

**Supporting Statement for  
Intermittent Survey of Businesses  
(FR 1374; OMB No. 7100-0302)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB) proposes to extend for three years, with revision, the voluntary Intermittent Survey of Businesses (FR 1374; OMB No. 7100-0302). The survey data are used by the Federal Reserve to gather information specifically tailored to the Federal Reserve's policy and operational responsibilities. There are two parts to this event-generated survey. First, the Federal Reserve Banks survey business contacts as economic developments warrant. Currently, they typically conduct these surveys as part of their usual Beige Book<sup>1</sup> process as needed, with approximately 240 business respondents for each survey (about 20 per Reserve Bank). It is necessary to conduct these surveys to provide timely information to the members of the Board and to the presidents of the Reserve Banks. Usually, these surveys are conducted by Reserve Bank economists telephoning or emailing purchasing managers, economists, or other knowledgeable individuals at selected, relevant businesses. The frequency and content of the questions, as well as the entities contacted, vary depending on developments in the economy. The attachment provides a sample of the types of questions used in a recent survey to illustrate the format of these surveys. Second, economists at the Board survey business contacts by telephone, inquiring about current business conditions. The Board economists conduct these surveys as economic conditions require, with approximately 10 respondents for each survey.

The Federal Reserve proposes to revise the panel to include state and local governments as economic conditions may warrant. Given that state and local governments now account for about 12 percent of total Gross Domestic Product (GDP), it may be important at times to survey these governments for up-to-date information about developments in this sector.

**Background and Justification**

Prior to the 2002 implementation of this survey, the Federal Reserve found it helpful to collect information on an ad-hoc basis from individuals within the business community on a real-time basis. This information typically reflected current business conditions and ongoing developments in the economy as well as topical issues. Prior to 2002, the Federal Reserve limited its contacts to fewer than nine firms and asked open-ended questions. However, Federal Reserve believes that it is extremely valuable to talk with firms and ask targeted questions that are critical to understanding the current economic situation and outlook. This is especially true for the surveys conducted by Reserve Banks, many of which have been initiated at the request of Reserve Bank presidents. An in-depth understanding of overall economic conditions and the types of special issues shown in the attachment can only be gleaned in real time through direct discussions with contacts at relevant entities. The information is used by the Federal Reserve as input to their economic forecasting activities.

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1 [www.federalreserve.gov/fomc/beigebook/2010/](http://www.federalreserve.gov/fomc/beigebook/2010/).

## **Description of Information Collection**

The topics discussed with the respondents are time sensitive, and the questions vary with the topic. There is no reporting form because the questions typically change with each survey. For each survey, the Federal Reserve prepares in advance questions of specific topical interest, often at the request of Reserve Bank presidents. The Federal Reserve then determines a relevant target group of firms to contact. If conducted by telephone, the discussions could last up to twenty minutes, with the typical conversation lasting approximately fifteen minutes.

## **Proposed Revisions**

The Federal Reserve proposes to revise the panel to include state and local governments if economic conditions warrant. Spending by state and local governments accounts for about 12 percent of total GDP, about the same as total private investment. Given their relative size in the economy, it is important to understand developments in this sector. For example, a sizable part of the American Recovery and Reinvestment Act of 2009 (fiscal stimulus program) directs federal funds to state governments and local school districts. The timing and how these funds are spent, and the extent to which they offset spending from own-source revenues, can have important implications for the performance of the overall economy. In addition, many states and localities are under severe fiscal strains. Gaining a better understanding of the ways in which these governments are dealing with the strains can help the Federal Reserve better understand the likely path for overall economic activity.

## **Time Schedule for Information Collection**

The surveys are conducted intermittently usually as part of the Beige Book process.

## **Legal Status**

The Board's Legal Division determined that the Board is authorized to collect this information under sections 2A and 12A of the Federal Reserve Act (12 U.S.C. §§225a and 263) and that respondent participation in the survey is voluntary. Exemption 4 of the Freedom of Information Act (5 U.S.C. §552(b)(4)) may exempt this information from disclosure to the public.

## **Consultation Outside the Agency**

On June 15, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 33805) requesting public comment for 60 days on the extension for three years, with revision, of the FR 1374. The comment period for this notice expired on August 16, 2010. The Federal Reserve did not receive any comments. On August 26, 2010, the Federal Reserve published a final notice in the *Federal Register* (75 FR 52529).

## **Estimate of Respondent Burden**

For surveys conducted by Board economists, the number of respondents is 10 and the frequency is event-generated, with approximately 10 surveys per year. For surveys conducted by the Reserve Banks, the number of respondents is roughly 240 (approximately 20 at each Reserve Bank) for each survey. It is anticipated that these surveys will be conducted approximately three times per year. Although the Federal Reserve is proposing to expand the potential pool of respondents to include state and local governments, on average the number of respondents should not change. A particular survey would likely be conducted of either businesses or state and local governments, but not both. The average response time for both parts of the survey is estimated to be 15 minutes. As shown below, the respondent burden for the current FR 1374 is estimated to be 205 hours. This reporting requirement represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 1374				
Board	10	10	.25	25
Reserve Bank	240	3	.25	<u>180</u>
<i>Total</i>				205

The total estimated annual reporting cost to the public for these reporting forms is \$12,710.<sup>2</sup>

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

The current cost to the Federal Reserve System for contacting the respondents and compiling the information is estimated to be \$265 per year.

<sup>2</sup> Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate: 50% - Financial Managers @ \$48 and 50% - Chief Executives @ \$76. Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages 2008*, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm) Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/)

## Attachment

### **Examples of Survey Questions**

1. Do you expect your firm's spending on new plant and equipment over the next six to twelve months to increase, decrease, or be about unchanged relative to your actual spending over the past six to twelve months?
2. If your firm plans to increase its spending on new plant and equipment, what are the major factors behind your plan to increase capital spending?
3. How much of the increase in your firm's planned spending on plant and equipment over the next six to twelve months reflects investment that had been postponed because of the recession?
4. If your firm does not plan to increase its spending on new plant and equipment, what are the major factors behind your plan not to increase capital spending?