

**U.S. Department of Commerce
U.S. Census Bureau
OMB Information Collection Request
Annual Business Survey
OMB Control Number 0607-1004**

Supporting Statement Part A. – Justification

1. Necessity of Information Collection

In an effort to improve the measurement of business dynamics in the United States, the Census Bureau is conducting the Annual Business Survey (ABS). The ABS combines Census Bureau firm-level collections to reduce respondent burden, increase data quality, reduce operational costs, and operate more efficiently. The ABS replaced the five-year Survey of Business Owners (SBO) for employer businesses, the Annual Survey of Entrepreneurs (ASE), and the Business R&D and Innovation for Microbusinesses (BRDI-M) surveys. The ABS provides information on selected economic and demographic characteristics for businesses and business owners by sex, ethnicity, race, and veteran status. Further, the survey measures research and development for microbusinesses, new business topics such as innovation and technology, as well as other business characteristics. The ABS is sponsored by the National Center for Science and Engineering Statistics (NCSES) within the National Science Foundation (NSF) and conducted by the Census Bureau for five years (2018 – 2022). Title 13 United States Code, Sections 8(b), 131, and 182, Title 42 United States Code, Section 1861-76 (National Science Foundation Act of 1950, as amended), and Section 505 within the America COMPETES Reauthorization Act of 2010 authorize this collection. Sections 224 and 225 of Title 13 United States Code requires response from sampled firms.

The ABS includes all nonfarm employer businesses filing Internal Revenue Service (IRS) tax forms as individual proprietorships, partnerships, or any other type of corporation, with receipts of \$1,000 or more. The ABS samples approximately 850,000 employer businesses in 2018 and approximately 300,000 employer businesses in years 2019-2022. The sample is stratified by state, frame, and industry. The Census Bureau selects some companies with certainty based on volume of sales, payroll, number of paid employees or NAICS. All certainty cases are sure to be selected and represent only themselves.

The ABS is designed to incorporate new content each survey year based on topics of relevance. Each year the new module of questions is submitted to the Office of Management and Budget (OMB) for approval. The table below shows the proposed ABS content for each survey year.

Proposed Content for the Annual Business Survey					
Topic Modules	Collection Year				
	2018	2019	2020	2021	2022
A. Owner Characteristics	Full	Reduced	Reduced	Full	Reduced
B. Innovation	Full	Reduced	Full		
C. Research & Development (1-9 employees only)	Full	Full	Full	Full	Full
D. Technology and Intellectual Property	Reduced (digital)	Full (automation)	Full (technology TBD)	Full (digital)	Full (automation)
E. Financing	Full			Full	
F. Globalization			Full		
G. Business Structure	Full	Full	Full	Full	Full

The ABS 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 (see Attachment A). The 2019 ABS initial mailing is scheduled for July 2019. Responses will be due approximately 30 days from initial mailing. Respondents will also receive a due date reminder approximately one week before responses are due. The Census Bureau plans to conduct two follow-up mailings and an optional third follow-up if deemed necessary based on check-in. Nonrespondents may receive a certified mailing for the second and third follow-up mailings. The Census Bureau may also plan to conduct an email follow-up to select respondents reminding them to submit their report in the electronic instrument (see Attachment B). Closeout of mail operations is scheduled for December 2019. Upon the close of the collection period, the response data will be processed, edited, reviewed, tabulated, and released publicly.

Starting with the 2019 calendar year, the Annual Business Survey will use the collection year in the survey name rather than a single reference year. The ABS includes questions from multiple reference periods and Census felt this change would better reflect the collection cycle of the survey. Therefore, the 2019 collection will be referred to as the 2019 Annual Business Survey (rather than the 2018 Annual Business Survey).

