

SUPPORTING STATEMENT
U.S. Department of Commerce
U.S. Census Bureau
Government Finance Forms
OMB Control No. 0607-0585

Part A. Justification _____

1. Necessity of Information Collection

Title 13, Section 161, of the United States Code requires the Secretary of Commerce to conduct a census of governments every fifth year. Section 182 allows the Secretary to conduct annual surveys in other years. These authorizations include, but are not limited to, collecting and disseminating, "data on taxes... governmental receipts, expenditures, indebtedness...of states, counties, cities and other governmental units."

This program is the only known comprehensive source of state and local government finance data collected on a nationwide scale using uniform definitions, concepts, and procedures.

The many different types and sizes of state and local governments require that the Census Bureau use a variety of questionnaires to collect government finance data. The questionnaires for collecting the data in the Census of Governments - Finance Phase, and the Annual Survey of State and Local Government Finance are described below and included in Attachment 1. In both the Census and annual surveys, equivalent data are collected.

Form F-5. State governments provide detailed data on their tax collections. Much of this detail is not available in the state's primary source document. The form is individually tailored to the responding government's tax structure.

Forms F-11, F-11(S), F12, and F-12(S). State and local government retirement systems provide data on their receipts, payments, assets, membership, and beneficiaries.

Forms F-13 and F-25. These are supplemental requests for state agency data not included in the audits, computer files and other primary sources we use to compile state government financial data. Form F-13 is used to collect data from state insurance trust systems and Form F-25 from other types of state agencies.

Form F-28. This form is designed to obtain data on revenues, expenditures, debt, and assets of counties, cities, and township governments.

Form F-29. This form is designed to obtain data on revenues, expenditures, debt, and assets of multi-function special district governments.

Form F-32. This form is used to obtain data on revenues, expenditures, debt and assets of single-function special districts, as well as dependent agencies of local governments when information is not available elsewhere.

Form F-42. This form is a specialized version of the Form F-32 tailored to obtain data from school building authorities.

In 2007, the Census Bureau submitted a non substantive change request to OMB seeking permission to add questions for the collection of defined contribution and postemployment health care plan data for state administered systems included in the 2007 Census of Publicly Administered Employee Retirement Systems. In addition five questions related to the liabilities of these systems were added. The non substantive change request was approved for the 2007 collection cycle only.

Our plan for 2008 and future data collections is to collect the defined contribution plan, postemployment health care plan, and the five liability questions, in addition to the defined benefit plan questions from all state administered retirement systems and the 12 locally administered systems whose total holdings and investments are five billion dollars or more. Copies of the proposed forms are attached. The universe of respondents receiving this questionnaire remains the same as in previous collection cycles.

2. Needs and Uses

The Census Bureau incorporates the data collected on these forms into its governmental finance program. This program has facilitated the dissemination of comprehensive and comparable governmental finance statistics since 1902. Until 1992, the following annual published reports contained these statistics:

Government Finances (Preliminary)
Government Finances
State Government Finances
City Government Finances
County Government Finances
Finances of Employee-Retirement
Systems of State and Local Governments

Beginning with the 1993 annual data series, all data, summary tables, and files have been released solely on the Internet. At the Internet site (<http://www.census.gov/govs/www/index.html>) users will find documentation, summary tables, files, and instructions on how to construct data displays that are no longer provided.

The Census Bureau also releases the following Census of Governments reports for years ending in '2' and '7' as Volume 4:

No. 1, Public Education Finances
No. 2, Finances of Special District Governments
No. 3, Finances of County Governments
No. 4, Finances of Municipal and Township Governments
No. 5, Compendium of Government Finances
No. 6, Employee Retirement Systems of State and Local Governments

The above reports contain benchmark statistics on government revenue, expenditure, debt, and assets. They are widely used by Federal, state, and local legislators, policy makers, administrators, analysts, economists, and researchers to follow the changing characteristics of the government sector of the economy. Journalists, teachers, and students rely on these data as well.

The Census Bureau provides its governmental finance data annually to the Bureau of Economic Analysis (BEA) for use in measuring and developing estimates of the government sector of the economy in the National Income and Product Accounts. The Census Bureau also provides these data to the Federal Reserve Board for constructing the Flow of Funds Accounts.

