

Supporting Statement
U.S. Census Bureau/Company Statistics Division

Information and Communication Technology Survey (ICTS)
Forms ICT-1(S), ICT-1(M), and ICT-1(L)

A. Justification

1. Necessity of the Information Collection

Economic policymakers are concerned about the lack of available data related to e-business infrastructure investment. Such data are critical for evaluating productivity growth, changes in industrial capacity, and current economic developments. Rapid advances in Information and Communication Technology (ICT) equipment have resulted in these assets having short useful lives and being replaced faster than other types of equipment. Companies are expensing the full cost of such assets during the current annual period rather than capitalizing the value of such assets and expensing the cost over two or more years. In some cases this is due not only to the short useful life of the asset, but also to the fact that companies have varying dollar levels for capitalization.

The Annual Capital Expenditures Survey (ACES) (OMB Project 0607-0782) currently collects summary data on business capital expenditures annually and detailed data on types of structures and equipment every five years. The fact that the ACES program does not include non-capitalized expenditures for e-business infrastructure and infrequently collects detailed data on types of structures and equipment creates serious data gaps. To fill these gaps and as a supplement to the ACES survey, the Census Bureau created the Information and Communication Technology Survey (ICTS). The ICTS uses the ACES sampling, follow-up and estimation methodologies including mailing to the same employer companies.

Data users tell us that they need comprehensive and consistent data on investment by all private nonfarm businesses in capitalized and non-capitalized ICT equipment and software. The objectives of the ICTS are:

- (a) to provide estimates of capitalized and non-capitalized ICT equipment expenditures for all private nonfarm sectors of the economy at 3-digit and selected 4-digit North American Industry Classification System (NAICS) levels;
- (b) to base the survey on a probability sample that yields measures of statistical reliability of the survey estimates;
- (c) to produce annual enterprise-level data with the level of detail, coverage, and quality which was previously unavailable;

- (d) to provide detail data on capitalized and non-capitalized ICT expenditures for estimating the national income and product accounts, estimating the productivity of U.S. industries, evaluating fiscal and monetary policy, and conducting research using capitalized and non-capitalized expenditures data; and
- (e) to provide industry analysts with necessary data for market analysis, economic forecasting, product development, and business planning.

The Census Bureau conducts this survey under the authority of Title 13 of the United States Code, Sections 131 and 182. Sections 224 and 225 make the survey mandatory.

This request is for continuation of a currently approved collection and will cover the 2013 through 2015 ICTS (conducted in fiscal years 2014 through 2016). Due to budgetary constraints in 2013, the Census Bureau suspended the 2012 ICTS. However, funds were appropriated for fiscal year 2014 allowing the Census Bureau to reinstate the ICTS for the 2013 survey year.

We will collect and publish data based on the 2012 NAICS. Industries in the survey will comprise 3-digit and selected 4-digit 2012 NAICS codes.

The annual ICTS collects data on two categories of non-capitalized expenses (purchases; and operating leases and rental payments), for four types of information and communication technology equipment and software (computers and peripheral equipment; ICT equipment, excluding computers and peripherals; electromedical and electrotherapeutic apparatus; and computer software, including payroll associated with software development). The survey also collects capital expenditures data on the four types of ICT equipment and software cited above.

In prior ICTS data collection; the Census Bureau used mail out/mail back survey forms to collect data. Employer companies were able to respond via Centurion (the Census Bureau's online reporting system), by mail, or by using our toll-free number to reply via secure facsimile machine. We asked companies to respond to the survey within 30 days of the initial mailing. If companies did not respond by the designated time, they received letters and/or telephone calls encouraging participation.

For the 2013 ICTS data collection, the Census Bureau will rely primarily on electronic reporting. Employer companies will receive a mailed notification letter containing their User ID and password, and directed to respond via Centurion through the Census Bureau's Business Help Site. The online reporting instrument is an electronic version of the paper data collection instrument, and based on the company's diversity of operations and number of industries with payroll. Companies operating in only one industry will access an ICT-1(S) form or electronic instrument. These companies will not be asked to report ICT expenditures by industry, this will eliminate the need for industry self coding. Companies operating in more than one, but less than nine industries will access an ICT-1(M) form or electronic instrument. Companies that operate in nine or more industries will access an ICT-1(L) form or

electronic instrument. Companies will be able to print the form through online services or request a paper form by mail.

