

SUPPORTING STATEMENT
U.S. Department of Commerce
U.S. Census Bureau
2012 Survey of Business Owners and Self-Employed Persons (SBO)
OMB Control Number 0607-0943

Part A – Justification

1) Necessity of Information Collection

The 2012 Survey of Business Owners and Self-Employed Persons (SBO) will provide the only comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners by gender, ethnicity, race, and veteran status. It is conducted as part of the economic census program, which is required by law to be taken every five years under Title 13 of the United States Code (USC), Sections 131, 193, and 224.

The survey was initiated following an Executive Order signed March 5, 1969, by President Richard Nixon, which directed the Secretary of Commerce to “Establish a center for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the nation in undertaking or promoting the establishment and successful operation of minority business enterprise.” This project was later incorporated into the 1972 Economic Census and has been conducted on a quinquennial basis as part of the economic census ever since.

Government program officials, industry organization leaders, economic and social analysts, and business entrepreneurs routinely use the SBO statistics. Examples of data use include those by:

- The Small Business Administration (SBA) and the Minority Business Development Agency (MBDA) to assess business assistance needs and allocate available program resources.
- Local government commissions on small and disadvantaged businesses to establish and evaluate contract procurement practices.
- Federal, state and local government agencies as a framework for planning, directing and assessing programs that promote the activities of disadvantaged groups.
- A national women-owned business trade association to assess women-owned businesses by industry and area, and educate other industry associations, corporations and government entities.
- Consultants and researchers to analyze long-term economic and demographic shifts, and differences in ownership and performance among geographic areas.

- Individual business owners to analyze their operations in comparison to similar firms, compute their market share, and assess their growth and future prospects.

Businesses which reported any business activity on any one of the following Internal Revenue Service (IRS) tax forms will be eligible for survey selection: 1040 (Schedule C), “Profit or Loss from Business” (Sole Proprietorship); 1065, “U.S. Return of Partnership Income”; 941, “Employer’s Quarterly Federal Tax Return”; 944 “Employer’s Annual Federal Tax Return”, or any one of the 1120 corporate tax forms.

The 2012 SBO-1 and SBO-2 questionnaires will be mailed in two phases from our processing headquarters in Jeffersonville, Indiana. Approximately 850,000 questionnaires for partnerships and corporations, which were in business in 2011, will be mailed out in the first phase scheduled to begin June 2013, with two follow-up mailings at six-week intervals. Closeout of this phase of the mailout operations is scheduled for October 2013. The second phase mailout of approximately 900,000 questionnaires to sole proprietorships and new partnerships and corporations operating in 2012 is scheduled to begin in May 2014, with two follow-ups at six-week intervals. Closeout of mailout operations is scheduled for August 2014. Upon closeout of the survey, the response data will be edited and reviewed.

For the 2012 SBO, significant changes have been made to the program. These changes include the following:

- To reduce the SBO sample size, mailing and processing costs, and respondent burden, the Census Bureau is expanding its use of direct data substitution from existing sources, such as the American Community Survey (ACS) and the Decennial Census.
- Select businesses will be mailed the new 2012 SBO-2 short form with 39 fewer questions to answer than the 2012 SBO-1 long form.
- Spanish-language paper versions of the SBO-1 and SBO-2 forms, respectively designated as the SBO-1S and SBO-2S forms, will be available upon request.
- The first eight questions on the 2007 SBO-1 form have been reorganized into three questions on the 2012 SBO-1 and SBO-2 forms to improve navigation through these forms.
- To eliminate confusion for business owners born to American citizens overseas, the foreign-born question that asked if the owner was born in the United States has been replaced by a new question that asks if the owner was born a citizen of the United States.
- The veteran question has been revised and expanded to collect information on whether the veteran was service-disabled, served on active duty or as a reservist during the survey year, served on active duty at any time, and served on active duty after September 11, 2001. The revised and expanded wording for the veteran categories and the collection of the additional service characteristics reflects input received during consultations with many leaders in the veteran community. Input was received from, among others, the

Department of Defense, the Veterans Administration, the Bureau of Labor Statistics, the U.S. House of Representatives Committee on Veterans' Affairs, the Senate Committee on Veterans' Affairs, the Small Business Administration, the American Legion, the Veterans Entrepreneurship Task Force (VET-Force), and the American Veterans (AMVETS).

- Interest from researchers on the possible correlation between intellectual property rights and business success led to the addition of a question on whether the business owned a copyright, trademark, granted patent, or a pending patent.

Using principles of questionnaire design and methodological research, cognitive interviews were completed with eighty-three respondents in three rounds of interviews. Upon completion of each round of interviews, the interview team met, decided on the changes to the form, and made revisions based on the findings and recommendations.

