

**Department of Commerce
United States Census Bureau
OMB Information Collection Request
Annual Capital Expenditures Survey (ACES)
OMB Control Number: 0607-0782**

A. Justification

1. Necessity of the Information Collection

A major concern of economic policymakers is the adequacy of investment in plant and equipment. Data on the amount of business expenditures for new plant and equipment and measures of the stock of existing facilities are critical to evaluating productivity growth, the ability of U.S. business to compete with foreign business, changes in industrial capacity, and overall economic performance. The ACES is the sole source of detailed comprehensive statistics on investment in buildings and other structures, machinery, and equipment by private nonfarm businesses in the United States.

Data users tell us that they need comprehensive and consistent data on investment by all private nonfarm businesses, by industry, by kind of investment, *i.e.*, whether in new or used structures or equipment. The objectives of the ACES are:

- (a) to provide estimates of capital expenditures for all private nonfarm sectors of the economy by 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 the statistical reliability of the survey estimates;
- (c) to develop a base survey to benchmark more frequent surveys on capital expenditures that do not have complete industry coverage;
- (d) to produce annual enterprise-level data with the level of detail, coverage, and quality which previously was only available as part of the quinquennial economic census;
- (e) to provide detail on capital 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 capital expenditures data; and
- (f) to provide industry analysts with capital expenditures data for market analysis, economic forecasting, identifying business opportunities, 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 of Title 13 make this survey mandatory.

This request is for a revision to the currently approved collection and will cover the 2016 through 2018 ACES (conducted in fiscal years 2017 through 2019). A change from the previous ACES authorization is the addition of detailed capital expenditures by type of structure and type of equipment. These data, collected every five years, were last collected in the 2012 ACES and will be collected again in the 2017 ACES. Another change is the collection of survey data from both employer and nonemployer companies solely through electronic reporting.

For the 2012 and prior ACES data collection; the Census Bureau used four mail out/mail back survey forms to collect data: ACE-1(S), ACE-1(M), and ACE-1(L) for employer companies; and ACE-2 for nonemployer companies. For the 2013 ACES, the Census Bureau collected data from employer companies primarily through electronic reporting and continued to use mail out/mail back survey forms to collect data from nonemployer companies. Beginning with the 2014 ACES, the Census Bureau collected data from both employer and nonemployer companies primarily through electronic reporting. The Census Bureau accommodated requests for form mailings and conducted weekly reminders for those businesses that were either unable to report online, refused to report online or who insisted that a form be mailed to them. For the 2015 ACES, the Census Bureau decided to use electronic reporting as the sole source of data collection based upon the continued increase in the electronic response rates. Requests for form mailings were not accommodated but were forwarded to the ACES staff to collect the data from the respondent directly.

For the 2016 ACES, the Census Bureau will continue collecting data from employer and nonemployer companies solely through electronic reporting. All companies will receive a notification letter containing their User ID and password, and will be directed to report online through the Census Bureau's Business Help Site. The online reporting instruments are an electronic version of the paper data collection instruments that will no longer be used. We will no longer have paper forms but respondents have the ability to print an ACES worksheet to use as a guide and/or a record of their response once they have completed the survey.

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

In addition to capital expenditures, all employer businesses will be asked to provide sales and receipts information to calculate industry investment to sales ratios and to assist in verifying that consolidated company data are being reported. Asset and depreciation information, also collected, assists in measuring changes in the nation's capital stock estimates.

The capital expenditures data collected annually from a sample of nonemployer businesses are intended to better represent the total capital expenditures activity of all firms.

The Census Bureau will collect and publish ACES data based on the 2012 NAICS. Industries in the survey will comprise 3-digit and 4-digit 2012 NAICS codes.

2. Needs and Uses

The ACES is an integral part of the Federal Government's effort to improve the quality and usefulness of National economic statistics. Federal agencies, including the Census Bureau, use these data to improve and supplement ongoing statistical programs.

