

**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

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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 Annual Surveys of State and Local Government Finances collect data on state government finances and estimates of local government revenue, expenditure, debt, assets, and pension systems nationally and within state areas. The surveys include the Annual Survey of State Government Tax Collections, Annual Survey of State Government Finances, the Annual Survey of Local Government Finances, and the Annual Survey of Public Pensions. Data are collected for all agencies, departments, and institutions of the fifty state governments and for a sample of all local governments (counties, municipalities, townships, and special districts).

The questionnaires for collecting 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.

Forms F-11, F12, and F-12(S). State and local government pension systems provide data on their receipts, payments, assets, membership, and beneficiaries.

Forms F-13. State agencies provide data not included in the audits, electronic files and other primary sources the Census Bureau uses to compile state government financial data. Form F-13 is used to collect data from state insurance trust systems.

Form F-28. Counties, cities, and townships provide data on revenues, expenditures, debt, and assets.

Form F-29. Multi-function special district governments provide data on revenues, expenditures, debt, and assets.

Form F-32. Single-function special district governments and dependent agencies of local governments provide data on revenues, expenditures, debt and assets.

There are no significant planned revisions to the forms listed above. Form F-25 is being eliminated as state agency data are collected under state data arrangements. Form F-42, which collects data on school building authorities, is also being eliminated. School building authority data will now be collected on the F-32 or F-29 form.

Data are also gathered using means outside of a traditional form canvass. The Census Bureau also collects data through arrangements with state governments, central collection arrangements with local governments, supplemental data letters, and using electronic reporting instruments.

In addition, there will be a canvass of local government public employee pension systems in 2014 to address a potential under coverage of these systems. The canvass will include a letter requesting contact information, membership, payments, and cash and investments for the defined benefit plan.

In contrast to the previous submission, this submission only includes data collected in the annual sample years of 2014-2016. The last submission included data collected during the Census of Governments which occurs only in years ending in '2' and '7' and includes a full canvass of all state and non-school local governments. Accordingly, the requested burden hours will be substantially less than the previous submission.

## 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.

Beginning with the 1993 annual data series, all data, summary tables, and files have been released on the Internet. At the Internet site, ([census.gov/govs/](http://census.gov/govs/)) users will find documentation, summary tables and files.

These data are widely used by Federal, state, and local legislators, policy makers, 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 state and local government 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.

In addition, the data are used by the Bureau of Justice Statistics, Centers for Medicare and Medicaid Services, Council of Economic Advisors, Government Accountability Office, National Center for Education Statistics, and the National Science Foundation.

Discontinuing the state and local government 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, the state and local government data are also needed as inputs into the Justice Expenditure and Employment Extract Series, produced by the Bureau of Justice Statistics, and the National Health Expenditure Accounts produced by the Centers for Medicare and Medicaid Services. The data are also published annually in the Digest of Education Statistics produced by National Center for Education Statistics, the Economic Report of the President produced by the Council of Economic Advisors, and the source data are used as input into the State and Local Governments Fiscal Outlook published by the Government Accountability Office. In addition, the data are used by the National Science Foundation as inputs into the State government R&D expenditures.

In recent years, state and local government financial information has garnered significant media attention and policy coverage. As such, timely state and local government finance data are critical in light of current financial conditions of state and local governments, as they provide insight into the complex nature and fiscal health of state and local government finances.

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 state and local government finance program relies heavily on information technology to collect and process data. The Census Bureau uses three different electronic modes for obtaining these 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 26 states, referred to as central collection arrangements. In these cases, instead of mailing survey questionnaires listed above 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 burden, 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 local government finance and public employee pension 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 local governments and all state governments, we have developed software that allows governments to submit their internal financial transaction files. These electronic files contain data 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 respondent burden, 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; feedback from data users; and feedback from 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 BEA, 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 current and useful information about alternative data sources.

### Feedback from Data Suppliers

In recent years, we have participated in outreach efforts to local governments to research their record keeping practices. These efforts involve visiting various types of state and 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 and state 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 state large government electronic collections. All of these minimize burden.

