

1SUPPORTING STATEMENT
U.S. Department of Commerce
U.S. Census Bureau
State and Local
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, and the Annual Surveys of State and Local Government Finances are described below and included in Attachment 1.

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, 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.

Our planned form changes for FY2011 include adding additional tax collection line items on the F-5 form and collecting one additional market value item on the F-11, F-12, and F-12(S). The expected burden hour estimate will remain unchanged for these forms. In addition, for the 2012 retirement F-11, F-12, and F-12(S) forms, we plan to add additional collection detail for membership and benefits for defined benefit plans, receipts/payments for defined benefit plans, holdings and investment for defined benefit plans, and actuarial information for defined benefit plans (F-12 only). The burden hour estimate will increase from 2.0 to 2.5 hours for each of the respective forms.

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 on the Internet. At the Internet site (<http://www.census.gov/govs/>) users will find documentation, summary tables, files, and instructions on how to construct data displays that are no longer provided in printed form.

These data 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. The data are also widely used by the media and academia.

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. Additionally, state and local government finance data are even more valuable in light of current financial conditions of state and local governments as they provide a snapshot of the government's financial condition.

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 electronic modes for obtaining data: 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 27 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 benefits the state and the Census Bureau. 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 receives and manipulates electronic files from respondents over the Internet in a variety of 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 the finance 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 and improved timeliness in our tabulations.

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 five principal strategies to minimize duplication: central collection research; a continuous review of existing commercial and state data sources; contacts with other Federal agencies; and feedback from data users and data suppliers.

Central Collection Research

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.

Existing Commercial and State Data

We access many governmental debt data sources disseminated by governments and commercial entities, such as Thomson Financial and Mergents to identify duplication. We obtain these data in both printed and electronic formats. In limited instances, data on the issuance of public debt may be utilized. Further, our review of research literature

alerts us to other potential sources of information, both commercial and government-generated.

Other Federal Agencies

We have frequent contact with other Federal statistical agencies, such as the National Center for Education Statistics, the Bureau of Economic Analysis, and the Federal Reserve Board. In some instances, Governments Division is 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. Additionally, we utilize Department of Education higher education data from the Integrated Postsecondary Education Data System and local government elementary and secondary school data collected by another Census Bureau program.

Feedback from Data Users

Data users often provide information about alternative data sources. 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.

Feedback from Data Suppliers

In recent months, we have begun outreach efforts to local governments to research their record keeping practices. The efforts involve visiting various types of local governments (counties, municipalities, townships, and special districts) in different regions of the country.

5. Minimizing Burden

Given the voluntary nature of these surveys, minimizing burden is fundamental to assure an adequate response rate. We use three methods primarily – customizing 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 from special district governments that deliver multiple services and, therefore, are more financially complex. Forms F-11, F-12, and F-12(S) 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 the 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. Because 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.

Small Government Sample Selection

We define the size variable for the sample selection. The size variable for the finance survey is the maximum of total revenue, total expenditure, long-term debt, and total asset. Excluding all certainties, we group remaining government units by the unit size variable. If the size variable is zero, then they belong to the no activity stratum. Otherwise, they belong to the probability proportional to size (PPS) universe. A stratified PPS is conducted by state and government types. For some townships and special districts, we further applied a modified cut-off sample methodology when we meet some conditions such as 1) total sample in the

state by type of government stratum is more than 40; and 2) sample sizes in the size-based sub-strata are more than 18. In sampling births, we take all units for general purpose governments. For special districts, we apply a systematic sample method by function code and state and sample at a rate of 1 in 25. As a result of our new sample methodology, the number of smaller governmental units decreased from the previous sample.

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. Specifically, the Bureau of Economic Analysis would be forced to rely on a variety of extrapolators and trend estimates. These methods lead to estimation errors, which compound over time. In previous years, corrections to the 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 timely 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 January 20, 2011 issue of the Federal Register inviting comments on our plans to submit these forms to OMB for review (Vol. 76, page 3610). We received a comment letter from the Bureau of Economic Analysis in support of our information collection proposal. The Bureau of Economic Analysis noted that they make use of the information from these surveys to prepare the national income and product, and regional accounts.