The Census Bureau uses the ACES data to improve the quality of monthly economic indicators of investment. The Census Bureau's Value of New Construction Put in Place survey currently uses the ACES data to benchmark its industrial buildings data.

The Bureau of Economic Analysis (BEA) uses the ACES annual capital expenditures data for equipment and computer software to prepare estimates of private fixed investment, a major component of gross domestic product (GDP). BEA also uses these data to prepare estimates of investment by industry in the fixed assets accounts (FAAs). Investment in structures from the ACES are used by BEA to prepare the gross domestic output of the construction industries in GDP by industry. Data collected by ACES every five years on industry capital expenditures by type of structure and type of equipment are critical inputs for preparing benchmarked estimates of private fixed investment in the national income and product accounts (NIPA), the input-output accounts, and the FAAs.

The Federal Reserve Board (FRB) uses the ACES data to improve estimates of investment indicators for monetary policy. The Bureau of Labor Statistics (BLS) uses the ACES annual data to improve estimates of capital stocks for productivity analysis and the detailed types of structures and types of equipment data collected every five years to improve estimates of manufacturing multifactor productivity measures.

The Centers for Medicare and Medicaid Services uses the data for monitoring and evaluating the healthcare industries.

The Department of the Treasury uses the data in analysis of depreciation.

In addition, the ACES data provide industry analysts with capital expenditure data for market analysts, economic forecasting, identifying business opportunities, product development, and business planning.

The capital expenditures by type of structure and type of equipment are critical to ensuring the appropriateness of capital expenditures statistics in years detailed data by types of structures and types of equipment are not collected.

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 the information collections conducted by the Census Bureau and is incorporated into the clearance process required by the Paperwork Reduction Act (PRA).

3. Use of Information Technology

Beginning with the 2006 ACES, 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. At closeout of the 2013 ACES, the final electronic check-in rate for employer companies was 91 percent and 36 percent for nonemployer companies. For the 2014 ACES, the electronic check-in rate for employer companies was 99.1 percent and 97.3 percent for nonemployer companies. For the 2016 – 2018 ACES, the Census Bureau will continue collecting data from employer and nonemployer companies solely through electronic reporting.

4. Efforts to Identify Duplication

The ACES is the only survey that provides annual capital investment data on a consistent basis for all private nonfarm businesses in the United States, by the investing industries, and by new and used structures and equipment. During 1995 and 1996, the Census Bureau assembled a team of its survey managers to review several of its programs that collect investment data and proposed to eliminate all but essential duplication of capital expenditures data on its surveys. This effort revealed that although the collection of selected components of investment data occurred on various Census Bureau surveys, none of these surveys aimed at creating combined comprehensive investment statistics. Most of the programs reviewed serve multiple purposes of which investment data are only a part. The surveys are also conducted at different frequencies; the reporting units vary from

enterprise to establishment; and the amount of detail is limited.

In the Annual Survey of Manufactures (ASM), for example, aggregated annual capital expenditures data were available on an establishment basis for manufacturing industries. However, the survey excluded all but essential control totals at the 6-digit NAICS level.

The Business Expenditures Survey, which was also part of the 5-year economic census, eliminated all data requests for capital expenditures.

There are no capital expenditures questions on the annual surveys covering the wholesale, retail, and services sectors, which are generally conducted at the Employer Identification Number (EIN) level. To add such questions to all these surveys would be extremely burdensome to respondents. Also, large companies often make decisions about investment not at the establishment or EIN level but at the corporate level.

The Census of Manufactures and Mineral Industries programs, which are part of the 5-year economic census, also do not collect detailed data on capital expenditures. Only essential control totals for the 6-digit NAICS level are retained.

No capital expenditures questions are included in the economic census covering the wholesale, retail, and services sectors, with the exception of the information sector. Selected industries in the information sector collect data on capital expenditures for new construction, including renovation because these data are considered essential to that program.

