

**U.S. Department of Commerce  
U.S. Census Bureau  
OMB Information Collection Request  
Annual Survey of Entrepreneurs  
OMB Control Number 0607-0986**

**Supporting Statement Part A. – Justification**

**1. Necessity of Information Collection**

In an effort to improve the timely measurement of business dynamics in the United States, the Census Bureau is conducting the Annual Survey of Entrepreneurs (ASE). The ASE provides annual data on the characteristics of businesses and business owners. The ASE is a supplement to the 5-year Survey of Business Owners (SBO). ASE estimates include the number of firms, sales/receipts, annual payroll, and employment by gender, ethnicity, race, and veteran status. The ASE is conducted jointly by the Ewing Marion Kauffman Foundation, the Minority Business Development Agency (MBDA), and the Census Bureau for three reference years (2014 – 2016). Title 13 of the United States Code, Sections 8(b), 131, and 182 authorizes this collection. On behalf of the Secretary of Commerce, pursuant to Section 1(a)(3) of Executive Order 11625, the MBDA may enter into this agreement with the Census Bureau to establish a center for the development, collection, summation, and dissemination of information that will be helpful to persons and organizations throughout the nation in undertaking or promoting the establishment and successful operation of minority business enterprises.

This collection allows the Census Bureau to collaborate on the implementation of a key National Academies recommendation for improving the measurement of business dynamics in the U.S. economy, which recommended:

*“The Census Bureau Survey of Business Owners (SBO) should be conducted on an annual basis. The survey should include both a longitudinal component and a flexible, modular design that allows survey content to change over time. In addition, the Census Bureau should explore the possibility of creating a public-use (anonymized) SBO or a restricted access version of the data file.”*

*-Lynch, Lisa M., John Haltiwanger, and Christopher Mackie, eds. Understanding Business Dynamics: An Integrated Data System for America’s Future. National Academies Press, 2007.*

The ASE includes all nonfarm employer businesses filing Internal Revenue Service (IRS) tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more. The ASE samples approximately 290,000 employer businesses. The sample is stratified by metropolitan statistical area (MSA), frame, and age of business. The Census Bureau selects large companies with certainty. These companies are selected based on volume of sales, payroll, or number of paid employees. All certainty cases are sure to be selected and represent only themselves.

The ASE has been conducted for survey years 2014 and 2015 and will continue for 2016 per the agreement between the Census Bureau and the survey sponsors. There are no final plans to conduct the ASE beyond survey year 2016. However, the Census Bureau is exploring options to maintain this collection for future survey years.

Content for the ASE includes questions from the 2012 SBO (form SBO-1) with additional questions on sources of capital and financial barriers that are asked each survey year. The ASE also includes a series of new questions each survey year based on a relevant business topic determined prior to data collection. Each year the new module of questions is submitted to the Office of Management and Budget (OMB) for approval. The Census Bureau is requesting approval to field the 2016 ASE. The module selected for the 2016 ASE focuses on business advice and planning. The 2016 ASE also includes additional questions on business financing relationships, owner demographics, and regulations. The new content developed for 2016 is intermingled with the existing content. See Attachment B, pages 21 and 23-25 for the new 2016 content. The module selected for the 2014 ASE focused on business innovation and research and development (R&D) activity. The goal of the 2014 module was to identify new forms of innovation, identify characteristics of businesses that are innovators, and measure R&D activity conducted by entrepreneurs. The module selected for the 2015 ASE focused on business management practices. The goal of the 2015 module was to measure how management practices impact productivity and growth.

The ASE collection is electronic only. Those selected for the survey receive an initial letter informing the respondents of their requirement to complete the survey as well as instructions on accessing the survey. The 2016 ASE initial mail is scheduled for June 2017. Responses will be due approximately 40 days from initial mail. Select respondents will receive a due date reminder approximately one week before responses are due. Additionally, there will be two follow-up letter mailings to nonrespondents after the due date. Select nonrespondents will receive a certified mailing for the second follow-up if needed. Closeout of mail operations is scheduled for November 2017. Upon the close of the collection period, the response data will be processed, edited, reviewed, tabulated, and released publicly.

## **2. Needs and Uses**

The survey will collect data on the gender, ethnicity, race, and veteran status for up to four persons owning the majority of rights, equity, or interest in the business. These data are needed to evaluate the extent and growth of business ownership by women, minorities, and veterans in order to provide a framework for assessing and directing federal, state, and local government programs designed to promote the activities of disadvantaged groups.