2. Needs and Uses

Statistics from the ABS will be used by government program officials, industry organization leaders, economic and social analysts, business entrepreneurs, and domestic and foreign researchers in academia, business, and government. Estimates produced on owner demographic data may be used to assess business assistance needs, allocate available program resources, and create a framework

for planning, directing, and assessing programs that promote the activities of disadvantaged groups; to assess minority-owned businesses by industry and area and to educate industry associations, corporations, and government entities; to analyze business operations in comparison to similar firms, compute market share, and assess business growth and future prospects. Estimates produced on research and development and innovation may be used to compare R&D costs across industries, determine where R&D activity is conducted geographically, and identify the types of businesses with R&D; to contribute to the Bureau of Economic Analysis (BEA) system of national accounts; to increase investments in research and development, strengthen education, and encourage entrepreneurship; and to compare business innovation in the United States to other countries, including those in the European Union.

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.

Additional questions on the 2019 ABS for technology will measure the effect of technology on the workforce including, the number of workers and the skill mix of workers.

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 ABS is collected via an electronic reporting system. Businesses are provided an initial letter with log-in instructions 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. In addition, certain businesses will be pre-identified to skip portions of the survey to decrease respondent burden. Respondents will have access to the questionnaire prior to logging in (see Attachments C). 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 give respondents the opportunity to verify their responses. The use of built-in edits ensures consistency among data received from 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.

By implementing an electronic-only collection, the Census Bureau reduces the cost of mailing this annual survey. Additionally, electronic responses yield higher quality response data by utilizing edits built into the electronic reporting system to decrease manual edits when the data are received and processed, ultimately leading to cost savings and increased data quality.

4. Efforts to Identify Duplication

The ABS will exclude certain businesses from receiving a portion of the survey that they will receive on another Census Bureau survey (Business R&D Survey – BRDS). Similar data on R&D are collected from the BRDS, however, the population of respondents is different for the R&D topic. The ABS collects R&D from businesses with between 1-9 employees, while the BRDS collects this data from businesses with 10 or more employees. Additionally, the Census Bureau consulted with NSF's National Center for Science and Engineering Statistics to remove duplication of questions from the innovation part of the BRDS. ABS replaces the innovation part of the BRDS.

5. Minimizing Burden

The ABS 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), American Community Survey, and Decennial Census, as well as 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.
- Employment based form path: Based on the number of employees reported, businesses with 10 or more employees will not be asked questions on research and development because those businesses' data will continue to be collected from the BRDS.
- Predetermining owner characteristics: Businesses that responded to the 2017 ABS and reported their owner characteristics in 2017, will not be asked questions in Section B: Owner Characteristics for 2019.
- Survey instrument design: New questions have been cognitively tested through personal interviews (see Attachment E). The remaining questions have been tested and fielded previously with the same population. 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.
- Exclusion of Nonprofits: The ABS universe is matched to publicly available datasets from the IRS. This universe identifies nonprofit organizations whose ownership by sex, ethnicity, race, and

veteran status cannot be determined. Businesses identified as nonprofit organizations do not receive a request to respond to the ABS.

6. Consequences of Less Frequent Collection

The ABS improves the measurement of business dynamics in the United States and expands the availability of federal economic statistics in the areas of owner demographics, entrepreneurship, innovation, R&D and technology. 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 National Center for Science and Engineering Statistics, the Ewing Marion Kauffman Foundation, the Small Business Administration, the Minority Business Development Agency (MBDA), and other agencies to implement a robust and effective program. Content for the Annual Business Survey (ABS), including topics for modules, is selected by the National Center for Science and Engineering Statistics (NCSES) and the Survey Director for ABS at the Census Bureau. Feedback on content is obtained through interactions at professional conferences including the American Economic Association (AEA) meetings, the Conference on Research in Income and Wealth (CRIW), and the National Bureau of Economic Research (NBER) Summer Institute.

The National Center for Science and Engineering Statistics has had extensive consultation outside of the agency in preparation for the various sections/modules included on the Annual Business Survey and its predecessor surveys including meetings with researchers, academia, data users, expert panels, cognitive interviews and debriefings.