2) Needs and Uses

The survey collects data on the gender, ethnicity, race, and veteran status for up to four persons owning the majority of rights, equity, or interest in the business. These data are needed to evaluate the extent and growth of business ownership by women, minorities, and veterans in order to provide a framework for assessing and directing federal, state, and local government programs designed to promote the activities of disadvantaged groups.

The SBA and the MBDA use the SBO data when allocating resources for their business assistance programs.

The Census Bureau merged its 2007 SBO data product with its 2007 Profile of U.S. Exporting Companies data product to create a first-ever report that provides the ownership characteristics of classifiable U.S. exporters by gender, ethnicity, race, and veteran status, and their export values by country. This report is planned again for the 2012 data.

The data are also widely used by private firms and individuals to evaluate their own businesses and markets and to write business plans and loan application letters, by the media for news stories, by researchers and academia for determining firm characteristics, and by the legal profession in evaluating the concentration of minority businesses in particular industries and/or geographic areas.

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

Each business which receives a paper 2012 SBO report form will be offered the option of secure electronic reporting (in English language only) using the Centurion – Internet Data

Collection System. Once a respondent has completed an online survey, a PDF copy of the responses may be printed or saved for his or her business records; and the paper form will not need to be mailed back to the U.S. Census Bureau. Based on the 2007 SBO results, we estimate that 15 percent of the responses will be collected electronically.

4) Efforts to Identify Duplication

The staff of the Census Bureau routinely monitors the content, coverage, and detail provided by other statistical programs in an effort to identify and eliminate unnecessary duplication. The SBO program is the only comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners by gender, ethnicity, race, and veteran status. While there exist a number of lists identifying women-, minority-owned, and veteran-owned businesses, none are comprehensive, and many are comprised of self-designated firms.

For 2012, the SBO universe will be matched to publicly available datasets from the Security and Exchange Commission (SEC) and the IRS to identify publicly held and nonprofit organizations whose ownership by gender, ethnicity, race, and veteran status is unable to be determined and who should not be mailed SBO report forms. In addition, the SBO universe will be matched to internal American Community Survey (ACS) and Decennial datasets on the gender, ethnicity, race and veteran status of individuals. Only a small sample of these matched businesses will need to be mailed to collect the business characteristics asked on the SBO-1.

5) Minimizing Burden

The Census Bureau makes every effort to minimize the burden placed on businesses from data collections. For 2012, we will select a sample of approximately 1.75 million businesses from a universe of about 27 million. The SBO uses the following methods to minimize the burden:

- Predetermining the likelihood that a business is minority- or women-owned – Several sources of information are used to stratify the universe. Administrative data from the Social Security Administration (SSA), and lists of minority- and women-owned businesses published in syndicated magazines, located on the Internet, or disseminated by trade or special interest groups are used to identify individual proprietorships that are potentially owned by women or minorities; then this information is used to stratify the universe.
- Forms design – All forms have been successfully tested through personal interviews. Also, the questionnaires are worded with “Go to” or SKIP patterns throughout so that respondents will only read and answer those questions pertaining to their specific owner and business characteristics.
- Use of existing business data – To further reduce respondent burden, rather than collect information directly, we will obtain data on sales/receipts, annual payroll, and

employment from IRS administrative records and the Census Bureau's 2012 Economic Census. In addition, the SBO universe will be matched to publicly available datasets from the SEC and the IRS identifying publicly held and non-profit organizations. The SBO universe will also be matched to internal ACS and Decennial datasets on the gender, ethnicity, race, and veteran status of individuals. Only a small sample of these matched businesses will need to be mailed to collect the business characteristics asked on the SBO-1.

6) Consequences of Less Frequent Collection

The economic censuses are conducted at 5-year intervals as required by Title 13, United States Code, Section 131. If this information collection were conducted less frequently, there would be deterioration in the timeliness and usefulness of the statistics produced.

Less frequent data would severely hinder government agencies that maintain assistance programs for women-, minority-, and veteran-owned businesses and depend on SBO data to monitor the effectiveness of their programs.

7) Special Circumstances

There are no special circumstances.