Outside Consultations

Contact	Organization	Phone
Bruce Baker	Bureau of Economic Analysis	(202) 606-9663
Bruce Wallin	Northeastern University	(617) 373-4405
Robert Dinkelmeyer	Government Accountability Office	(202) 512-7281
Susan Hume McIntosh	Federal Reserve Board	(202) 452-3130
Tracy Gordon	University of Maryland College Park	(301) 405-6330
Elliot Dubin	Multi-state Tax Commission	(202) 624-8699
Ron Fisher	Michigan State University	(517) 355-7583
Hal Wolman	George Washington University	(202) 797-6105
Kim Rueben	Urban Institute	(202) 261-5662
Partha Lahiri	University of Maryland	(301) 314-5903
Jun Shao	University of Wisconsin-Madison	(608) 262-7938
Eric Slud	University of Maryland	(301) 405-5469

Note: The opinions that were provided by outside consultants were provided individually and not as part of a group consensus or for purposes of providing a group consensus.

Every effort is made to solicit and receive comments from data users on a regular basis. Within the past two years, Governments Division participated in series of Data User Exchanges to solicit feedback from respondents and data users. The Data User Exchanges were held to ensure the relevancy and usability of the State and Local Government Finances Survey as well as other Governments Division programs. Further, within the past several years, Governments Division hosted a series of Seminars at the Census Bureau conducted by a cross section of data users.

In 2010 - 2011, Governments Division led a working group of representatives from the Bureau of Economic Analysis and the Federal Reserve Board to solicit data requirements for the upcoming 2012 Census of Governments.

Additionally, Governments Division has solicited the comments of data suppliers through a series of visits to local governments in the following states: Pennsylvania, New Mexico, Illinois, and New Jersey. The visits allowed the Division to solicit comments and study the record keeping practices of local governments. The local governments visited included counties, cities, townships, and special districts. The respondents indicated that the major data items requested are fairly easy to report. Some of the detailed items can be problematic to report if instructions are not clear. We are exploring ways to clarify instructions and wording on some items. Further data feedback will occur with upcoming cognitive visits to local governments this summer.

9. Paying Respondents

In one instance, we reimburse a respondent government for costs associated with mailing the central collection forms. This arrangement for our voluntary survey, costing less than \$2,300 per year, guarantees full response and enhances the quality of detailed public financial data while minimizing the respondent burden for local governments. The state of Wisconsin assumes the costs of processing and collecting the data from local governments. The costs would be significantly higher if the Census Bureau collected, mailed and processed the data ourselves.

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 1).

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 historical 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 2011, and 2013 finance surveys.

Table 1. Annual Surveys of State and Local Government Finances Mailout/Mailback Forms – Respondent Burden			
Form	Number of Respondents	Estimated Average Hours per Respondent	Estimated Respondent Burden Hours
F-5	50	3.5	175
F-11	1,579	2.5	3,948
F-12	223	2.5	558
F-12(S)	77	2.5	193
F-13	72	1.0	72
F-25	50	3.0	150
F-28	3,016	6.0	18,096
F-29	951	3.0	2,853
F-32	5,535	1.5	8,303
F-42	13	1.0	13
Total	11,566	NA	34,361

In order to account for central collection reporting, we add the state central collection reporting burden to mailout/mailback burden in order to develop a total.

$$27 \text{ states} \times 67 \text{ hour average per state} = 1,809 \text{ burden hours}$$

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 Surveys of State and Local Government Finances – Respondent Financial Burden			
Summation	Number of Respondents	Estimated Average Hours per Respondent	Estimated Respondent Burden Hours
Forms	11,566	(See Table 1)	34,361
Central Collection	27	67.0	1,809
Total	11,593	NA	36,170
The Annual Cost to Respondents			
T	Total estimated burden hours		36,170
Es	Estimated cost per burden hour*		\$23.24
To	Total estimated cost to respondents**		\$840,591
<p>*Estimated cost per burden hour is based upon data from the 2007 Census 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. **This cost was rounded up to the nearest dollar.</p>			

Table 2 contains the estimated respondent burden for the 2012 Census of Governments.

