

**SUPPORTING STATEMENT
U.S. DEPARTMENT OF COMMERCE
U.S. CENSUS BUREAU
2007 Survey of Business Owners and Self-Employed Persons (SBO)
OMB Control No. 0607-XXXX**

Part A. Justification

1. Necessity of Information Collection

The 2007 Survey of Business Owners and Self-Employed Persons (SBO) will provide the only comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners by gender, Hispanic or Latino origin, and race. It is conducted as part of the economic census program, which is required by law to be taken every five years under Title 13 of the United States Code (USC), Sections 131, 193, and 224.

Prior to 2002, this survey was known as the Survey of Minority-Owned Business Enterprises (SMOBE) and the Survey of Women-Owned Business Enterprises (SWOBE).

SMOBE was initiated following an Executive Order signed March 5, 1969, by President Richard Nixon, which directed the Secretary of Commerce to “Establish a center for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the nation in undertaking or promoting the establishment and successful operation of minority business enterprise.” This project was later incorporated into the 1972 Economic Census and has been conducted on a quinquennial basis as part of the economic census ever since.

SWOBE was first conducted as a special project in the 1972 Economic Census.

Government program officials, industry organization leaders, economic and social analysts, and business entrepreneurs routinely use the SBO statistics. Examples of data use include those by:

- The Small Business Administration (SBA) and the Minority Business Development Agency (MBDA) to assess business assistance needs and allocate available program resources.
- Local government commissions on small and disadvantaged businesses to establish and evaluate contract procurement practices.
- Federal, state and local government agencies as a framework for planning, directing and assessing programs that promote the activities of disadvantaged groups.

- A national women-owned business trade association to assess women-owned businesses by industry and area, and educate other industry associations, corporations and government entities.
- Consultants and researchers to analyze long-term economic and demographic shifts, and differences in ownership and performance among geographic areas.
- Individual business owners to analyze their operations in comparison to similar firms, compute their market share, and assess their growth and future prospects.

Businesses which reported any business activity on any one of the following Internal Revenue Service (IRS) tax forms will be eligible for survey selection: 1040 (Schedule C), "Profit or Loss From Business@ (Sole Proprietorship); 1065, A.U.S. Return of Partnership Income@; 941, "Employer's Quarterly Federal Tax Return"; 944 Employer's Annual Federal Tax Return; or any one of the 1120 corporate tax forms.

The questionnaire will be mailed from our processing headquarters in Jeffersonville, Indiana. Questionnaires will be mailed out in two phases. Approximately 1.2 million questionnaires for partnerships and corporations, which were in business in 2006, will be mailed out in the first phase scheduled to begin May 2008, with three follow-up mailings at one-month intervals. Closeout of this phase of the mailout operations is scheduled for September 2008. The second phase mailout of approximately 1.2 million questionnaires to sole proprietorships and new partnerships and corporations operating in 2007 is scheduled to begin in May 2009, with two follow-ups at one-month intervals. Closeout of mailout operations is scheduled for September 2009. Upon closeout of the survey, the response data will be edited and reviewed.

For the 2007 SBO, significant changes have been made to the questionnaire. These changes include the following:

- The survey form will be expanded to collect a variety of characteristics for up to four individual owners. There was space for up to three owners in 2002, but this was found not to be sufficient in determining equal male-/female-ownership.
- The race question will be modified to meet the Office of Management and Budget (OMB) guidelines to allow respondents to select the "Some other race" category.
- Examples are provided for the "Yes, another Hispanic, Latino, or Spanish origin," "Other Asian," and "Other Pacific Islander" write-in categories.
- Nineteen new questions will be added to our questionnaire.

There will be four new questions that are asked of each owner:

1. How did the owner initially acquire ownership of this business?

2. When did the owner acquire ownership of this business?
3. Prior to establishing, purchasing, or acquiring this business, had the owner ever owned a business or been self-employed?
4. Was the owner born in the United States?