8) Consultations Outside the Agency

For the 2012 SBO, we consulted the following officials and agencies:

Dr. Robert W. Fairlie, Professor
University of California Santa Cruz (UCSC)
Department of Economics, Engineering 2 Building
1156 High Street
Santa Cruz, CA 95064-1077

Jimmie Foster, Immediate Past National Commander
The American Legion
700 N. Pennsylvania St.
P.O. Box 1055
Indianapolis, IN 46204-1055

Dr. Patricia G. Greene, Board Chair
Center for Women's Business Research (CWBR)
1760 Old Meadow Road, Suite 500
McLean, VA 22102

David A. Hinson, National Director
Minority Business Development Agency (MBDA)
U.S. Department of Commerce

1401 Constitution Avenue, NW
Washington, DC 20230

Liz Humphrey, Interim Executive Director
National Organization of Black County Officials (NOBCO)
1425 K Street, N.W.
Suite 350
Washington, DC 20005

Dana M. Lewis, Past Executive Director
National Women's Business Council (NWBC)
409 Third Street, SW, Suite 210
Washington, DC 20416

Traci L. Mach, Economist
Board of Governors of the Federal Reserve System
Division of Research and Statistics
20th Street and Constitution Ave., NW
Washington, DC 20551

Pat Martinez, President and CEO
National Hispanic Corporate Council (NHCC)
1050 Connecticut Ave., NW, 10th Floor
Washington, DC 20036

Karen G. Mills, Administrator
U.S. Small Business Administration (SBA)
409 Third Street, SW
Washington DC 20416

Javier Palomarez, President and CEO
U.S. Hispanic Chamber of Commerce (USHCC)
1424 K Street, NW, Suite 401
Washington, DC 20005

Pamela Prince-Eason, President and CEO
Women's Business Enterprise National Council (WBENC)
1120 Connecticut Avenue, NW, Suite 1000
Washington, DC 20036

Dr. Alicia M. Robb, Senior Research Fellow
Ewing Marion Kauffman Foundation
59 Driftwood Court
San Rafael, CA 94901

Carl J. Schramm, Immediate Past President and CEO

Ewing Marion Kauffman Foundation
4801 Rockhill Road
Kansas City, MO 64110

Nettie Seaberry, Director, Minority Business Information Center
National Minority Supplier Development Council, Inc. (NMSDC)
Minority Business Information Center
1359 Broadway, Tenth Floor
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Joseph Sobota, Assistant Chief Counsel for Advocacy
U.S. Small Business Administration (SBA)
Office of Interagency Affairs, Veterans Issues
409 Third Street, SW, 7th Floor
Washington, DC 20416

Eric S. Trevan, Immediate Past President and CEO
National Center for American Indian Enterprise Development (NCAIED)
953 E. Juanita Avenue
Mesa, AZ 85204

Dr. Jon Wainwright, Senior Vice President
National Economic Research Associates, Inc. (NERA)
Barton Creek Plaza, Building II, Suite 330
3801 South Capital of Texas Highway
Austin, TX 78704

Julie R. Weeks, President and CEO
Womenable
13601 S. Beaver Pond Road
Empire, MI 49630

When feasible, their suggestions were successfully consolidated and incorporated into the forms design during the cognitive testing process, which resulted in the new questions on veteran characteristics, and intellectual property rights.

The 2012 SBO presubmission notice was published in the [Federal Register](#), Vol. 77, No. 103, Tuesday, May 29, 2012, pages 31566 - 31567, inviting public comments on our plans to submit this request. The presubmission notice was closed July 30, 2012 and generated one response that we deemed irrelevant to the submission.

9) Paying Respondents

The Census Bureau does not pay respondents and does not provide them with gifts in any form to report requested information in the economic census.

10) Assurance of Confidentiality

All report forms provide respondents with the following assurance of confidentiality:

YOUR RESPONSE IS REQUIRED BY LAW. Title 13, United States Code, requires businesses and other organizations that receive this questionnaire to answer the questions and return the report to the U.S. Census Bureau. By the same law, **YOUR CENSUS REPORT IS CONFIDENTIAL.** It may be seen only by persons sworn to uphold the confidentiality of Census Bureau information and may be used only for statistical purposes. Further, copies retained in respondents' files are immune from legal process.

This text is provided in Spanish on the Spanish-language paper report forms.

Similar guarantees will be included in the cover letters that accompany the report forms. The statutory basis for these assurances of confidentiality is Title 13, USC, Section 9. All activities relating to the collection and dissemination of economic census data satisfy requirements of this law.

11) Justification for Sensitive Questions

The Office of Management and Budget (OMB) has mandated the race and ethnicity categories and definitions listed on our survey questionnaires. Both the Executive Branch and Congress developed these standards.

Business owner characteristics are important for assisting program officials, industry organizations, economic and social analysts, and entrepreneurs. They are important to understanding conditions of business success and failure, showing census-to-census changes in business performance, and comparing minority-/nonminority-owned, women-/men-owned, and veteran-/nonveteran-owned businesses.