This data is widely used by private firms and individuals to evaluate their own businesses and markets. Additionally, the data will be used by entrepreneurs to write business plans and loan application letters, by the media for news stories, by researchers and academia for determining firm characteristics, and by the legal profession in evaluating the concentration of minority businesses in particular industries and/or geographic areas. The ASE statistics are used by government program officials, industry organization leaders, economic and social analysts, researchers, and business entrepreneurs. Additional examples of data use include:

- The Small Business Administration (SBA) and the Minority Business Development Agency (MBDA) to assess business assistance needs and allocate available program resources.
- Local government commissions on small and disadvantaged businesses to establish and evaluate contract procurement practices.
- Federal, state and local government agencies as a framework for planning, directing and assessing programs that promote the activities of disadvantaged groups.
- The National Women's Business Council to assess the state of women's business ownership for policymakers, researchers, and the public at large.
- Consultants and researchers to analyze long-term economic and demographic shifts, and differences in ownership and performance among geographic areas.
- Individual business owners to analyze their operations in comparison to similar firms, compute their market share, and assess their growth and future prospects.

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) at <http://www.census.gov/quality/guidelines/index.html>. Data 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 ASE is collected via an electronic reporting system only. Businesses are provided an initial letter with log-in information to access the secure electronic reporting system known as the Centurion - Internet Data Collection System. The respondent navigates through the electronic reporting system by responding to each screen presented and selecting 'save and continue'. Skip patterns are coded throughout the system to ensure respondents only read and respond to questions pertaining to their specific owner and business characteristics. Once a respondent has completed the online survey, a PDF copy of the responses may be printed or saved for business records. The electronic reporting system has built in edits that gives respondents the opportunity to verify their responses. The use of built in edits ensures consistency among data received from all respondents. The electronic reporting system saves respondents' progress and allows them to return later to complete the survey. The electronic reporting system also generates an error page prior to submission that indicates if a respondent needs to revisit a page to make a correction. Evaluation of the 2012 SBO collection, which included both electronic and paper reporting options, indicated the vast majority of employer businesses choose to complete the survey electronically.

By implementing an electronic-only collection, the Census Bureau reduces the cost of mailing this annual survey. Additionally, electronic responses allow for better response data by utilizing edits built into the electronic reporting system to decrease manual edits when the data are received and processed.

### **4. Efforts to Identify Duplication**

The ASE supplements the SBO and is not conducted in the same reference period. There are a number of lists identifying women-, minority-, and veteran-owned businesses publicly available; however, these lists are comprised of self-designated firms and are not comprehensive.

The Census Bureau is planning to conduct the Business R&D and Innovation Survey for microbusinesses (form BRDI-M) for reference year 2016. The Business R&D and Innovation Survey for microbusinesses is conducted jointly with the National Science Foundation and will measure firm innovation and investigate the incidence of R&D activities for small business enterprises. Although there are some similar questions asked on both the ASE and the form BRDI-M, the surveys have different purposes and sponsors. The ASE is designed to produce national estimates on the race, gender, ethnicity, and veteran status of the owners for all employer businesses regardless of employment size. The form BRDI-M will collect data from small businesses with fewer than 10 employees on research and development and innovation activities. Respondents in both surveys will be asked similar questions on the race, gender, ethnicity, and citizenship of the owners; number of owners; owner's reason for owning the business; owner's number of hours worked in the business; prior business ownership; owner's education and degree of study; year of business establishment; and funding sources. The sample size for BRDI-M is 200,000 compared to 290,000 for the ASE. The Census Bureau estimates that 2.8 percent of ASE respondents will receive both 2016 surveys for mandatory responses.

## 5. Minimizing Burden

The ASE uses the following methods to minimize the burden:

- Predetermining the likelihood that a business is minority- or women-owned: Several sources of information are used to stratify the universe. Administrative data from the Social Security Administration (SSA), and lists of minority- and women-owned businesses published in syndicated magazines, located on the Internet, or disseminated by trade or special interest groups are used to identify individual proprietorships that are potentially owned by women or minorities; then this information is used to stratify the universe.
- Survey instrument design: All questions have been tested through personal interviews. In addition, the electronic reporting instrument includes skip patterns throughout so that respondents will only read and answer questions pertaining to their specific owner and business characteristics.
- Use of existing business data: To further reduce respondent burden, rather than collect information directly, we will obtain data on NAICS (industry classification), sales/receipts, annual payroll, and employment from administrative records and the economic census. The ASE universe will also be matched to the American Community Survey and decennial census datasets on the gender, ethnicity, race, and veteran status of individuals. Only a small sample of these matched businesses will be requested to respond to the survey.
- Exclusion of Public Companies and Nonprofits: The ASE universe is matched to publicly available datasets from the U.S. Securities and Exchange Commission (SEC) and the IRS. This universe identifies publicly held and nonprofit organizations whose ownership by gender, ethnicity, race, and veteran status cannot be determined. Businesses identified as publicly held and nonprofit organizations do not receive a request to respond to the ASE.

## 6. Consequences of Less Frequent Collection

The ASE improves the measurement of business dynamics in the United States and expands availability of federal economic statistics in the area of entrepreneurship. A less frequent collection would impact government agencies' access to information used to monitor and maintain assistance programs for women-, minority-, and veteran-owned businesses.

## 7. Special Circumstances

There are no special circumstances.

