

**Supporting Statement**  
**U.S. Department of Commerce**  
**U.S. Census Bureau**  
**Quarterly Services Survey**  
**OMB Control Number 0607-0907**

**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 truck transportation; couriers and messengers; warehousing and storage; information; credit intermediation and related activities; securities, commodity contracts, and other financial investments and related activities; rental and leasing; professional, scientific and technical services; administrative and support and waste management and remediation services; healthcare and social assistance; arts, entertainment, and recreation; and other services (except public administration). See “**19. NAICS Codes Affected**” for a list of all of the QSS expanded industries. The QSS provides the most current reliable measures of total operating revenue and percentage of revenue by class of customer (for selected industries) 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 June 2010, the U.S. Census Bureau will expand the QSS to include coverage of utilities; air transportation; water transportation; transit and ground passenger

transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; monetary authorities-central bank; insurance carriers and related services; real estate; lessors of nonfinancial intangible assets (except copyrighted works); and educational services.

In the year 2010, 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 possible replacement questions.

We publish data based on the 2002 North American Industry Classification System (NAICS) no later than 75 days after the end of 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 discharges for hospitals.

The BEA is the primary Federal user of data collected in the QSS. The BEA utilizes these 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 NAICS industries that will receive the form, and the form content. See Attachment 2 for the QSS survey forms and cover letter. 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, Consultations with Respondents”).

- a. Total Revenue - Needed for 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.
- e. 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 system'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 are located on the form above item 1, Survey Coverage. 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 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.

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 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.

To minimize response burden on multi-establishment companies, the Census Bureau will impute data for approximately 4,700 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 BEA (Attachment 3) and BEA Support for Expansion of the Service Annual Survey (SAS) and Quarterly Services Survey (QSS) (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 upcoming

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: the Washington, D.C. Metropolitan 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 ability to report 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 to explain the importance of each company's participation with the QSS, the background of the QSS, available reporting options, and the BEA's use of the QSS data.

The presubmission notice was published in the Federal Register on April 14, 2009, Vol 74, pages 17148 and 17149 with no comments.

**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 that accompany the initial mailing.

**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 2010, we will expand the QSS and add approximately 2,500 companies to the sample.

<b>Form</b>	<b>Respondents per</b>	<b>Responses Respondent</b>	<b>Annual Responses</b>	<b>per</b>	<b>Time Response</b>	<b>Annual Burden</b>
QSS-1(A)		4				
QSS-1(E)		4				
QSS-2(A)	9,700	4	38,800		15 min.	9,700 hrs.
QSS-2(E)		4				
QSS-3(A)		4				
QSS-3(E)		4				
QSS-5(A)		4				
QSS-5(E)		4				
QSS-1A-PEO		4				
QSS-1E-PEO		4				
QSS-4(A)	5,700	4	22,800		10 min.	3,800 hrs.
QSS-4(E)		4				
<b>Totals:</b>	<b>15,400</b>		<b>61,600</b>			<b>13,500 hrs.</b>

The cost to the respondents after the industry expansion is estimated to be \$385,695. This figure is based on the median hourly salary of \$28.57 for accountants and auditors. (Occupational Employment Statistics-Bureau of Labor and Statistics "Occupational Employment and Wages, May 2008").

**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 \$6 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 1,578 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 levels. Summary data are analyzed to ensure the estimates are consistent with the SAS and meet all publication standards.

During the third quarter of 2012, 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-up begins 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>
	484	Truck Transportation
	492	Couriers and Messengers
493		Warehousing and Storage
	51	Information
	521	Monetary Authorities–Central Bank
	522	Credit Intermediation and Related Activities
	523	Securities, Commodity Contracts, and Other
Financial Investments and Related Activities		
	524	Insurance Carriers and Related Activities
	532	Rental and Leasing Services
	54	Professional, Scientific and Technical Services
	56	Administrative and Support and Waste Management
and Remediation Services		
62		Health Care and Social Assistance
	71	Arts, Entertainment, and Recreation
81		Other Services (except Public Administration)
	*22	Utilities
	*481	Air Transportation
	*483	Water Transportation
	*485	Transit and Ground Passenger Transportation
	*486	Pipeline Transportation
	*487	Scenic and Sightseeing Transportation
	*488	Support Activities for Transportation
	*531	Real Estate
	*533	Lessors of Nonfinancial Intangible Assets (except
Copyrighted Works)		
	*61	Educational Services

\* Begin collection for the first quarter of 2010 (in June 2010).