By law (Title 13 of United States Code), all responses to the survey, including sensitive questions, are completely confidential and may be seen only by persons sworn to uphold the confidentiality of Census Bureau information. The data are used only for statistical purposes and the responses are summarized so that the confidentiality of individual respondents and their business activities is fully protected. The law also provides that copies retained in your files are immune from legal process.

12) Estimate of Hour Burden

This survey is conducted every 5 years. The estimated sample size is 1.75 million businesses. We will survey 850,000 of these businesses in fiscal year 2013, half of which will receive the SBO long form (SBO-1) and half will receive the SBO short form (SBO-2). In fiscal year 2014, we will survey 900,000 businesses, of which 550,000 will receive the SBO long form and 350,000 will receive the SBO short form. The estimated response burden for fiscal year 2013 is 141,667 hours and 156,667 hours in fiscal year 2014. This estimate is based on previous SBO's and the results of cognitive interviews conducted under

the Census Bureau’s generic clearance. The average response time per respondent is 12 minutes for the SBO-1 long form and 8 minutes for the SBO-2 short form. Based on the Occupational Employment Statistics from the Bureau of Labor Statistics, the median hourly wage for accountants was \$30.22 in 2011. In fiscal year 2013, the annual cost to respondents for their time to respond is estimated to be \$4,281,177, or \$5.04 per respondent. In fiscal year 2014, the annual cost to respondents for their time to respond is estimated to be \$4,734,477, or \$5.26 per respondent.

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 known by respondents or 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 cost to the government for this work is included in the total cost of the 2012 Economic Census, estimated to be \$634 million. The Census Bureau has planned and allocated resources for the effective and efficient management of this information collection.

15) Reason for Change in Burden

Beginning with the 2012 SBO, two enhancements are being made to reduce reporting burden. First, the SBO will significantly reduce sample size and mailing and processing costs by expanding the use of direct data substitution from existing sources, such as the American Community Survey (ACS) and the Decennial Census. Second, select SBO respondents will receive a new short form containing 39 fewer questions than the long form. We estimate that these enhancements will save about 181,700 burden hours over the two years the 2012 SBO will be conducted.

16) Project Schedule

	Start	Finish
Phase I		
Preliminary forms design	6/30/2011	6/11/2012
Forms testing	10/18/2011	6/8/2012
Sample design	1/18/2012	6/28/2012
	4/12/2012	7/18/2012

OMB presubmission		
OMB submission	4/18/2012	11/28/2012
Final forms design	7/18/2012	10/9/2012
Sample selection and review	4/26/2013	5/8/2013
Mailout Phase I including two follow-ups	6/12/2013	10/23/2013
Complete form edit and review	06/24/2013	4/30/2014
Complete plans for data products	2/3/2014	5/27/2014
Complete macro data review	11/4/2014	1/12/2015
Complete tabulation review system	4/14/2014	5/29/2014
Complete partial item and complete item nonresponse imputation	5/15/2014	6/4/2014
Complete tabulation records (includes bringing in current Census data)	6/23/2014	8/22/2014
Advance Employer Data Release		11/25/2014
Phase II		
Sample design	6/25/2012	10/25/2012
Sample selection and review	1/15/2014	4/24/2014
Mailout Phase II including two follow-ups	5/5/2014	8/1/2014
Complete form edit and review	5/27/2014	10/30/2014
Complete partial item and complete item nonresponse imputation	11/24/2014	12/15/2014
Complete tabulation records (including bringing in most current Census data)	12/17/2014	1/9/2015
Complete macro data review	2/4/2015	4/17/2015
Data Releases		
Women		6/16/2015
Hispanic		7/14/2015

Black	8/11/2015
American Indian and Alaska Native	9/15/2015
Asian	10/13/2015
Native Hawaiian and Other Pacific Islander	10/27/2015
Veteran	11/17/2015
Characteristics of Businesses and Business Owners	12/8/2015
Company Summary	12/15/2015

17) Request to Not Display Expiration Date

The assigned expiration date will be displayed on all report forms used in the information collection.

18) Exceptions to the Certification

There are no exceptions to the certification.

19) NAICS Codes Affected

This information collection is not industry-specific and covers nearly all U.S. nonfarm businesses. Economic activities that have the following NAICS classifications are out of scope of the 2012 SBO:

- Crop and animal production (NAICS 111 and 112)
- Rail transportation (NAICS 482), and the Postal service (NAICS 491)
- Funds, trusts, and other financial vehicles (NAICS 525)
- Religions, grantmaking, civic, professional, and similar organizations (NAICS 813), and Private households (NAICS 814)
- Public administration (NAICS 92), along with companies owned by American Indian and Alaska Native tribal governments