The Census Bureau will continue to ask companies to respond to the survey within 30 days. Reminder letters and/or telephone calls encouraging participation will continue to all companies that have not responded by the designated time.

For the 2014 and 2015 ICTS data collection, the Census Bureau will determine whether to use the same data collection strategy based upon the electronic response rate for the 2013 ICTS.

The survey Forms ICT-1(S), ICT-1(M), ICT-1(L) and accompanying instructions were developed through consultation described in Section 8, Consultation Outside the Agency.

2. Needs and Uses

The ICTS is an important part of the Federal Government's effort to improve and supplement ongoing statistical programs. The Bureau of Economic Analysis (BEA), Federal Reserve Board (FRB), Bureau of Labor Statistics (BLS) and industry analysts use these data to evaluate productivity and economic growth prospects. In addition, the ICTS provides improved source data significant to BEA's estimate of the investment component of Gross Domestic Product, capital stock estimates, and capital flow tables. Other Federal agencies, private industry organizations, and academic researchers use the survey results for analyzing and studying:

- Past and current economic performance
- Short-term economic forecasts
- Productivity
- Long-term economic growth
- Tax policy
- Capacity utilization
- Business fixed capital stocks and capital formation
- International competitiveness and competitiveness and trade policy
- Market research
- Financial analysis

Ensuring 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). Ensuring 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

Beginning with the 2006 ICTS, electronic reporting was offered to all respondents using an encrypted Internet Data Collection System (Centurion) as a substitute for

the paper form mailed to all companies. Based on the 2011 results, we estimate that 52 percent or more of the responses on the 2013 and later ICTS will be collected electronically.

4. Efforts to Identify Duplication

The ICTS is the only survey that provides capital and non-capital ICT expenditure data by type of equipment and software for all private nonfarm businesses in the United States, by the investing industries on a consistent and comprehensive basis.

5. Minimizing Burden

To minimize reporting burden on small businesses, we limit the sample size to the smallest size necessary to provide statistically reliable estimates and select a new sample each year to reduce the likelihood of a business being asked to respond to the survey more than once in a 5-year period. Our sampling methodology minimizes the probability of selection of small and mid-sized businesses. (See Sections B.1 and B.2.a. for additional detail)

6. Consequences of Less Frequent Collection

ICTS data are collected annually. Collecting the data less frequently would seriously impair their usefulness as a supplemental trend estimator of investment and as a benchmark for the national income and product accounts and estimates of capital stocks.

7. Special Circumstances

There are no special circumstances.

8. Consultations Outside the Agency

In January 2002, the Census Bureau formed an Inter-agency Team to discuss data user needs regarding the Bureau's proposed Fiscal Year 2003 Budget Initiatives. The Team was comprised of upper-level managers from the BEA, FRB, BLS, and the Census Bureau. Meetings, which were held weekly over a two month period, resulted in agreement by the Team as to the direction of each component of the Initiatives. It was agreed that the Census Bureau would collect all business spending, whether capitalized or expensed, associated with creating, maintaining, and using ICT infrastructure. ICT infrastructure includes buildings and structures, machinery and equipment, software, and related ICT services such as programming and network support. (Expenses related to ICT services were subsequently eliminated from the ICTS because these data were collected, beginning in 2003, by the Service Annual Survey.)

In April 2003, we presented the Inter-agency recommendations for the ICTS to the Census Advisory Committee of Professional Associations. The Committee was very

supportive of the plans but felt it was important that the Census Bureau pre-test and conduct cognitive research with businesses on their ability to report such data.

Based on the Census Advisory Committee recommendations and Census Bureau requirements for developing new programs, we conducted 11 exploratory interviews in the Washington, DC metropolitan area during April and May 2003 to determine if significant issues/problems existed with our ICTS data collection plans. Based on the results of these interviews, Census Bureau staff created a rough draft of instructions along with an initial ICTS form for further testing.

