

Supporting Statement
U.S. Department of Commerce
U.S. Census Bureau
Quarterly Services Survey
OMB Control Number 0607-0907

A. Justification

1. Necessity of the Information Collection

As far back as the 1980s, there was a realization that despite its growing importance and share of Gross Domestic Product (GDP), the service economy was not adequately covered by the existing federal statistics programs. Before the Quarterly Services Survey (QSS) economic indicator existed for the service sector, the only data available were from the Service Annual Survey (SAS) and the five-year Economic Censuses. The decision was made to expand the scope of the Census Bureau's existing annual survey and to create a new principal economic indicator to cover services. Based on this effort, the QSS is now a major source for the development of quarterly GDP and an indicator of short-term economic change.

With the first release of the QSS in 2004, it became the first new U.S. federal government economic indicator in 30 years. The initial scope of the QSS was driven primarily by the Bureau of Economic Analysis (BEA) priorities and what the budget initiative would allow. The goal was to begin covering the most dynamic sectors of the service economy for which BEA had little to no alternate source data. In the wake of the dot-com bubble in the early 2000s, it was clear that information services and high-tech industries needed to be a priority as BEA experienced major revisions to their GDP estimates as annual data came in later. So, at the time it was launched, QSS produced estimates for just 3 North American Industry Classification System (NAICS) sectors (51, 54, and 56) representing roughly 15% of GDP.

Shortly after the Financial Crisis in 2007-2008, QSS received approval to expand the scope of the survey to match that of the Economic Census of Services. A major part of this expansion would provide for tracking of the Financial sector which, of course, was now in the spotlight. Between 2009 and 2010, QSS underwent a multi-phased expansion, increasing the total coverage from 3 to 11 NAICS sectors which together account for over 50 percent of GDP.

QSS expanded yet again in 2012 to cover the Accommodation subsector which was the only remaining service industry with no sub-annual coverage.

We currently publish estimates based on the 2007 NAICS. The QSS covers all or parts of the following NAICS sectors: Utilities (excluding government owned);

Transportation and warehousing (except rail transportation and postal) services; Information; Finance and insurance (except funds, trusts, and other financial vehicles); Real estate and rental and leasing; Professional, scientific, and technical services; Administrative and support and waste management and remediation services; Educational services (except elementary and secondary schools, junior colleges, and colleges, universities, and professional schools); Health care and social assistance; Arts, entertainment, and recreation; Accommodation; and Other services (except public administration). See Section 19 (NAICS Codes Affected) for a list of all of the QSS industries. The QSS provides the most current reliable measures of total revenue and percentage of revenue by class of customer (for selected industries) on a quarterly basis. In addition, the QSS provides the only current quarterly measure of total expenses from tax-exempt firms in industries that have a large not-for-profit component. All respondent data are received by mail, facsimile, telephone, or Internet reporting.

The total revenue estimates produced from the QSS provide current trends of economic activity in the service industry in the United States from service providers with paid employees.

In addition to revenue, we also collect total expenses from tax-exempt firms in industries that have a large not-for-profit component. Expenses provide a better measure of the economic activity of these firms. Expense estimates produced by the QSS, in addition to inpatient days and discharges for the hospital industry, are used by the Centers for Medicare and Medicaid Services (CMS) to project and study hospital regulation, Medicare payment adequacy, and other related projects. For select industries in the Arts, entertainment, and recreation sector, the survey produces estimates of admissions revenue.

We will continue to publish no later than 75 days after the end of each calendar quarter.

The Census Bureau will conduct this survey under the authority of Act of Congress, Title 13, United States Code, Sections 131 and 182.

2. Needs and Uses

Reliable measures of economic activity are essential to an objective assessment of the need for, and impact of, a wide range of public policy decisions. The QSS supports these measures by providing the latest estimates of service industry output on a quarterly basis.

Currently, the U.S. Census Bureau collects, tabulates, and publishes estimates to provide, with measurable reliability, statistics on domestic service total revenue, total expenses, and percentage of revenue by class of customer for select service providers. In addition, the QSS produces estimates for inpatient days and

discharges for hospitals. In the future, QSS may produce breakdowns of revenue from financial firms. This depends on the quality and amount of data received as well as its reliability and accuracy.

The BEA is the primary Federal user of QSS results. The BEA utilizes the QSS estimates to make improvements to the national accounts for service industries. In the National Income and Product Accounts (NIPA), the QSS estimates allow more accurate estimates of both Personal Consumption Expenditures (PCE) and private fixed investment. For example, recently published revisions to the quarterly NIPA estimates resulted from the incorporation of new source data from the QSS. Revenue estimates from the QSS are also used to produce estimates of gross output by industry that allow BEA to produce a much earlier release of the gross domestic product by industry estimates.