#### Small Government Sample Selection

For the Annual Survey of Local Government Finances, we define the size variable for the sample selection. The size variable for the 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 local government type. For some townships and special districts, we further apply 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 BEA 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. The BEA 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 for not only the BEA, but also the Council of Economic Advisors, the Federal Reserve Board, the Government Accountability Office, the National Center for Education Statistics, and the Centers for Medicare and Medicaid Services.

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 30, 2014 issue of the Federal Register inviting comments on our plans to submit these forms to OMB for review (Vol. 79, page 4869). We received comment letters from the Association for Budgeting & Financial Management, The Urban Institute, and the BEA. Each of the organizations expressed strong support of continuing collection of state and local finance data. They each expressed concern for any reduction in the level of detailed collected from the Annual Surveys of State and Local Governments and consistency in historic data series. They cited the vast number of data users who rely on the surveys as a critical data source for state and local government data. In particular, the Association for Budgeting & Financial Management cited communications from state and local governments that the elimination of data items would not reduce reporting burden, and could have the opposite effect given governments established reporting procedures for Census Bureau surveys. They also encouraged the Census Bureau to provide historical data files in a format that is easier for data users to use. The Census Bureau plans no significant changes in the level of detailed data collection for this current clearance request based on data user feedback and resource constraints to conduct research. The Census Bureau plans to conduct research in future years to explore the possibility of a reduction in data items with ample time for feedback from a broad range of data suppliers and users. In addition, the Census Bureau conducted data user workshops to address data users concerns about accessibility of data files. The Census Bureau already has efforts underway to increase the accessibility of historical data files.

Outside Consultations

Contact	Organization	Phone
Bruce Baker	Bureau of Economic Analysis	(202) 606-9663
David Lenze	Bureau of Economic Analysis	(202) 606-9292
Donald Boyd	Rockefeller Institute of Government	(518) 677-5011



Robert Dinkelmeyer	Government Accountability Office	(202) 512-7281
Paul Smith	Federal Reserve Board	(202) 452-3130
Byron Lutz	Federal Reserve Board	(202) 452-2988
Andrew Haughwout	Federal Reserve Board NY	(212) 720-2685
Tracy Gordon	Council of Economic Advisors	(202) 395-3997
Elliot Dubin	Multi-state Tax Commission	(202) 624-8699
Ron Fisher	Michigan State University	(517) 355-7583
Kim Rueben	Urban Institute/Tax Policy Center	(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
Alex Brown	National Association of State Retirement Administrators	(860) 235-9462

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. During the past three years, the Governments Division participated in a series of Data User Exchanges to solicit feedback from data users. The Data User Exchanges were held to ensure the relevancy and usability of the State and Local Government Finances Surveys 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.

Additionally, over the past three years, Governments Division has solicited the comments of data suppliers and users through a series of quality improvement trips to state and local governments in the following states: Alabama, Connecticut, Florida, Georgia, Indiana, Michigan, Missouri, Mississippi, Massachusetts, New Hampshire, Ohio, Oklahoma, Oregon, Kansas, Kentucky, Rhode Island, Texas, Virginia, and West Virginia. The visits allowed the Governments Division staff to meet with state and local government officials to solicit comments, conduct questionnaire cognitive testing, 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 readily accessible. Some of the detailed items can be problematic to report if instructions are not clear. We are continuing to explore ways to clarify instructions and wording on some items. Further, data feedback will occur with upcoming cognitive visits to state and local governments over the next two years.

#### 9. Paying Respondents

We do not pay respondents or provide them gifts.

#### 10. Assurance of Confidentiality

The data collected in these surveys are all from public records and do not require confidentiality. Respondents canvassed in the surveys are informed that the data are not confidential in nature and reporting in the survey is voluntary. The information is disclosed using several means including Census Bureau letters, survey questionnaires, and electronic reporting instruments. Letters accompanied by survey questionnaires do not include statements of confidentiality or the voluntary nature of responses, as those statements are included in the respective survey questionnaires. Electronic response letters only contain statements of the voluntary nature of the survey.

