

Supporting Statement A
U.S. Department of Commerce
U.S. Census Bureau
Service Annual Survey
OMB Control Number 0607-0422

A. Justification

1. Necessity of the Information Collection

Over 50 percent of all economic activity is accounted for by “services” defined to exclude retail and wholesale trade. The U.S. Census Bureau currently measures the total output of most of these service industries annually in the Service Annual Survey (SAS). This survey currently covers all or some of: Utilities; Transportation and Warehousing; Information; Finance and Insurance; Real Estate and Rental and Leasing; Professional, Scientific, and Technical Services; Administration and Support and Waste Management and Remediation Services; Educational Services; Health Care and Social Assistance; Arts, Entertainment, and Recreation; and Other Services as defined by the North American Industry Classification System (NAICS). Beginning with survey year 2016, which will be mailed in January 2017, Accommodation and Food Services will also be collected as part of the SAS. Previously the accommodation and food services industry was collected as part of the Annual Retail Trade Survey (ARTS), OMB number 0607-0013. The reason is that under the NAICS structure, the Accommodation and Food Services sector is classified under services rather than retail.

Estimates from the SAS are essential to a better understanding and higher quality estimates of economic growth, real output, prices, and productivity for our nation’s economy. A broad spectrum of government and private stakeholders use these estimates in analyzing business and economic sectors; developing statistics on services; forecasting economic growth; and compiling data on productivity, prices and the gross domestic product (GDP). In addition, trade and professional organizations use these estimates to analyze industry trends, benchmark their own statistical programs and develop forecasts. Private businesses use these estimates to measure market share, analyze business potential and plan investments. Comprehensive, comparative annual data on the services sector are not available from any other source.

Annual Services Report is the collection instrument for the SAS. The key inquiries for the SAS are total revenue, total expenses, and general expense detail items. For some sectors, we also collect revenue detail items that are specific to a particular industry. The availability of these data greatly improves the quality of the intermediate-inputs and value-added estimates in BEA’s annual input-output and GDP by industry accounts.

A new sample will be introduced with the 2016 SAS survey year. In order to link estimates from the new and prior samples, we will be asking companies to provide data for 2016 and 2015. The 2017 SAS and subsequent years will request one year of data until a new sample is once again introduced.

Title 13, United States Code, Sections 131 and 182 authorize the collection. Sections 224 and 225 make reporting mandatory.

2. Needs and Uses

The estimates produced in the SAS are critical to the accurate measurement of total economic activity.

- The Bureau of Economic Analysis (BEA), the primary Federal user, uses the estimates to develop the national income and product accounts, compile benchmark and annual input-output tables, and compute GDP by industry.
- The Bureau of Labor Statistics (BLS) uses the estimates as inputs to its Producer Price Indexes and in developing productivity measurements.
- The Centers for Medicare and Medicaid Services (CMS) use the estimates for program planning and development of the National Health Expenditure Accounts.
- The Federal Communications Commission (FCC) uses the estimates to assess the impact of regulatory policies.
- International agencies use the estimates to compare total domestic output to changing international activity.
- Private industry also uses the estimates as a tool for marketing analysis.

The following is a summary of the data items that we request and the need for this information. See Attachment 1 for a matrix of content for each of the 162 electronic collection instruments in the SAS and a representative selection of survey worksheets. Note that all electronic instruments may include technical language. This terminology is already used on the Economic Census and other program questionnaires, or has been pretested during consultations with businesses in the industry (see “8. Consultations outside the Agency” below).

a. Total Revenue and Detailed Revenue by Source - Needed for BEA’s input-output tables. BLS also uses these estimates for disaggregating weighted price indexes. Better weighting has led to more accurate and reliable indexes for these industries. Due to increasing complexities of business operation, disaggregation of these items is useful in developing productivity measures

for these industries. The Centers for Medicare and Medicaid Services (CMS) use the estimates for program planning and development of the National Health Expenditure Accounts for the health care and social assistance industry (NAICS 62).

b. Total Expenses and Detailed Expenses by Type - Total and detailed expenses are collected from all businesses. These items provide a more complete and accurate measure of economic activity for the non-profit component of these industries. In the national income and product accounts and inter-industry accounts produced by BEA, taxable and tax-exempt establishments are treated differently. Tax-exempt establishments are required to complete the interest expense survey question. The annual industry accounts produced by BEA will use annual expense data to improve measurement of value added. The Centers for Medicare and Medicaid Services (CMS) use the estimates for program planning and development of the National Health Expenditure Accounts for the health care and social assistance industry (NAICS 62).

c. Percentage of Revenue by Class of Customer - Used by BEA in estimating Personal Consumption Expenditures.

d. E-commerce Revenue – Used by BEA to derive intermediate inputs for Benchmark input – output accounts and estimate gross output in taxable industries for annual input – output accounts.

e. Inventories at the End of the Year – Inventories at the end of the year are collected for selected industries only. Used by BEA to estimate change in private inventories for the publishing industry (NAICS 511) and annual input – output accounts.

f. Revenue of Exported Services -- BEA uses the information collected from the economic census to support and improve its surveys on trade in services for the purpose of improving balance of trade measures and for calculation of GDP.

g. 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

In an effort to migrate our economic program toward online reporting and reduce paper usage, SAS will request respondents to use the option of

returning their data via the Census Bureau’s online reporting system (Centurion). The Centurion system is designed to be secure and flexible for users. It allows respondents to complete and file in one session or to save and return over multiple sessions. The help site contains information for any additional assistance the respondent may need.

