

SUPPORTING STATEMENT  
U.S. Department of Commerce  
U.S. Census Bureau  
Quarterly Summary of State and Local Tax Revenues  
(Forms F-71, F-72, F-73)  
OMB Control Number 0607-0112

Part A – Justification

1. Necessity of the Information Collection

The U.S. Census Bureau requests a revision to the Quarterly Summary of State and Local Government Tax Revenues to ensure accurate collection of information about state and local government tax collections. The revision consists of a new survey universe, to a probability sample from a panel study, and modifications to the collection instrument for the F-73 portion of the program. With the change in the survey universe, the F-73 component is being renamed to the Quarterly Survey of Non-Property Taxes from the Quarterly Survey of Selected Local Taxes.

These tax collections, amounting to nearly \$1.3 trillion annually, constitute approximately 43 percent of all governmental revenues. Quarterly measurement of, and reporting on, these fund flows provides valuable insight into trends in the national economy and that of individual states. Information collected on the type and quantity of taxes collected gives comparative data on how the various levels of government fund their public sector obligations.

Title 13, Section 182, of the United States Code authorizes the Secretary of Commerce to conduct this survey.

2. Needs and Uses

The Census Bureau uses the three forms covered by this statement to collect state and local government tax data for this long established data series. Tax collection data are used to measure economic activity for the Nation as a whole, as well as for comparison among the various states. These data are also useful in comparing the mix of taxes employed by individual states, and in determining the revenue raising capacity of different types of taxes in different state-areas.

Key users of these data include the Bureau of Economic Analysis, the Federal Reserve Board, the Department of Housing and Urban Development who rely on these data to provide the most current information on the financial status of state and local governments. These data are included in the quarterly estimates of National Income and Product Accounts developed by the Bureau of Economic Analysis; and the Department of Housing and Urban Development has used the property tax data as one of nine cost indicators for developing Section 8 rent adjustments. Legislators, policy makers, administrators, analysts, economists, and researchers use these data to monitor trends in public sector revenues. Journalists, teachers, and students use these data as well.

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

Automated information collection techniques are used for the surveys consisting of the option to report via the Internet. Respondents have the option of returning the forms or reporting current quarter data and revisions for up to seven prior quarters on the survey web sites. Approximately 35 percent of the respondents report using the web sites each quarter, which has a direct correlation with the reduction in keying workload done at the National Processing Center.

### 4. Efforts to Identify Duplication

The Census Bureau subscribes to publications of and maintains contact with professional associations in the field of public finance. Any duplication of effort would immediately become apparent through these contacts. No duplication has been identified. None of the suppliers of government data has indicated that our request duplicates other agencies' collection efforts.

It is known that the Rockefeller Institute of Government collects preliminary quarterly tax data for some states. These data are not available at the same level of detail and are not standardized between states making them unsuitable for cross-state and trend analysis needed by data users such as the BEA and Federal Reserve.

### 5. Minimizing Burden

The Census Bureau uses a county area sample methodology for the Quarterly Survey of Property Tax Collections and canvasses governments who collect property taxes rather than those that impose and retain property taxes. This minimizes the burden on some smaller governments, as their property taxes are collected by larger governments, such as a city or county.

We also consult with state officials to simplify their reporting. Where possible, we obtain published reports from the states, which we compile in a format similar to the mail canvass questionnaire. Some states issue monthly or quarterly reports detailing their tax revenues for the period; in those cases, the Census Bureau recasts such data into our classification, making the reporting burden minimal for the states.

Cognitive testing (see attachment) was performed on the new F-73 form to ensure that small governments can quickly and accurately complete the form.

### 6. Consequences of Less Frequent Collection

The Quarterly Summary of State and Local Government Tax Revenue is the most timely indicator of the financial health of state and local governments collected by the Census Bureau.

Less frequent collection would adversely impact the Bureau of Economic Analysis, the Federal Reserve Board, and other policy makers in determining the impact of trends on the national economy and individual states. For example, if this collection were discontinued, the Census Bureau could not supply the Bureau of Economic Analysis with data that are important to the construction and maintenance of several key tables in the National Income and Product Accounts on the monthly GDP estimates. The Federal Reserve Board meets every two months to determine monetary policy and less frequent collection would leave them without timely data on state and local tax revenue while setting policy.

Researchers, state officials, policy organizations, and others would also be negatively impacted by less frequent collection.

#### 7. Special Circumstances

There are no special circumstances relating to this request.