Discontinuing the governmental finance program would create a large gap in economic statistics for the government sector, making it impossible for the BEA to calculate the government sector of the National Income and Product Accounts. It would also eliminate a key source of data needed by the Federal Reserve Board.

Information quality is an integral part of the pre-dissemination 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

The government finance program relies heavily on information technology to collect and process data. We use three different modes for obtaining data through this medium: central collection, Internet collection, and large government electronic collection.

First, the Census Bureau has a wide variety of cooperative data collection and data sharing arrangements with officials in 25 states, referred to as central collection arrangements. In these cases, instead of mailing forms to individual local governments, we have collaborated with the state to collect local government financial information that we both need. These central collection arrangements include: (1) using state mandated reports on local government finances; (2) assisting states in establishing statewide uniform local government financial reporting systems; and (3) sharing Census Bureau collected and processed data with state officials. These arrangements involve a variety of methodologies and technologies. In some cases, data are collected by the state and then shared with the Census Bureau. In other instances, the Census Bureau collects the data and transmits the combined data to the state. In either case, data are transmitted between the Census Bureau and the states in a wide variety of electronic modes to best fit the technology requirements of both.

Second, the Census Bureau also receives and manipulates electronic files from

respondents over the Internet in a myriad formats and media, with the intent of minimizing their efforts, while allowing us the ability to electronically extract the needed finance data.

The Census Bureau has developed software allowing respondents to provide the finance information via the Internet, enhancing response and improving quality. All of these forms can be completed over the Internet. Also, in several instances the Census Bureau has developed software that facilitates local governments in reporting required financial information to their state governments, and this has, in turn, allowed the Census Bureau quicker electronic access to data.

Third, for the largest state and local governments, we have developed software that allows governments to submit their internal financial transaction files. These electronic files contain amounts for the fiscal year summarized within their accounting codes structure. Utilizing this software application, Census Bureau analysts can examine and crosswalk the data into the Census Bureau classification system. This substantially reduces the involvement by the respondent, increases response, and provides better quality data.

4. Efforts to Identify Duplication

The Census Bureau uses four principal strategies to minimize duplication: our central collection work; a constant review of existing commercial and state data sources; our contacts with other Federal agencies; and feedback from data users.

Central Collection Work

Our central collection agreements and research provide feedback about the availability of potential state data sources. This program requires an annual detailed maintenance review with our state and local government respondents. This helps us stay current concerning possible alternative data sources and, therefore, eliminate duplication of effort.

We encourage states to join with us in joint data collection arrangements to minimize duplication. We encounter two conditions that block this potential data avenue: (1) for budgetary reasons, some states chose not to enter into or continue a cooperative arrangement; and (2) state statutory authority limits the establishment of cooperative agreements.

State and local government officials give substantial support to our central collection efforts. They recognize how effectively this work minimizes respondent burden.

Existing Commercial and State Data

We already access many data sources disseminated by governments and commercial entities, such as Thomson Financial and Mergents. We obtain these data in both printed

and electronic formats. Our review of research literature alerts us to other potential sources of information, both commercial and government-generated. Also, respondents frequently inform us about alternative data compilations, which we investigate.

Other Federal Agencies

We have periodic contact with other Federal statistical agencies, such as the National Center for Education Statistics, the Bureau of Justice Statistics, and the Bureau of Transportation Statistics. In some instances, we are conducting reimbursable surveys for these agencies and in others we receive inquiries about the availability of data. These contacts make us aware of the existence of other Federal government information we might be able to use and, therefore, ensure that there is no duplication.

Feedback from Data Users

Data users often provide information about alternative data sources. This happens because researchers have unique accessibility to our survey data detail because there are no data confidentiality restrictions. In reconciling local data sources to our survey detail, they present data alternatives, and we analyze these sources. As a result, we receive very current and useful information about alternative data sources.

5. Minimizing Burden

It is fundamental to assure an adequate response rate given the voluntary nature of these surveys. We use three tactics primarily – tailoring forms, developing central collection arrangements, and encouraging electronic reporting – which we describe in greater detail below. Some of this description reflects previous discussions in sections A.3 and A.4.