Between June and September 2003, Census Bureau staff, with the assistance of WESTAT Inc., conducted approximately 50 cognitive interviews, with companies of various sizes, business activities, and diversity of operations. To assure the relevance and accuracy of the information received, the cognitive interviews were conducted in two parts. After each round of interviews, the Census Bureau examined the information provided by the companies and made revisions to the survey forms and instructions. For example, as a result of being informed in the first round of interviews that companies could not reasonably provide data on buildings and structures, because portions and not entire buildings were associated with ICT, we eliminated the request for these data. Based on the results of the cognitive interviews, modifications were made to the survey material to clarify the data being requested and the survey form was shortened to its current content.

The Census Bureau conducted extensive pre-testing, and a comprehensive program evaluation, and maintained ongoing consultations with data users and respondents during the development of the ICTS. We modified the survey's information collection, adding a request for capital expenditure data for ICT equipment and software. The collection of this data was evaluated during the cognitive interviews. Based on these results, modifications were made to the material to clarify the data being requested.

The Census Bureau periodically discusses the nature and content of the survey with the following Federal Government data users:

Bureau of Economic Analysis

Dennis Fixler (202) 606-9607
Chief Statistician

Brent Moulton (202) 606-9606
Associate Director for National Economic Accounts

Carol Moylan (202) 606-9612
Associate Director for Industry Accounts

David Wasshausen (202) 606-9752
Chief, Industry Sector Division

Nicole Mayerhauser (202) 606-9742
Chief, National Income and Wealth Division

Robert Kornfeld (202) 606-9285
Deputy Chief, National Income and Wealth Division

Michael Armah (202) 606-9721
Chief, Capital Stock Branch
National Income and Wealth Division

Michael Glenn (202) 606-9718
Economist, Capital Stock Branch
National Income and Wealth Division

Matt Russell (202) 606-9575
Chief, Goods Branch
Industry Benchmark Division

Federal Reserve Board

Norman Morin (202) 452-2476
Chief, Industrial Output Section
Division of Research and Statistics

Justin Pierce (202) 452-2980
Economist, Industrial Output Section
Division of Research and Statistics

Bureau of Labor Statistics

Michael Harper (202) 691-5600
Associate Commissioner for Productivity and Technology

Department of the Treasury

Mike McDonald (202) 622-1785
Financial Economist
Office of Tax Analysis

Centers for Medicare and Medicaid Services

Jean Stiller (410) 786-0708
Economist

Information received from any outside individuals or entities was received on an informal basis and not designed to provide a group consensus.

The 2013 ICTS pre-submission notice was published in the Federal Register on August 19, 2013 (Volume 78, Number 160) Page 50374-50375, inviting public comments on our plans to submit this request. The pre-submission notice closed October 19, 2013. We received comments from the BEA (see attachment D) supporting the continued collection of the ICTS because the data are crucial to key components of BEA's economic statistics.

9. Paying Respondents

We do not pay respondents or provide them gifts.

10. Assurance of Confidentiality

The report form for this information collection will 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 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.

We will include similar guarantees in the cover letter and follow-up letters that accompany the report form and in the notification and follow-up reminder only letters. The statutory basis for these assurances of confidentiality is Title 13, USC, Section 9. All activities relating to the collection and dissemination of these data satisfy requirements of this law.

11. Justification for Sensitive Questions

No sensitive questions are asked.

12. Estimate of Hour Burden

The estimate of total respondent burden hours for the 2013 through 2015 ICTS (conducted in fiscal years 2014 through 2016) is 79,286 hours per year. This estimate was derived as follows:

| | Survey forms | Hours per response | Burden hours |
|---------------|-----------------------|--------------------|--------------|
| FY 2014-2016: | 25,515 Form ICT-1 (S) | 1.1 ¹ | 28,067 |

| | | |
|-----------------------|-------------------|--------|
| 18,940 Form ICT-1 (M) | 2.1 ¹ | 39,774 |
| 545 Form ICT-1 (L) | 21.0 ¹ | 11,445 |

| | |
|-------------------------------------|--------------|
| Fiscal year total: | 79,286 hours |
| Average for 45,000 ICT-1 responses: | 1.76 hours |

These burden hour estimates are based on estimates of the average time required to complete surveys of similar size conducted by the Census Bureau and estimates obtained during the exploratory and cognitive interviews. We adjust our estimates to account for the modification of data items collected.