There will be fifteen new business questions:

1. Did employees under an Employee Stock Ownership Plan (ESOP) own more than 50% of this business?
2. Did an estate or trust own more than 50% of this business?
3. Was the business jointly owned by a husband and wife?
4. How many owners were there in this business?
5. Did a franchiser own more than 50% of this business?
6. What was the total amount of capital used to start or acquire this business?
7. What percent of this business's total sales of goods and/or services consisted of exports outside the United States?
8. Did the business establish operations outside the United States?
9. Did the business outsource or transfer any business function and/or service to a company outside the United States?
10. In which language(s) did this business conduct transactions with its customers?
11. Which employee benefits were paid totally or partly by this business?
12. Did this business have a Web site?
13. Did the business have any e-commerce sales?
14. What percent of this business's goods/services were e-commerce sales?
15. Did the business make purchases online?

Using principles of questionnaire design and methodological research, cognitive interviews were completed with sixty-two respondents in three rounds of interviews. Upon completion of each round of interviews, the interview team met, decided on the changes to the form, and made revisions based on the findings and recommendations.

2. Needs and Uses

The survey collects data on the gender, Hispanic or Latino origin, and race for up to four persons owning the majority of rights, equity, or interest in the business. These data are needed to evaluate the extent and growth of business ownership by minorities and women in order to provide a framework for assessing and directing federal, state, and local government programs designed to promote the activities of disadvantaged groups.

The Small Business Administration (SBA) and the Minority Business Development Agency (MBDA) use the SBO data when allocating resources for their business assistance programs.

The data are also widely used by private firms and individuals to evaluate their own businesses and markets, by the media for news stories, by researchers and academia for determining firm characteristics, and by the legal profession in evaluating the concentration of minority businesses in particular industries and/or geographic areas.

Information quality is an integral part of the predissemination review of the information disseminated by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality is also integral to the 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

Electronic reporting will be offered for the first time to all respondents through the Census Taker – Internet Data Collection System. Based on a previous survey of SBO respondents, we estimate that 15 percent of the responses will be collected electronically.

4. Efforts to Identify Duplication

The staff of the Census Bureau routinely monitors the content, coverage, and detail provided by other statistical programs in an effort to identify and eliminate unnecessary duplication. The SBO program is the only comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners by gender, Hispanic or Latino origin, and race. While there exists a number of lists identifying women- and minority-owned businesses, none are comprehensive, and many are comprised of firms self-designated.

5. Minimizing Burden

The Census Bureau makes every effort to minimize the burden placed on businesses from data collections. For 2007, we will select a sample of approximately 2.4 million businesses from a universe of about 25 million. The SBO uses the following methods to minimize the burden:

- a. Predetermining the likelihood that a business is minority- or women-owned – Several sources of information are used to stratify the universe. Administrative data from the Social Security Administration (SSA), and lists of minority- and women-owned businesses published in syndicated magazines, located on the Internet, or disseminated by trade or special interest groups are used to identify individual proprietorships that are potentially owned by women or minorities; then we use this information to stratify the universe.

- b. Forms design – The form has been successfully tested through personal interviews. Also, the questionnaire is worded with “Go to” or SKIP patterns throughout so that respondents will only read and answer those questions pertaining to their specific owner and business characteristics.
- c. Use of existing business data – To further reduce respondent burden, rather than collect information directly, we will obtain data on sales/receipts, annual payroll, and employment from IRS administrative records and the Census Bureau's 2007 Economic Census.

6. Consequences of Less Frequent Collection

The economic censuses are conducted at 5-year intervals as required by Title 13, USC, Section 131. If this information collection were conducted less frequently, there would be deterioration in the timeliness and usefulness of the statistics produced.

Less frequent data would severely hinder government agencies that maintain assistance programs for minority- and women-owned businesses and depend on SBO data to monitor the effectiveness of their programs.