Tailored Forms

We tailor forms for specific types of governments and activities so that the information and wording reflect as closely as possible what a government does. For example, most special district governments provide a single service and have a relatively simple revenue stream. Form F-32 mirrors this minimal financial structure. Form F-29, also a form designed for special districts, requests greater detail because we styled it specifically for those special district governments that deliver multiple services and, therefore, are more financially complex. Forms F-11 and F-12 capture information for a very specialized segment of government financial activity, public employee retirement systems.

Central Collection

As part of our collection methodology, we access and compile data disseminated by the governments themselves or other data compilers where available. The central collection cooperative data collection programs, described above in Section A.4, are a major part of this effort. These data sharing programs minimize the burden imposed. The data we

access in the cooperative arrangements are part of reporting systems mandated by state governments on their local governments. Any burden we might have imposed on respondents is reduced to whatever effort the states exert to share already collected data. Also, the state data systems almost always have a far more detailed structure than the Census Bureau system requires. Since we collect and disseminate data based on standardized categories, this eliminates any additional burden involved in differentiating between unique individual reporting systems.

Electronic Reporting

We enable and encourage governments to report electronically. This activity has several strands already discussed in Section A.3: information we collect electronically through central collection arrangements, Internet collections, and large government electronic collections. All of these minimize burden.

6. Consequences of Less Frequent Collection

Less frequent collection would greatly impair the ability of important users to understand, forecast, and respond to the dynamics of governmental fiscal activity. Some of the largest corrections to our national accounts have occurred in the state and local government sector because the timing of the current data system lags behind. The Bureau of Economic Analysis has requested more frequent data collection to help them better analyze the changing dynamics of public sector finances. Less frequent collection would be counterproductive, impairing analysis not only for the Bureau of Economic Analysis, but also the Council of Economic Advisors and the Federal Reserve Board.

7. Special Circumstances

There are no special circumstances relating to this request.

8. Consultations Outside the Agency

Federal Register

We published a notice in the October 25, 2007 issue of the Federal Register inviting comment on our plans to submit these forms to OMB for review (page 60629). We received a comment letter from the National Association of Homebuilders (NAHB) in support of our information collection proposal. The NAHB noted that they regularly make use of data from the State and Local Government Finance survey.

Outside Consultations

We consult frequently with data suppliers and users on the collection, processing, tabulation and publication of these data.

John Knapp
University of Virginia and
Council of Professional Associations on Federal Statistics
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Richard P. Nathan
Nelson A. Rockefeller Institute of Government

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The most common comment we received referred to finding ways to improve the timing of the data releases. We are considering some ways that would allow us to accelerate the data release.

- One possibility is to change our processing system so that we can release data for each state area as we process it. Our current methodology is to release all states at the same time along with national totals. We will need to reconfigure our processing in order to achieve this outcome. Also, we will need to evaluate if improving the timing in this way adversely affects other aspects of the survey such as resources and data quality.
- We have begun investigating the possibility of developing a state and local government finance model that would produce national totals with early releases of the data. We are examining the revisions in this national total at intervals that may be typical for releases. The quality of each estimate is being examined as well as the costs and benefits of releasing these national totals.
- Internet data collection appears to hold considerable promise for speeding data returns. We are trying to find ways of encouraging state and local governments to use this as a medium for response.
- The Internet also allows us quicker access to state and local government financial

records instead of printed reports. We have been working with organizations representing government financial officers to see if there are ways of providing usable data we can access through the Internet.

- The central collection arrangements have often delayed data release. The reason is that, on occasion, state officials have been slow in processing the information we need. Though we gain considerable benefit from these arrangements – high quality data, complete data sets, and reduced respondent burden – the tradeoff sometimes is less timely data. We have instituted a review procedure for these state arrangements to pinpoint and resolve those that are problematic.

9. Paying Respondents

In a very few instances we pay respondent governments for data. These rare cases pertain to a few central collection situations where we share data collection costs with state governments in some small way. These arrangements for our voluntary survey – costing less than \$17,000 per year – guarantee full response and enhance the quality of these detailed public financial data while minimizing the respondent burden for local governments. The cost savings to us is at least ten times this expense.