About 45,000 companies will receive Form ICT-1. About 545 of the companies that receive Form ICT-1(L) are highly diversified. Although these companies are active in 9 or more industries, we expect them to report capitalized and non-capitalized expenditures for 4 to 5 industry categories. Approximately 18,940 companies receiving Form ICT-1(M) are engaged in fewer industries. Although they are active in 1 to 8 industries, we expect these companies to report expenditures for 1 or 2 industry categories. The remaining 25,515 companies will receive Form ICT-1(S) and generally will be active in only one industry.

The total cost to all respondents is estimated to be \$2.4 million based on the median hourly wage of \$30.55 for accountants and auditors multiplied by the annual burden hours (79,286).

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 company records at variable levels of detail, and no special hardware or accounting software or system is necessary to provide answers to the survey questions. Therefore, respondents are not expected to incur any 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

We estimate the total cost to the government of the survey to be \$1.7 million per fiscal year 2014, 2015, and 2016, all borne by the Census Bureau. The Business Investment Branch of the Company Statistics Division has planned and allocated resources for the effective and efficient management of this information collection.

15. Reason for Change in Burden

1 The difference in hours per response is due to the expected number of industry categories reported by companies. Highly diversified companies will report a greater number of industries.

We estimate needing approximately 5,324 less burden hours due to a decrease in the number of companies receiving the ICT-1(S), ICT-1(M), and ICT-1(L) survey forms. A smaller sample was selected in an effort to contain costs and reduce burden while still achieving the desired level of reliability in the estimates by industry.

16. Project Schedule

The survey to collect 2013 data will begin in March 2014. Data collection for 2013 will occur from March 2014 through September 2014. We will process data using Census Bureau computer equipment. Census Bureau analysts will review the survey returns and the tabulated data for reasonableness. We estimate that the review process will continue through November 2014. We will release data in early 2015.

17. Request to Not Display Expiration Date

We will display the assigned expiration date on all report forms and on the online reporting instrument (Centurion) used in the information collection.

18. Exceptions to the Certification

There are no exceptions to the certification.

19. NAICS Codes Affected

The survey covers all private nonfarm businesses within the following NAICS sectors:

| <u>Title</u> | <u>NAICS Sectors</u> |
|--|----------------------|
| Forestry, Logging, Fishing, Hunting, Trapping, and Agricultural Support Activities | 113-115 |
| Mining, Quarrying, and Oil and Gas Extraction | 21 |
| Utilities | 22 |
| Construction | 23 |
| Manufacturing | 31-33 |

| | |
|---|--------------|
| Wholesale Trade | 42 |
| Retail Trade | 44-45 |
| Transportation and Warehousing (except Postal Service) | 48, 482, 493 |
| Information | 51 |
| Finance and Insurance | 52 |
| Real Estate and Rental and Leasing | 53 |
| Professional, Scientific, and Technical Services | 54 |
| Management of Companies and Enterprises | 55 |
| Administrative and Support and Waste Management and Remediation Services | 56 |
| Educational Services | 61 |
| Health Care and Social Assistance | 62 |
| Arts, Entertainment, and Recreation | 71 |
| Accommodation and Food Services | 72 |
| Other Services (except Private Households and Public Administration) | 811-813 |

Companies are asked to report information for industry categories at the 3-digit and selected 4-digit NAICS levels. The industry categories for each company are computer-imprinted on the form and are displayed on the online reporting instrument (Centurion). We ask each company to review these industries and correct them if necessary using the list of industry categories that appear in the instruction manual or on the online reporting instrument.