#### 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 2014.

<b>Table 1. Annual Surveys of State and Local Government Finances Respondent Burden – 2014</b>			
<b>Form/Letters</b>	<b>Number of Respondents</b>	<b>Estimated Average Hours per Respondent</b>	<b>Estimated Respondent Burden Hours</b>
F-5	50	3.5	175
F-11	1,636	2	3,272
F-12	222	2.5	555
F-12(S)	77	2.5	193
F-13	72	1.0	72
F-28	3,171	6.0	19,026
F-29	929	3.0	2,787
F-32	5,815	1.5	8,723
Central Collection	26	24	624
State Level Electronic Data Collection	73	1	73
Supplemental Data Collection	315	1	315
Pension letter	2,248	0.75	1,686
<b>Total</b>	<b>14,634</b>	<b>N/A</b>	<b>37,501</b>

Table 2 contains the estimated respondent burden for 2015-2016

<b>Table 2. Annual Surveys of State and Local Government Finances</b>
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<b>Respondent Burden – 2015-2016</b>			
<b>Form/Letters</b>	<b>Number of Respondents</b>	<b>Estimated Average Hours per Respondent</b>	<b>Estimated Respondent Burden Hours</b>
F-5	50	3.5	175
F-11	1,636	2	3,272
F-12	222	2.5	555
F-12(S)	77	2.5	193
F-13	72	1.0	72
F-28	3,171	6.0	19,026
F-29	929	3.0	2,787
F-32	5,815	1.5	8,723
Central Collection	26	24	624
State Level Electronic Data Collection	73	1	73
Supplemental Data Collection	315	1	315
<b>Total</b>	<b>12,368</b>	<b>N/A</b>	<b>35,815</b>

**Table 3. Annual Surveys of State and Local Government Finances – Respondent Financial Burden**

<b>The Annual Cost to Respondents 2014</b>		
T	Total estimated burden hours	37,501
Es	Estimated cost per burden hour*	\$26.17
To	Total estimated cost to respondents**	\$981,401
<b>The Annual Cost to Respondents – 2015-2016</b>		
T	Total estimated burden hours	35,815
Es	Estimated cost per burden hour*	\$26.17
To	Total estimated cost to respondents**	\$937,279
<p>*Estimated cost per burden hour is based upon data from the 2012 Census of Governments: 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>		

The average of the computation of total respondents is the summation of the three fiscal years divided by three  $(14,634 + 12,386*2)/3 = 13,135$

The average of the computation of total respondent burden hours is the summation of the three fiscal years divided by three  $(37,501 + 35,815*2)/3 = 36,377$

### 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 2014 is \$7,566,428. The cost of conducting this survey in subsequent fiscal years will approximate these costs. 1

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 in years ending in '2' and '7'. 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, decreases with the exclusion of the Census of Governments: Finance components. Additionally, in 2014 there will be a canvass of pensions systems to address potential under coverage of these systems and an addition of select supplemental data request letters.

16. Project Schedule

<b>Table 4. Annual Surveys of State and Local Government Finances – FY2014</b> <b>Timetable</b> <i>(Note: Other annual survey years follow a similar schedule)</i>		
<b>D</b>	<b>Date or Period(Month/Year)</b>	<b>Activity</b>
	07/2014	C Complete design of mailout/mailback forms
	09/2014 - 12/2015	C Collect and process central collection data
	09/2014	P 1 Print forms
	9/2014	Di Initial request for mailout/mailback forms
	11/2014 - 01/2015	Di Follow-up requests for mailout/mailback forms
	04/2015 - 05/2016	Edit and process data
	By 04/2015	C Release <b>State Tax Collections</b> report
	By 01/2016	R Release <b>State Government Finance</b> report
	By 02/2016	R Release <b>Public Employee Pension Systems</b> report
	By 05/2016	Pr Produce initial national estimates for BEA’s annual NIPA revision
	By 07/2016	R Release <b>State and Local Governments Finances</b> 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.