In an effort to move SAS towards a paperless collection strategy, we undertook a “push” initiative beginning with the 2013 survey year (mailed in January 2014). In the 2013 survey year, the SAS undertook a split mailing, the purpose of which was to eliminate paper forms for companies that historically reported electronically only. The initial and follow-up mails for these companies contained a letter and flyer that provided instructions on how to report data and receive help online. Companies that provided data via paper forms in the previous years were mailed forms for 2013 survey year.

In 2014 survey year (mailed in January 2015), the SAS survey went “all electronic”. This strategy eliminated paper forms in the initial and follow-up mailings and required respondents to report online. However, if a respondent requests to provide data by phone or on a company’s own form, we are still going to accept these responses.

Method Respondents Used to File Report(s)

	Internet	Mail (including Fax or Other¹)
2014²	99.26%	0.74%
2013	69.10%	30.90%
2012	58.32%	41.68%
2011³	53.32%	46.68%

¹Via phone or analyst contact.

²As of May 18, 2015

³2011 marks the beginning of a new sample

Instructions on the initial and follow-up mailings direct respondents to go online to the Census Bureau’s Business Help Site (BHS) at econhelp.census.gov/sas. In addition to providing a link to log into Centurion, the BHS also allows respondents to check their filing status or request an extension.

Once logged into Centurion, respondents have the option of printing out a worksheet which they can use as a guide to completing the electronic instrument. Respondents can also print out a completed worksheet after submitting their responses electronically, which they may keep for their records.

A telephone follow-up is scheduled for non-respondents. This, as well as nightly loading of electronic responses, allows for a more timely identification of completed questionnaires and fewer follow-up calls to respondents.

4. Efforts to Identify Duplication

Consultations were held with representatives from BEA, CMS, BLS and other data users regarding the availability and need of statistical information for the service industries. In addition, we review our own collection for duplication. Although the Census Bureau collects similar information in other surveys, those collections are not suitable for the purposes the SAS serves.

Quarterly revenue and expenses (expenses for tax-exempt organizations in selected industries only) data are collected in the Quarterly Services Survey (OMB number 0607-0907). The quarterly survey is voluntary and requests revenue and expenses data from a smaller sample of establishments. The annually conducted SAS is mandatory. It collects more detailed items, and is intended to serve as a benchmark for the quarterly estimates. The annual program is also intended to provide estimates on services sectors in the intervening years between the Economic Census.

5. Minimizing Burden

While respondents are requested to return their data via the Internet, any data prepared and returned on a company's own form is accepted. Respondents may also provide data directly over the phone. Instructions on the electronic worksheets state that although book figures are preferred, estimates are acceptable. We provide respondents with a toll-free number to call if they have questions or need assistance in completing their report.

The stratified random sample design used for the SAS is a design that uses the least number of sampling units required to produce national level estimates with the desired level of reliability, thus minimizing respondent burden. The SAS sample is generally re-selected every five to seven years, at which time most small- and medium- sized firms are replaced in the sample by new firms.

Data are collected from all of the largest firms and from a sample of small- and medium-sized businesses within an industry using a stratified random

sampling procedure with the probability of selection inversely proportionate to firm size. The minimum sampling rate for a given stratum is approximately 1 in 500.

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, a statement is included in the reporting instructions to each respondent that estimates are acceptable where book figures are unavailable.

We make use of administrative data for nonrespondents, and for nonemployer firms (those without paid employees) in lieu of mailing questionnaires to them.

6. Consequences of Less Frequent Collection

Data are collected on an annual basis. If the frequency were reduced, policy makers and others would be increasingly misinformed and misdirected about changes in the economy related to rates and sources of growth in output, prices, productivity and trade. Specifically, BEA would lack accurate, timely measurements of these changing industries for use in its national income and product accounts; BLS Producer Price Indices and productivity measures would be compromised; and CMS would not have data for the development of the National Health Expenditure Accounts. In addition, the ability of other government and private data users to identify industry trends would be impaired.

In support of the SAS, BEA has written,

"The services industries are the most dynamic portions of the U.S. economy and thus require timely, comprehensive and consistent data to accurately measure our economy. Many of the services industries flows measured by BEA for national accounts statistics (such as Gross Domestic Product) have been estimated in the past using a broad range of private and public source data that differ significantly in coverage, concept, level of detail, classification and timing. The Service Annual Survey will provide the timely, comprehensive and consistent data needed to improve BEA's measures of national account statistics."

7. Special Circumstances

The data collection will be conducted in a manner consistent with OMB guidelines. There are no special circumstances.