10. Assurance of Confidentiality

The data collected in this survey are all from public records and do not require confidentiality. Each participant in the survey will receive a letter from the Director of the Census Bureau stating that this is a voluntary survey (see Attachment 2).

11. Justification for Sensitive Questions

There are no sensitive questions in this data collection program.

12. Estimate of Burden Hours

The Census Bureau requests an annual response from state agencies and local governments on the forms itemized below. The time per response varies according to the complexity of each form. "Estimated work hours per response" are based on the results of our cognitive testing, other conversations with respondents, and tracking Census Bureau staff member's efforts to compile data onto forms from audit reports provided by respondents.

Table 1 contains the estimated respondent burden for each of the annual fiscal year 2008, 2009 and 2010 finance surveys.

Table 1. Annual Survey of Government Finances Mailout/Mailback Forms Estimated Respondent Burden			
		Estimated Average	

Form	Number of Respondents	Hours per Respondent	Estimated Respondent Burden Hours
F-5	50	3.5	175
F-11	2,433	2.0	4,866
F-11(S)	16	2.0	32
F-12	221	2.0	442
F-12(S)	59	2.0	118
F-13	72	1.0	72
F-25	50	3.0	150
F-28	2,962	6.0	17,772
F-29	828	3.0	2,484
F-32	5,426	1.5	8,139
F-42	115	1.0	115
Total	12,232	NA	34,365

We need to add the state central collection reporting burden to mailout/mailback burden in order to develop a total.

25 states x 67 hour average per state = 1,675 burden hours

Table 1A shows the total financial cost to respondents for supplying these data to the Census Bureau for both mailout/mailback forms and the central collection arrangements in our annual surveys.

Table 1A. Annual Survey of Government Finance – Respondent Financial Burden			
Summation	Number of Respondents	Estimated Average Hours per Respondent	Estimated Respondent Burden Hours
Forms	12,232	(See Table 1)	34,365
Central Collection	25	67.0	1,675
Total	12,257	NA	36,040

The Annual Cost to Respondents	
Total estimated burden hours	36,040
Estimated cost per burden hour*	\$21.56
Total estimated cost to respondents	\$777,022
<small>* Estimated cost per burden hour is based upon data from the 2006 Annual Survey of Government Employment. The number was derived from the total for full-time Financial Administration pay divided by the number of full-time Financial Administration employees in a month given a 40-hour workweek. The resulting estimated cost per burden hour was multiplied by the total estimated burden hours to give the total estimated cost to respondents. This cost was rounded up to the nearest dollar.</small>	

13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than that of their response time. The information requested is of the type and scope normally carried in government financial documents 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 estimated cost to the Federal Government to do the annual finance survey in Federal fiscal year 2009, which is when we conduct the 2008 survey year canvass, is \$6,281,516. The cost of doing this survey in subsequent fiscal years will approximate these costs.

15. Reason for Change in Burden

The reason for the decrease in burden is because years 2008 - 2010 will be annual survey years where we will canvass only a sample of the government universe. The current OMB inventory relates to a Census of Governments universe.

16. Project Schedule

Table 2. Annual Finance Survey - FY 2008 Timetable <i>(Note: Other annual surveys follow a similar schedule)</i>	
Date or Period(Month/Year)	Activity
01/2007 - 12/2009	Collect and process central collection data
07/2008	Complete design of mailout/ mailback forms
09/2008	Print forms
10/2008	Dispatch initial request for mailout/mailback

	forms
12/2008 - 02/2009	Dispatch followup requests for mailout/mailback forms
04/2009 - 12/2009	Edit and process data
04/2009	Complete State Tax Collections report
05/2010	Produce initial national estimates for BEA's annual NIPA revision
01/2010	Release <i>State Government Finance</i> report
09/2009	Release <i>Employee Retirement Systems</i> report.
05/2010	Release state and local government individual data files and state area totals

17. Request to Not Display Expiration Date

The expiration date will be displayed on the forms.

18. Exceptions to the Certification

There are no exceptions.