## 8. Consultations Outside the Agency

The Census Bureau has collaborated with the Kauffman Foundation, MBDA, and other agencies to implement a robust and effective program. Additionally, the Census Bureau has participated in conferences and open forums to discuss the ASE. The Census Bureau has attended the National Bureau of Economic Research (NBER) summer institutes for input into module topics and content development.

The Census Bureau consulted the following officials and agencies:

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A presubmission notice was published in the Federal Register, Vol. 81, No. 239, Tuesday, December 13, 2016, pages 89892-89895, inviting public comments on our plans to submit this request. The presubmission notice generated a suggested change to response options for a question on the survey. The comment can be found in attachment E. The Census Bureau is evaluating if the proposed response options can be implemented on the survey. The presubmission notice also generated a response from someone generally opposing the request.

The pre-submission notice referenced the use of a test path for a subset of 2016 ASE respondents. Those respondents would have received slightly different content in an effort to test 2017 SBO content. After further research and cognitive testing, the Census Bureau determined the test path was unnecessary and will not proceed with that option for developing 2017 SBO content.

## **9. Paying Respondents**

The Census Bureau does not pay or offer gifts to respondents of the ASE.

## **10. Assurance of Confidentiality**

The information collected in this survey is confidential under Title 13, United States Code, Section 9. Title 13, United States Code, Sections 224 and 225 require businesses to report. Respondents are informed in the initial letter that responses are confidential and their response is mandatory. This information is also available from the electronic reporting instrument as shown in Part B Attachment C.

## **11. Justification for Sensitive Questions**

The ASE asks questions on the gender, ethnicity, and race of the owners. The business owner characteristics are important to understanding conditions of business success and failure, showing changes in business performance, and barriers to entrepreneurs. These data also allow for a

comparison between minority-/nonminority-owned, women-/men-owned, and veteran-/nonveteran-owned businesses.

ASE uses the race and ethnicity categories and definitions mandated by the OMB. These standards were developed by the Executive Branch and Congress.

**12. Estimate of Hour Burden**

The average response time per respondent is 35 minutes. This estimate is based on previous SBO and ASE collections and the results of cognitive interviews conducted under the Census Bureau's generic clearance for Questionnaire Pretesting Research. The estimated total annual response burden is 169,167 hours.

According to the May 2015 Occupational Employment Statistics from the Bureau of Labor Statistics (BLS) website, the average hourly wage for accountants was \$32.30. The total annual cost to respondents for their time to respond is estimated to be \$5,464,094.

**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 known by respondents or 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 ASE is funded jointly by the Census Bureau, the Kauffman Foundation, and the MBDA. The estimated cost to the Census Bureau for three survey years is \$3.4 million. The MBDA will contribute another \$400,000 towards this collection. The Census Bureau has planned and allocated resources for the effective and efficient management of this information collection.

**15. Reason for Change in Burden**

There is no change in burden for the 2016 ASE.



## 16. Project Milestones

Milestone	2014 Reference Year Completion Date	2015 Reference Year Planned Completion Date	2016 Reference Year Planned Completion Date
Content Drafted for Cognitive Testing	December 2014	October 2015	October 2016
Cognitive Testing Complete	March 2015	December 2015	December 2016
Content Final/Centurion Requirements Final	March 2015	January 2016	January 2017
Presubmission Notice Published in Federal Register	February 2015	N/A	December 2016
Approval Request Submitted to OMB	May 2015	March 2016	March 2017
Usability Testing	August 2015	N/A	April 2017
Initial Mail	September 2015	July 2016	June 2017
1 <sup>st</sup> Follow-up	November 2015	September 2016	August 2017
2 <sup>nd</sup> Follow-up	December 2015	November 2016	October 2017
Closeout	February 2016	December 2016	November 2017
Micro Data Review Complete	March 2016	January 2017	December 2017
Production Processing	May 2016	March 2017	February 2018
Macro Data Review Complete	July 2016	May 2017	April 2018
Dissemination Processing	August 2016	June 2017	May 2018
All Publications Released	September 2016	July 2017	June 2018
Public-Use Microdata File Released <small>*Pending Census Bureau and IRS Approval</small>	TBD	TBD	TBD

## 17. Request Not to Display Expiration Date

The assigned expiration date will be included on the collection instrument.

## 18. Exceptions to the Certification

There are no exceptions to the certification.

## 19. NAICS Codes Affected

This information collection is not industry-specific and covers nearly all U.S. nonfarm employer businesses. The following NAICS codes are out of scope to the ASE:

- 111 - Crop Production
- 112 - Animal Production
- 482 - Rail Transportation
- 491 - Postal Service
- 521 - Monetary Authorities-Central Bank
- 525 - Funds, Trusts, and Other Financial Vehicles
- 813 - Religious, Grantmaking, Civic, Professional, and Similar Organizations
- 814 - Private Households
- 92 - Public Administration