8. Consultations Outside the Agency

The Census Bureau issued a pre-submission notice published in the Federal Register dated April 1, 2015 located in Vol. 80, No. 62, on page 17386.

We received no comments in response to the pre-submission notice. We did however receive a letter of support (Attachments 5 and 6) from the Bureau of Economic Analysis and Centers for Medicare and Medicaid Services. We thank the BEA and CMS for their continued support for this collection. The BEA and CMS are the Census Bureau's main source of consultation on the SAS. The quarterly status meetings are conducted with BEA to address any program issues.

9. Paying Respondents

We do not pay respondents or provide them gifts for filing the SAS.

10. Assurance of Confidentiality

Data collected in this survey are maintained in strictest confidence under the authority of an Act of Congress, Title 13, United States Code, Section 9, which states that data we collect may be seen only by persons sworn to uphold the confidentiality of Census Bureau information and may be used for statistical purposes only. Additionally, all reports are immune from legal process. This assurance of confidentiality is conveyed to the respondent via the respondent worksheets and letters, as well as a statement placed on the Business Help Site under Legal/Confidentiality. The letters also inform the respondent that this survey is required by law. The letters that are attached to this package (attachment 2), due to the time constraint are drafts. However, we do not expect any substantial changes to the letters for the 2015 survey year SAS.

In addition, all respondents' Federal Tax Information (FTI) is protected under the authority of an Act of Congress, Title 26, and United States Code (U.S.C.). Specifically, Title 26 U.S.C. section 6103 (j) (1) provides for the disclosure of FTI to the Census Bureau for statistical purposes in the structuring of censuses and national economic accounts, as well as for conduction related statistical activities authorized by law. Section 6103 (p) (4) places specific requirements on the Census Bureau and other agencies to which IRS has disclosed data regarding the safeguarding of returns and return information.

11. Justification for Sensitive Questions

The SAS does not contain questions of a sensitive nature. It requests only data for company totals, and under routine accounting practices, these data are normally maintained in the firm's records. All data are kept strictly

confidential in accordance with Title 13, U.S.C. Section 9 and Title 26, Section 6103 requirements.

12. Estimate of Hour Burden

We will canvass on average 82,240 reporting units annually, representing a universe of over 4.6 million establishments, with an average annual response burden of 306,807 hours in the 2015 - 2017 survey years.

There are 162 individual collection instruments in the SAS. Attachment 4 details the average burden associated with each instrument over the next three years. The burden per response ranges from 3 hours to 6 hours, depending on the instrument and year of collection. We base these estimates on our experience administering the SAS in years past and on the expected workload imposed upon respondents in each of the next three years. Given the difficulty in expressing a separate burden estimate to respondents for each of the 162 instruments, we instead inform respondents that we expect their burden will range from 3-6 hours. The calculated average burden per response over the upcoming three years is 3.73063 hours.

The estimated average annual cost to respondents is approximately \$9,599,991 (according to the median hourly salary for accountants and auditors; Occupational Employment Statistics - Bureau of Labor Statistics May 2013 National Occupational Employment and Wage Estimates; \$31.29 represents the national median hourly wage of the full-time wage and salary of accountants and auditors SOC code 13-2011).
<http://stats.bls.gov/oes/2013/may/oes132011.htm>

In the pre-submission notice published in the Federal Register dated April 1, 2015, we estimated an average response burden of 330,810 hours and average annual cost to respondents of \$10,351,029 in the 2015 - 2017 survey years. The reason the burden and cost are slightly lower is because the planned transfer of NAICS sector 72 (Accommodation and Food Services) from ARTS to SAS is postponed for a year. The decision to delay implementation of the transfer occurred after publication of that notice.

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 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 SAS will be \$7.5 million, all borne by the Census Bureau. The total cost per year is expected to remain the same for the remainder of this authorized collection.

15. Reason for Change in Burden

The 3-year average burden hour estimate is 16,439 hours more than the burden hours for the previously approved SAS. This increase is due to three factors: (1) we will be asking for two years of data for the 2016 SAS, (2) we will collect accommodation and food services industry as part of SAS beginning with survey year 2016 (note that the increase to SAS burden hours will result in corresponding reduction in the ARTS burden hours), and (3) the peak period for number of respondents is at the beginning of the new sample. The number of respondents tends to drop each year due to companies that are found to be out-of-scope to SAS.

16. Project Schedule

The following is an outline of the planned schedule for the 2015 survey year:

Operation	Date
Initial Mailout	January 2016
Due Date Reminder	February 2016
First mail follow-up	March 2016
Second mail follow-up	April 2016
First telephone follow-up	May 2016
Second telephone follow-up	July 2016
Edit, tabulation and review	March - November 2016
Publication	November 2016

17. Expiration Date

We will continue to display the expiration date on the information collection instruments.

18. Exceptions to the Certification

There are no exceptions to the certification.

19. NAICS Codes Affected

The SAS will collect information from all or parts of the following NAICS sectors:

- 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
- 72 Accommodation and Food Services
- 81 Other Services