Estimates produced from the QSS are used by the BEA as a component of quarterly GDP estimates. The estimates also provide the Federal Reserve Board (FRB) and Council of Economic Advisors (CEA) with timely information on current economic performance. All estimates collected from this survey are used extensively by various government agencies and departments on economic policy decisions; private businesses; trade organizations; professional associations; academia; and other various business research and analysis organizations.

The CMS uses the QSS estimates to develop hospital spending estimates in the National Accounts. In addition, the QSS estimates improve their ability to analyze hospital spending trends. The CMS also uses the estimates in its healthcare indicator analysis publication; ten-year health spending forecast estimates; and studies in hospital regulation and Medicare policy, procedures, and trends.

The Medicare Payment Advisory Commission (MedPac) utilizes the QSS estimates to assess payment adequacy in the current Medicare program.

The FRB and the CEA use the QSS information to better assess current economic performance. In addition, other government agencies, businesses, and investors use the QSS estimates for market research, industry growth, business planning and forecasting.

The following is a summary of the data items that we request. See Attachment 1 for a list of QSS survey forms, the NAICS industries that will receive the survey form, and the survey form content. See Attachment 2 for the QSS survey forms and cover letters. Note that the form may include technical language. This technical language has been used in the economic census and other programs or has been verified as conforming to industry usage during cognitive testing of the forms that relate to the QSS expansion initiative (see ¶8, Consultations with Respondents).

- Total Revenue - Needed for the national economic accounts produced by BEA. Revenue estimates are used in the estimates of services within personal consumption expenditures and for estimates of software investment. These estimates are also used for developing the GDP by industry estimates.
- Total Expenses - Total expenses are collected from tax-exempt organizations in selected industries. Expenses are a better indicator of economic activity than revenue for non-profit firms and organizations.
- Source of Revenue – Used by BEA in estimating PCE. It includes:
 - Percentage of receipts by class of customer
 - Percentage of revenue from admissions from select arts and entertainment companies such as spectator sports
 - Revenue from managed hotels
 - Revenue from financial planning and investment management services for individuals, businesses and government
 - Fees and commissions from brokering and dealing products from individuals, businesses and government, as well as net gains (losses) in trading, brokering and dealing products on own account
 - Loan fees and other fees income from individuals, businesses and government
 - Gross billing, direct costs of worksite employees, and net revenue
 - Gross interest income
- Inpatient and Discharge Days - Used by the CMS to develop hospital spending estimates in the National Health Accounts

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). 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**

The following are the E-Government services that we currently provide for the QSS:

- A print on-demand system referred to as DocuPrint is used to prepare all questionnaires. The benefit of this system is its ability to print a specific document or set of related documents (upon request) and overlay variable data in predetermined locations throughout the documents. This process reduces the time and cost of preparing mailout packages, while allowing each form to be individually tailored to provide industry and even company specific

instructions to clarify reporting criteria.

- Internet collection is conducted through the Centurion Internet Reporting System. This method of data collection reduces the amount of data entry, thus providing a means of cost-effective data retrieval. In addition, the system's built-in data checks/edits improve quality of response and reduce the need for telephone follow-up. Respondents can complete the survey online by visiting the following website: <http://econhelp.census.gov/qss>. The web address and the respondent's username and password are located on page 1 of the form. Once the respondent is logged into the system, they may complete the entire QSS, save any unfinished QSS form(s) to complete at a later time, and print any forms they complete online. No additional software is needed by the respondent. In addition, all data submitted through the Centurion Internet Reporting System are encrypted. Approximately half of the QSS respondents are mailed a full paper form that provides the option for submission by Internet, mail, or facsimile. The remaining half of respondents are mailed only the first page of the form containing their username and password providing for submission by Internet. Respondents that report via the Internet in any given quarter are mailed first-page-only forms with their username and password in subsequent quarters.
- A facsimile reminder system called the Paperless Facsimile Image Reporting System (PFIRS) improves data quality and minimizes reliance on labor intensive telephone follow-up. Using this system, delinquent respondents are reminded by facsimile rather than by phone to return their response.
- A laser printer facsimile machine connected to an "800" telephone line gives respondents the capability to submit data by facsimile to our collection facility in Jeffersonville, Indiana. Responding via facsimile expedites our receipt of questionnaires.

4. Efforts to Identify Duplication

Consultations were held with representatives of the Federal Government and industry organizations regarding the availability and need of statistical information for the service industries and to ensure that there is no duplication.

Service industry data are collected in the Service Annual Survey (OMB Approval Number 0607-0422) and in the quinquennial Economic Census. While the annual and quinquennial data provide service industry data, they do not provide the data points needed to monitor the current state of the economy. The QSS estimates are the only available data source for evaluating current business conditions.