7. Special Circumstances

There are no special circumstances.

8. Consultations Outside the Agency

We consulted the following officials and agencies:

Allison Gilmore, Director of Communications and Research Analysis
National Women’s Business Council (NWBC)
409 Third Street, SW, Suite 210
Washington, DC 20024

Brian Headd, Economist
Office of Advocacy
Small Business Administration (SBA)
409 Third Street, SW, 7th Floor
Washington, DC 20416

Ronald N. Langston, National Director
Ivonne Cunarro, Information Specialist
U.S. Department of Commerce
Minority Business Development Agency (MBDA)
14th & Constitution Avenue, NW, Room 5093

Washington, DC 20230

Gwen Martin, Director of Research
Center for Women's Business Research
1411 K Street, NW, Suite 1350
Washington, DC 20005-3407

Julie Weeks, President and CEO
Womenable
13601 S. Beaver Pond Road
Empire, MI 49630

When feasible, their suggestions were successfully consolidated and incorporated into the form design during the cognitive testing process, which resulted in the nineteen new questions being added to the 2007 SBO form.

A few questions and response categories were reworded and new response categories were added. Most notably, the following response categories have been added to the questions asking each business for its sources of capital for start-up, acquisition, expansion, or capital improvement(s): "Personal/family home equity loan", "Investment by venture capitalist(s)", "Grants", "Other source(s) or capital", "Did not have access to capital (to finance expansion or capital improvement(s))" and "Did not expand or make capital improvement(s)".

The 2007 SBO presubmission notice was published in the Federal Register on May 23, 2007 (Volume 72, Number 99) pages 28950-28952, inviting public comments on our plans to submit this request. The presubmission notice closed July 23, 2007 and generated seven responses.

Three respondents gave highly favorable opinions of the 2007 SBO-1 form and provided some proposed additional questions for the 2007 SBO:

- Is the owner a member of a reserve component of the U.S. military? Yes/No
- If Yes, had the owner been called to duty in a Title 10 activation? If Yes, when, and for what length of time?
- What is the owner's contribution to capital used to start this business?
- In 2007, did this business outsource or transfer any business function within the United States?
- Was the owner actively involved in the creation of this business?
- How many years of work experience has the owner had in this industry—the one in which this business competes?
- It was suggested that the SBO sample be stratified by the business's age and that more consideration be given to collecting data on "angel investors."

Two respondents requested copies of the 2007 SBO OMB Supporting Statement.

We deemed the comments of one respondent irrelevant to the collection.

The remaining respondent offered the services of his consulting firm to provide greater perspective to all stakeholders engaged with this survey. In his opinion, the 2007 SBO survey does not take into account the direct or indirect ownership of small businesses by current active duty and/or reserve and guard men and women, and the transfer of business ownership between various respondent groups. He asked if respondents are required to provide proof of having previously paid taxes, and how the Census Bureau is anticipating collecting small business data on the direct or indirect effects of various national and international disasters. He commented on one question, which has since been removed from the survey because of problems discovered in the cognitive interviews, regarding the business techniques used to attract employees. He also asked for the survey's estimated sample error rates, confidence intervals, and projected response rates.

Due to time constraints and because the complexity of most proposed content changes would require extensive testing, none of the suggested additives and changes to the questions will be incorporated into the 2007 questionnaire; however, these questions will be given consideration when the forms design and cognitive interview process is conducted to design the 2012 SBO form.

9. Paying Respondents

The Census Bureau does not pay respondents and does not provide them with gifts in any form to report requested information in the economic census.

10. Assurance of Confidentiality

The report form for this information collection provides respondents with the following assurance of confidentiality:

YOU ARE REQUIRED BY LAW (Title 13, United States Code) to complete this report form for the business identified in the mailing label and return it to the U.S. Census Bureau. By the same law, your report to the Census Bureau is confidential. It may be seen only by persons sworn to uphold the confidentiality of Census Bureau information and may be used only for statistical purposes. The law also provides that copies retained in your files are immune from legal process.