To identify other available sources of data, we have also reviewed requirements for reporting to the Securities and Exchange Commission and regulatory requirements for utilities companies. While these sources require data on capital expenditures, they do not provide comprehensive and consistent data, nor are the data presented in the detail provided by the ACES.

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. We also 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 for any individual small or mid-sized business. (See Sections B.1 and B.2.a. for additional detail)

6. Consequences of Less Frequent Collection

ACES data are collected annually. Collecting the data less frequently would seriously impair their usefulness as a trend estimator of investment and as a benchmark for the national income and product accounts and estimates of capital stocks. Data on investment by types of structures and types of equipment are collected once in a 5-year period, with the next collection planned for the 2017 survey.

7. Special Circumstances

There are no special circumstances.

8. Consultations Outside the Agency

During development of the ACES, the Census Bureau conducted extensive pre-testing, a response analysis survey, and a comprehensive program evaluation. In addition, we consulted with data users and respondents. Based on these consultations, we modified the survey's information collection instruments and dropped our plan for the annual collection of detailed data on types of structures and types of equipment.

We had periodic discussions about the content and nature of the ACES with data users at the BEA, the FRB, the BLS, and the Department of the Treasury. Based on these discussions, in particular with the BEA, we issued the "Technical Note on New Capital Expenditures Survey" to accompany the 1993 survey publication. In addition, we clarified the information collection instruments to minimize any ambiguity in our data collection. Since the issuance of the technical note, we continually review data discrepancies between the BEA's estimate of nonresidential fixed investment and the Census Bureau's estimate of new structures and equipment from the ACES. When appropriate, we modify the ACES collection instruments to minimize these discrepancies.

The Census Bureau consults periodically with the following Bureau of Economic Analysis data users:

Dennis Fixler Chief Economist	(301) 278-9607
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Brent Moulton Associate Director for National Economic Accounts	(301) 278-9606
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David Wasshausen	(301) 278-9752
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Chief, Industry Sector Division

Robert Kornfeld	(301) 278-9285
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Deputy Chief, National Income and Wealth Division

Marlyn Rodriguez
Economist, Capital Stock Branch
National Income and Wealth Division

(301) 278-9702

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

The 2016 ACES presubmission notice was published in the Federal Register on July 20, 2016 (Volume 81, Number 139) Page 47156, inviting public comments on our plans to submit this request. The presubmission notice closed September 20, 2016. We received comments from the BEA (see attachment D) supporting the continued collection of the ACES 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 letter sent to respondents directing them to report online will provide the following assurance of confidentiality:

YOUR RESPONSE IS REQUIRED BY LAW. Title 13, United States Code, Sections 131 and 182 authorizes this collection. Sections 224 and 225 require your participation. Section 9 of Title 13 requires that the Census Bureau keep this report strictly confidential. Your information is only used to develop summary statistics that do not reveal the individual activities of your business. Under the same law, information cannot be used for taxation, regulation, or investigation and is exempt from release under the Freedom of Information Act.

Similar guarantees will be included in the electronic reporting instruments.

11. Justification for Sensitive Questions

There are no sensitive questions.

12. Estimate of Hour Burden

The estimate of total respondent burden hours for the 2016 and the 2018 ACES (conducted in fiscal years 2017 and 2019) is 148,695 hours per year. This estimate was derived as follows:

	Survey forms	Hours per response	Burden hours
FY 2017 & 2019:	28,690 Form ACE-1(S)	2.0 ¹	57,380
	20,785 Form ACE-1(M)	3.0 ¹	62,355
	560 Form ACE-1(L)	16.0 ¹	8,960
	20,000 Form ACE-2	1.0	20,000
Fiscal year total:			148,695 hours
Average for 50,035 ACE-1 responses:			2.57 hours
Average for 20,000 ACE-2 responses:			1.0 hour
Average for all 70,035 responses:			2.12 hours

Due to the addition of structure and equipment detail by type collected from employer companies for the 2017 ACES (conducted in fiscal year 2018), the estimate of total respondent burden hours for fiscal year 2018 is 225,675. The estimate was derived as follows:

	Survey forms	Hours per response	Burden hours
FY 2018	28,690 Form ACE-1(S)	3.0 ¹	86,070
	20,785 Form ACE-1(M)	5.0 ¹	103,925
	560 Form ACE-1(L)	28.0 ¹	15,680

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.