5. Minimizing Burden

The stratified random sample design used for the QSS utilizes the least number of sampling units required to produce national level estimates with the desired level of reliability, thus minimizing respondent burden.

Data are collected from the largest firms and from a sample of small- and medium-sized businesses using a stratified random sampling procedure with the probability of selection increasing with increasing firm size. The sampling rate for the smallest businesses is approximately 1 in 750.

The Census Bureau provides respondents with the option of reporting electronically via the Internet and will work with individual companies that desire to set up a customized reporting arrangement tailored to the company's needs.

An automated, paperless processing system is used for mailed-back report forms for timely identification of returned cases, thus minimizing unnecessary follow-up contacts with respondents. We provide respondents with a toll-free number if they have questions or need assistance. In addition, we have a Web site that contains information about the survey and how respondents can complete their report.

Firms canvassed are not required to maintain additional records for the survey, nor do we expect participants to incur extra expenses to develop data not readily available. To emphasize this point, depending on the participant's method of financial bookkeeping and reporting, respondents have the option of reporting fiscal data if necessary. Estimates are acceptable. Furthermore, the Census Bureau works with respondents in the QSS to set up special mailing and other reporting arrangements to help ease the reporting burden. We give respondents the option to consolidate their data and report these consolidated data to us. They then receive a consolidated report instead of multiple forms.

Some multi-establishment companies operate in several NAICS industries covered by the QSS. To minimize response burden on these companies, the Census Bureau will collect data only for the industries in which they generate the majority of their revenue. The Census Bureau will impute data for the industries in which they have minimal operations. This practice eliminates approximately 5,100 forms from mailing. These companies' activities are expected to have a negligible effect on the published estimates.

6. Consequences of Less Frequent Collection

Estimates from the QSS are used by government and private economists to evaluate current economic, fiscal, and monetary policies. The quarterly service estimates are important economic indicators and provide timely input for BEA's computation of the national accounts. Less frequent data collection would leave a serious gap in the economic information available to evaluate current economic

conditions and to formulate economic policy.

7. **Special Circumstances**

Because of the importance of the survey as an economic indicator, respondents are requested to report on a quarterly basis. Note, the key data we collect in this survey are normally maintained on a quarterly basis by respondents. Because the timeliness of the QSS is critical to its value, respondents are asked to reply to the questionnaire within 10 business days of receipt of the form.

8. **Consultations Outside the Agency**

Consultations with Principal Data Users: During the initial planning of the QSS, the Census Bureau convened an Interagency group meeting with representatives from the Bureau of Labor Statistics (BLS), BEA, FRB, and Economic Statistics Administration (ESA) of the Department of Commerce to assist in formulating our plans for data collection of the QSS. This Interagency Group included representatives from the following agencies:

- Deputy Under Secretary for Economic Affairs, ESA
- Associate Director for National Economic Accounts, BEA
- Associate Director for Industry Accounts, BEA
- Chief Statistician, BEA
- National Income and Wealth Division, BEA
- Associate Commissioner for Productivity and Technology, BLS
- Industry Productivity Studies Division, BLS
- Industrial Output Section, Division of Research and Statistics, FRB
- National Health Statistics Group, Office of the Actuary, CMS

We also presented our plans to the Census Bureau's Advisory Committee of the American Economic Association and to the National Association of Business Economists.

QSS representatives continue to meet with BEA representatives at least once per year to discuss future plans for the survey. An annual meeting is also held with CMS representatives to discuss its continued use of QSS data.

Tiffany Burrell of the Bureau of Economic Analysis, (202) 606-9618, has been our primary source of consultations concerning the implementation of the Interagency Working Group's recommendations.

Consultations with Respondents: In February 2012, 8 company interviews were conducted to discuss and explain new questions being added to the Banking and Finance survey forms. Three (3) companies belonging in the Accommodation subsector were interviewed to test a brand new survey form. In addition, the

interviews provided an opportunity to establish and verify reporting arrangements with these select respondents. Interviews conducted with respondents included chief executive officers, chief financial officers, accountants, tax managers, and vice presidents. The interviews were 30-45 minutes in length. The survey form was presented in two geographic areas: the Washington, D.C. metropolitan area and New York City.

These interviews consisted of gaining perspective on respondent's interpretation of the survey questions and instructions, as well as their ability to report the requested data. The primary issues addressed during the course of the interview were item definitions, the burden it imposed on companies, and the ability to report on a quarterly basis.

As we are not currently expanding the survey coverage or considering new questions for the forms, no additional consultations with respondents have occurred since 2012.