Similar guarantees will be included in the cover letter that accompanies the report form. The statutory basis for these assurances of confidentiality is Title 13, USC, Section 9. All activities relating to the collection and dissemination of economic census data satisfy requirements of this law.

11. Justification for Sensitive Questions

OMB has mandated the race and Hispanic or Latino origin categories and definitions listed on our survey questionnaire. Both the Executive Branch and Congress developed these standards.

Business owner characteristics are important for assisting program officials, industry organizations, economic and social analysts, and entrepreneurs. They are important to understanding conditions of business success and failure, showing census-to-census changes in business performance, and comparing minority-/nonminority- and women-/men-owned businesses.

12. Estimate of Hour Burden

This survey is conducted every 5 years. The estimated sample size is 2.4 million businesses. The estimated response burden totals 480,000 hours. On an annual basis we will survey 1.2 million or (one half) of these businesses annually during fiscal years 2008 and 2009. The estimated response burden annually is 240,000 hours. This estimate is based on previous surveys and the results of cognitive interviews conducted under the Census Bureau's generic clearance. The average response time per respondent is 12 minutes. Based on a private industry entry-level accountant's salary of \$25.10 per hour, the total cost to all respondents for their time to respond is estimated to be \$12 million, or \$5.02 per respondent.

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 known by respondents or 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 cost to the government for this work is included in the total cost of the 2007 Economic Census, estimated to be \$503 million. The Census Bureau has planned and allocated resources for the effective and efficient management of this information collection.

15. Reason for Change in Burden

This collection is being submitted as new.

16. Project Schedule

<u>Event</u>	<u>Start</u>	<u>Finish</u>
Preliminary forms design	6/13/2006	5/14/2007
Publication planning	4/30/2007	12/30/2007
Sample design Phase I	3/1/2007	5/1/2007
Forms testing	3/1/2007	4/30/2007
OMB presubmission	5/14/2007	7/23/2007
OMB submission	9/10/2007	12/10/2007
Final forms design	5/14/2007	8/20/2007
Sample selection and review	4/13/2008	5/1/2008
Mailout Phase I including Follow-up	5/23/2008	9/19/2008
Complete plans for data products	10/3/2006	5/14/2007
Complete interactive edits	6/18/2007	5/30/2010
Complete batch edits and clean-up	6/18/2007	5/30/2010
Complete tabulation records (including bringing in most current Census data)	7/18/2009	5/30/2010
Complete partial item and complete item non-response imputation	7/18/2009	5/30/2010
Complete design and approval of tabulation review system	3/1/2007	5/1/2007
Complete tabulation program (Set tab flags)	7/18//2009	5/30/2010
Sample design Phase II	6/1/2008	8/1/2008
Sample selection and review	4/13/2009	5/1/2009
Mailout Phase II including Follow-up	5/8/2009	8/21/2009
Complete interactive edits	2/14/2008	5/30/2010
Complete batch edits and clean-up	2/14/2008	5/30/2010
Complete tabulation records (including bringing in most current Census data)	7/18/2009	5/30/2010
Complete partial item and complete item non-response imputation	7/18/2009	5/30/2010
Complete tabulation program (Set tab flags)	7/18/2009	5/30/2010
Publications		
Company Summary		7/2010
Hispanic		9/2010
Women		12/2010
Black		2/2011

American Indian & Alaska Native	3/2011
Native Hawaiians and Other Pacific Islanders	4/2011
Asian	4/2011
Final Company Summary	5/2011
Characteristics of Businesses	6/2011
Characteristics of Business Owners	6/2011

17. Request to Not Display Expiration Date

The assigned expiration date will be displayed on the report form used in the information collection.

18. Exceptions to the Certification

There are no exceptions to the certification.

19. NAICS Codes Affected

This information collection is not industry-specific. It covers the entire range of economic activity.