	20,000 Form ACE-2	1.0	20,000
Fiscal year total:			225,675 hours
Average for 50,035 ACE-1 responses:			4.11 hours
Average for 20,000 ACE-2 responses:			1.0 hour
Average for all 70,035 responses:			3.22 hours

These burden hour estimates are based on estimates of the average time required to complete the survey as reported in the response analysis survey conducted during the pre-testing of the ACES, on conversations and correspondence with respondents, and on estimates of time required to complete similar surveys conducted by the Census Bureau. We adjust our estimates to account for the modification of data items collected.

Approximately 50,035 employer companies will receive a letter directing them to complete an electronic version of the Form ACE-1 that is tailored to the company's diversity of operations and number of industries with payroll. About 560 of the companies that will be asked to complete the electronic version of the Form ACE-1(L) are highly diversified. We expect them to report expenditures for 9 or more industry categories. Approximately 20,785 companies that will be asked to complete the electronic version of the Form ACE-1(M) are engaged in fewer industries. We expect these companies to report expenditures for 1 to 8 industry categories. The remaining 28,690 companies that will be asked to complete the electronic version of the Form ACE-1(S) generally will be active in one industry. A total of about 20,000 nonemployer companies will be asked to complete the online version of the Form ACE-2. No industry level data are requested from these companies.

The total cost to all respondents is estimated to be \$4.8 million annually for both fiscal year 2017 and fiscal year 2019 based on the median hourly wage of \$32.30 for accountants and auditors obtained from the Occupational Employment Statistics from the Bureau of Labor Statistics multiplied by the annual burden hours (148,695).

The total cost to all respondents is estimated to be \$7.39 million for fiscal year 2018 based on the median hourly wage of \$32.30 for accountants and auditors multiplied by the annual burden hours (225,675). The median hourly wage estimate was obtained from the latest Occupational Employment Statistics disseminated by the Bureau of Labor Statistics.

The total annual reporting hours we are requesting for this collection is 174,355 hours. This is an average of the burden imposed by this collection over the next 3 years.

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

We estimate the total cost to the government of the survey to be \$4.6 million per fiscal year 2017, 2018, and 2019, all borne by the Census Bureau. The activities covered by the cost include data collection, processing, review of reported data, publication, equipment, overhead, and support staff. The Capital Expenditures Branch of the Economy-Wide Statistics Division has planned and allocated resources for the effective and efficient management of this information collection. An all electronic data collection eliminates the cost of printing forms and instruction manuals, reduces cost of postage, and eliminates the cost of keying data from a paper collection instrument.

15. Reason for Change in Burden

The increase of 27,785 in the burden hours is due to the collection of structure and equipment detail by type which will be collected in fiscal year 2018 for the 2017 reference year. The burden hours is an average over the next 3 years.

16. Project Schedule

The survey to collect 2016 data will begin in March 2017. Data collection for 2016 will occur from March 2017 through October 2017. Data will be processed using Census Bureau computer equipment. Census Bureau analysts will review the response data and the tabulated data for reasonableness. We estimate that the review process will continue through November 2017. The data will be released in early 2018.

17. Request to Not Display Expiration Date

The assigned expiration date will be displayed in the electronic reporting system.

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, 492, 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

Employer 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 provided in the electronic data collection instrument. We ask each company to review the industries and correct them if necessary using the list of industry categories that appear in the online reporting system or the instruction manual.