Presubmission notice: The presubmission notice was published in the Federal Register on February 12, 2015, Vol. 80, No. 29, page 7836, inviting comments on our plans to submit this request. We received one comment from a concerned citizen suggesting that the frequency of the survey be reduced. The timeliness and frequency of the data produced in the QSS are directly tied to their usefulness. Estimates from the QSS are used by government and private economists to evaluate current economic, fiscal, and monetary policies. The quarterly service estimates are important economic indicators and provide timely input for BEA's computation of the national income and product accounts and quarterly GDP estimates. Less frequent data collection would leave a serious gap in the economic information available to evaluate current economic conditions and to formulate economic policy. We received a letter of support from the BEA. We thank the BEA for its continued support for this collection. A copy of the letter is provided as attachment 7.

9. Paying Respondents

The Census Bureau does not pay respondents nor provide gifts for participation in the QSS.

10. Assurance of Confidentiality

Data collected in this survey are confidential under the authority of an Act of Congress, Title 13, United States Code, Section 9, which states that only persons sworn to uphold the confidentiality of Census Bureau information may see the report forms and may use them only for statistical purposes. Respondents are advised of this on both the full form mailing and the front-page-only form. The full form mailing also informs the respondent that this survey is voluntary. The

voluntary nature of the survey is also included in the burden statement on the Centurion Internet Reporting System for respondents who receive the front-page-only form.

11. Justification for Sensitive Questions

Requested data concern only routine business information and are not of a sensitive nature.

12. Estimate of Hour Burden

Form	Respondents	Responses per Respondent per year	Annual Responses	Time per Response	Annual Burden
QSS-0A, QSS-0E, QSS-1A, QSS-1E, QSS-1PA, QSS-1PE, QSS-2A, QSS-2E, QSS-3A, QSS-3E, QSS-3SA, QSS-3SE, QSS-5A, QSS-5E, QSS-6A, QSS-6E, QSS-7A, QSS-7E, QSS-8A, QSS-8E, QSS-9A, QSS-9E,	15,700	4	62,800	15 min	15,700 hrs
QSS-4A, QSS-4E, QSS-4SA, QSS-4SE, QSS4fA, QSS4fE	7,800	4	31,200	10 min	5,200 hrs
Totals	23,500		94,000		20,900

The estimated time per response includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Forms with a burden estimate of 10 minutes collect only one data item, revenue, in addition to collecting general information about the company such as correct coverage and changes in organizational structure. Forms with a burden estimate of 15 minutes collect additional data items such as expenses, source of revenue breakouts, and hospital inpatient days and discharges. These items, especially source of revenue breakouts, are not always maintained on a quarterly basis as part of standard accounting practices and therefore may require more time to gather.

The presubmission notice indicated 19,500 respondents and 17,400 annual burden hours. While there are approximately 19,500 firms selected for QSS, approximately 4,000 of these firms are multi-establishments that receive more than one form based on their activities in several NAICS covered by the survey bringing the number of respondents in the table above to 23,500. The number of

respondents and annual burden hours calculated above have corrected the error in the presubmission notice calculation which did not account for the multi-establishment firms.

13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than their time to respond. The information requested is of the type and scope normally 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 annual cost to the government for conducting the QSS will be \$3.6 million, all borne by the Census Bureau. This estimate includes planning and development; data collection and processing; and operational costs such as overhead, equipment, printing, and support staff. This cost should remain relatively consistent over the 3 years of clearance.

15. Reason for Change in Burden

There is no change in burden estimates from those currently approved.

16. Project Schedule

Survey forms are mailed to respondents at the end of each calendar quarter. They are expected to be completed 10 days after receipt. Respondents have the option of

reporting by mail, the Internet, telephone, or by facsimile. We will release estimates no later than 75 days after the end of each quarter.

The data are tabulated and published at the two-, three-, selected four-, and selected five-digit NAICS levels. Summary data are analyzed to ensure the estimates are consistent with the SAS estimates and meet all publication standards.

The schedule of activities for this quarterly survey is as follows:

First month	Mail-out on the last business day of the reference quarter i.e. the last business day of the previous month. Send facsimile reminder the third week of the month. Begin
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	telephone follow-up (TFU) the last week of the month.
Second month	Analyze, process, and tabulate data.
Third month	Publish data in a press release.

17. Request to Not Display Expiration Date

We will display the expiration date on all information collection instruments, including the survey forms, first-page-only forms, and online reporting website.

18. Exceptions to the Certification

There are no exceptions to the certification.

19. NAICS Codes Affected

<u>NAICS</u>	<u>Description</u>
22	Utilities
48-49	Transportation and warehousing
51	Information
52	Finance and insurance
53	Real estate and rental and leasing
54	Professional, scientific, and technical services
56	Administrative and support and waste management and remediation services
61	Educational services
62	Health care and social assistance
71	Arts, entertainment, and recreation
721	Accommodation
81	Other services (except public administration)