards set by BEA, our primary data user, CMS and our other data users, such a request is not feasible. The second comment was received from the BEA. It provided strong support of the QSS and requested that we continue our data collection efforts. This comment also indicated the significance of the QSS data as being a key component of BEA's economic statistics. It also provided support for the QSS expansion efforts to improve their estimates (see Attachment 4).

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 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 voluntary on the questionnaires or in the letter that accompanies the initial mailing. See Attachment 3 for an example of the cover letter.

11. Justification for Sensitive Questions

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

12. Estimate of Hour Burden

In 2007, we will expand the QSS. We expect to add approximately 7,000 companies to the sample

<u>Form</u>	<u>Respondents</u>	<u>Responses per Respondent</u>	<u>Annual Responses</u>	<u>Time per Response</u>	<u>Annual Burden</u>
QSS-1(A)		4			
QSS-1(E)		4			
QSS-2(A)	9,765	4	39,060	15 min.	9,765 hrs.
QSS-2(E)		4			
QSS-3(A)		4			
QSS-3(E)		4			
QSS-4(A)	3,235	4	12,940	10 min.	2,157 hrs.
QSS-4(E)		4			
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Totals:	13,000		52,000		11,922 hrs.

The respondent's cost in time for fiscal year 2007 after industry expansion will be \$294,116 based on the median hourly salary of \$24.67 for accountants and auditors. (Occupational Employment Statistics - Bureau of Labor Statistics "2004 National Occupational Employment and Wage Estimates").

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 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

There was an additional 5,922 hours of burden added this submission. This is due to the increased number of respondents for the proposed QSS expansion.

16. Project Schedule

Report forms are mailed to respondents at the end of each calendar quarter. They are expected to be completed 10 days after receipt. Respondents have the option of reporting by mail, the Internet, telephone, or by facsimile. We will release estimates no later than 75 days after the end of each quarter and for each quarter thereafter.

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

During the third quarter of 2006, we will conduct overlap operations to verify and incorporate the new QSS sample.

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

- First month Mail-out on the last business day of the month. A facsimile reminder is sent the third week of the month. Telephone follow-ups begin the last week of the month.
- Second month Data are analyzed, processed, and tabulated.
- Third month Data are published in press release format.

17. Request Not to Display Expiration Date

We will 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 QSS will collect information from the following NAICS sectors/subsectors:

<u>NAICS</u>	<u>Description</u>
51	Information
54	Professional, Scientific and Technical Services
56	Administrative and Support and Waste Management and Remediation Services
622	Hospitals
623	Nursing and Residential Care Facilities
*484	Truck Transportation
*492	Couriers and Messengers
*493	Warehousing and Storage
*532	Rental and Leasing
*621	Ambulatory Health Care Services
*624	Social Assistance
*71	Arts, Entertainment, and Recreation Services
*811	Repair and Maintenance Services
*812	Personal and Laundry Services
*813	Grant-Making, Civic, Professional and Similar Organizations

* Begin collection for the fourth quarter of 2006 (beginning in January 2007).