#### 8. Consultations Outside the Agency

Staff members consult frequently and informally with data suppliers and user. State government officials are consulted as part of the normal quality follow-up activity that is a regular part of this survey. Stake holders are not consulted for the purpose of reaching consensus. Recent consultation has taken place with a host of data users and providers over the course of five data user exchanges and one data user workshop. The following government officials and data users were among those present:

Mr. Bruce Baker  
Chief, State and Local Government Branch  
Government Division  
Department of Commerce/BEA  
(202) 606-9663

Mr. Donald Boyd  
Senior Fellow, State and Local Government Finance  
The Nelson A. Rockefeller Institute of Government  
(518) 443-5284

Elliot Dubin  
Multistate Tax Commission  
(202) 624-8699

Ron Alt  
Federation of Tax Administrators  
(202) 624-5890

Robert Zahrandrick

Director of Research  
D.C. Office of the Chief Financial Officer  
(202) 727-7775

Christopher Hall  
Tax Analysis Division  
Ohio Department of Taxation  
(614) 752-0700

Leslie McGranahan  
Economist  
Federal Reserve Bank of Chicago  
(312) 322-5655

Local government officials are similarly contacted on a regular basis. Problems in meeting our data requests are discussed and resolved, however there are some governments that fail to provide data due to inadequate staffing or a general jurisdiction policy of not completing “voluntary” requests for data.

A notice inviting comment on plans to submit this request was published in the Federal Register on December 30, 2009 (74FR pg 69063). A letter of support was received from the Bureau of Economic Analysis on February 3, 2010.

#### 9. Paying Respondents

Respondents are not paid or provided with gifts.

#### 10. Assurance of Confidentiality

Assurance of confidentiality is not required, as state and local tax collection data are matters of public record. Responses to the state and local tax collection surveys are voluntary. Respondents are advised of the voluntary nature of the surveys in a cover letter signed by the Director of the Census Bureau.

#### 11. Justification for Sensitive Questions

The surveys request only data that are a matter of public record and, therefore, contain no questions of a sensitive nature.

#### 12. Estimate of Hour Burden

The Census Bureau requests response to these forms quarterly. We base the estimated work hours per response on conversations with respondents and Census Bureau staff who complete forms from audit documents provided by respondents and usability testing.

F-71

F-72

F-73

Total

Number of respondents	6,902	51	3799	10,752
Frequency of responses	4	4	4	4
Total responses annually	27,608	204	15196	43,008
Estimate hours per response	.25	.50	.75	N/A
Estimate annual response hours	6,902	102	11397	18,401

Form F-71 collects one item, the amount of property taxes collected during the quarter. Form F-72 collects up to 25 tax items and Form F-73 collects up to eleven tax items.

The total annual cost to respondents is estimated to be \$416,782.65, based upon the following calculation:

Total estimated annual burden hours	18,401
Estimated cost per burden hour*	<u>\$22.65</u>
Total annual cost to respondents	\$416,782.65

The total annual cost to respondents includes a new sample for the F-71 survey to be collected concurrently with the old sample for two additional quarters and for the new F-73 sample to be collected concurrently with the old sample for as many as six additional quarters. After two additional quarters the old F-71 sample will be dropped resulting in a decrease of approximately 1,377 respondents at a total cost of \$31,189.05. After no more than 6 quarters the old F-73 panel will be dropped resulting in a decrease of approximately 31 respondents at a total cost of \$2,106.45. After the expiration of the overlapping panels, total annual cost to respondents would decrease to \$383,487.15 (\$416,782.65 - \$31,189.05 - \$2,106.45).

\*Estimated hourly cost is derived from the average hourly cost of employees in the financial administration function as shown in the 2006 Annual Survey of State and Local Government Employment.

### 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 carried in government 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

Costs for the project are included in the U.S. Census Bureau's budget for the Annual Survey of State and Local Government Finance. For Fiscal Year 2010, that project cost approximately \$75,000 out of a total finance budget of \$5.8 million.

### 15. Reason for Change in Burden

The increase in respondent burden is due to the selection of a new sample for the F-71 survey. The new sample of 5,351 respondents will be collected concurrently with the old sample of 5,379 respondents, with 3,828 units in both samples, for two quarters, at which time a bridge study will be conducted and the old sample will be discontinued. The new sample continuing forward will consist of approximately 5,351 respondents.

The F-73 survey also has a new sample. The panel study of 111 respondents will be replaced with a probability sample of 3,879 respondents to meet Census Bureau and Office of Management and Budget quality standards. The change to a probability sample combined with changes to meet quality standards resulted in an increase in sample size and a slightly longer questionnaire. The new sample will overlap, 80 respondents are in both universes, with the old panel survey for six quarters at which time a bridge study will be conducted and the old sample will be discontinued. The new sample continuing forward will consist of approximately 3,879 respondents.

#### 16. Project Schedule

The project schedule for each calendar quarterly report is approximately 90 days from survey mail-out to public release of data on the internet. Forms are mailed during the first week after the reference period closes, processed during the subsequent 75 days following the mail-out and released within 80-90 days after the reference period. A typical schedule proceeds as follows:

<u>Action</u>	<u>Time Frame</u>
Survey Mail-out	October 2010
Data Collection	October – December 2010
Analytical Review	October – December 2010
Release	December 2010

#### 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 to the certification.