Table 2. 2012 Census of Government: Finance Estimated Respondent Burden			
Form	Number of Respondents	Estimated Average Hours per Respondent	Estimated Respondent Burden Hours
F-5	50	3.5	175
F-11	3,781	2.5	9,453
F-12	223	2.5	558
F-12(S)	77	2.5	193
F-13	72	1.0	72
F-25	50	3.0	150
F-28	13,598	6.0	81,588
F-29	4,429	3.0	13,287
F-32	28,957	1.5	43,436
F-42	13	1.0	13
Total	51,250	NA	148,925

In order to account for central collection reporting, we add the state central collection reporting burden to mailout/mailback burden in order to develop a total.

27 states x 67 hour average per state = 1,809 burden hours

Table 2A 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 the Census of Governments: Finance. Central collection respondents canvass the same number of respondents in the Census of Governments and annual survey years. Thus, the burden estimate remains unchanged.

Table 2A. 2012 Census of Government: Finance – Respondent Financial Burden			
Summation	Number of Respondents	Estimated Average Hours per Respondent	Estimated Respondent Burden Hours
Forms	51,250	(See Table 2)	148,925
Central Collection	27	67.0	1,809
Total	51,277	NA	150,734
The Annual Cost to Respondents			
T	Total estimated burden hours		150,734
Es	Estimated cost per burden hour*		\$23.24
To	Total estimated cost to respondents**		\$3,503,058
*Estimated cost per burden hour is based upon data from the 2007 Census 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. **This cost was rounded up to the nearest dollar.			

The computation of total respondent burden hours is the average of two annual years and the census years combined divided by three $(36,170*2 + 150,734)/3 = 74,358$.

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 conduct the Annual Surveys of State and Local Government Finances for fiscal year 2011 is \$9,410,312. The cost of conducting this survey in subsequent fiscal years will approximate these costs. ¹The estimated total budgetary cost to the Federal Government for the 2012 Census of Governments is \$47,051,506. This total cost includes the three phases of this project (Organization, Employment and Finance) and covers five federal fiscal years (2010-2014).

15. Reason for Change in Burden

¹The burden changes are attributable to the cyclical nature of the Census of Governments: Finance and the Annual Surveys of State and Local Finances. Once every five years, the Census Bureau conducts the Census of Governments. The number of units in the universe for the Census of Governments: Finance is considerably greater than in the sample used in annual surveys. The burden, therefore, increases with the addition of the Census of Governments: Finance burden hours to the two annual years. The burden hours are calculated using an average of the two sample years and the Census of Governments: Finance. In contrast, the burden hours in the previous submission included only the three annual survey years.

16. Project Schedule

Table 3. Annual Surveys of State and Local Government Finances – FY2011		
Timetable		
<i>(Note: Other annual surveys follow a similar schedule)</i>		
D	Date or Period(Month/Year)	Activity
	01/2011 - 12/2012	C Collect and process central collection data
	07/2011	C Complete design of mailout/mailback forms
	09/2011	P 1 Print forms
	10/2011	Di Dispatch initial request for mailout/mailback forms
	12/2011 - 02/2012	Di Dispatch follow-up requests for mailout/mailback forms
	04/2012 - 12/2012	Edit and process data
	By 04/2012	C Complete State Tax Collections report
	By 02/2013	R Release State Government Finance report
	By 02/2013	R Release Employee Retirement Systems report
	By 05/2013	Pr Produce initial national estimates for BEA's annual NIPA revision
	By 07/2013	R Release State and Local Governments report. Release state and local government individual data files and state area totals

Table 4. 12012 Census of Governments Timetable – FY2012
Timetable

D

Date or Period(Month/Year)		Activity
01/2012 - 12/2013	C	Collect and process central collection data
10/2011	C	Complete design of mailout/mailback forms
09/2012	P 1	Print forms
10/2012	Di	Dispatch initial request for mailout/mailback forms
12/2012 - 02/2013	Di	Dispatch follow-up requests for mailout/mailback forms
04/2013 - 12/2013		Edit and process data
By 04/2013	C	Complete <i>State Tax Collections</i> report
By 02/2014	R	Release <i>State Government Finance</i> report
By 02/2014	R	Release <i>Employee Retirement Systems</i> report.
By 05/2014	Pr	Produce initial national estimates for BEA's annual NIPA revision
By 12/2014	R	Release <i>State and Local Governments</i> report. 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.