In preparation for the Microbusiness Innovation Science and Technology Survey (MIST), the model for the Micro-Business R&D section of, and multiple other questions included in, the ABS, NCSES held a one-day workshop (September 2010) for prospective data users of R&D and innovation-related data in order to gain a better understanding on data user needs, to understand how microbusiness data would be used, and to obtain guidance on priorities and strategies for content to be included in the survey. The data users included academics, government employees and other stakeholders.

Following the development of a draft MIST questionnaire, NCSES convened an expert panel (February 2012) of academics and other stakeholders to provide input and feedback to NCSES on the development of the MIST survey. Panel members reacted to the draft survey questionnaire and discussed issues encountered in the earlier testing, such as questions on innovation and defining the number of employees.

The MIST questionnaire was revised based on findings from the expert panel. Cognitive interviews (November 2011 – May 2012) were conducted with 38 small businesses (conducted over six rounds to allow a process of revision and retesting of the questionnaire) and focused primarily on the content of the questionnaire. Following the MIST pretest conducted for NCSES by Westat, 20 debriefing interviews (Fall 2012) were conducted with pretest respondents.

It was during this period that NCSES started a three-phase study focusing on innovation measurement. Early stage scoping interviews were conducted with 23 medium to large businesses (July to October 2012) to support additional survey question development, to explore respondents' perceptions of innovation and the Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data (OECD/Eurostat: 2005) survey concepts, to understand the language they use to describe these subjects, and the extent to which related data are contained in company records. Interviews were conducted with academic researchers (October to December 2014) to identify: the concepts, indicators, and data sources academic researchers are using to measure business innovation, the limits and challenges of these data, and whether the Oslo Manual definitions and metrics for innovation are useful and relevant to innovation research. The purpose of the two-day Innovation Metrics Panel Meetings (December 2014) was to solicit input from federal, state and other policymakers about the innovation metrics and data that are helpful from a policy design and evaluation perspective, as well as to complement and enhance the understanding of innovation and its activities.

Another expert panel (June 2015) was held to identify and consider new avenues for refining, expanding, and reshaping the national innovation data NCSES collects in order to better inform public and private sector decision makers as they address the innovation policy issues before them.

After the MIST pilot (2015), 20 debriefing interviews were conducted to understand general reactions to the survey, evaluate content of the questionnaire, such as learning whether and why businesses made errors in some of their responses (e. g., based on question misinterpretation or lack of knowledge), effectiveness of the contact strategies, what motivated businesses to respond and for the non-respondents why they did not respond. The MIST questionnaire became the Microbusiness Research and Development and Innovation Survey (MBRDIS - 2016). The MBRDIS questionnaire was integrated into several sections of the ABS.

In addition to the work previously completed, 20 cognitive interviews (see Attachment F) were conducted to test a draft module of 13 innovation questions, to explore relevance and comprehension of the module content for the population of U.S. businesses. The objective was to assess respondent interpretation of the questions, relevance of the content, feasibility of response, and appropriateness of the response options. Currently, debriefing interviews are being conducted with MBRDIS respondents.

The Census Bureau consulted the following officials and agencies regarding content for the ABS:

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A presubmission notice was published in the [Federal Register](#), Vol. 82, No. 150, August 7th, 2017, pages 36728-36730, inviting public comments on our plans to submit this request. The presubmission notice generated three comments, including one request for additional supporting materials. The Census Bureau responded to the request. Additionally, two comments were received regarding the exclusion of nonemployer businesses from the ABS collection instrument. These comments were previously provided to OMB and are part of the public record for this collection. Nonemployer businesses are not in scope for the ABS. However, the Census Bureau is using administrative data to produce similar estimates on the sex, ethnicity, race, and veteran status for nonemployer businesses. Details of the development of nonemployer demographics have been provided to OMB for review (see Attachment G).

9. **Paying Respondents**

The Census Bureau will not pay or offer gifts to respondents of the ABS.

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 Attachment D.

11. Justification for Sensitive Questions

The ABS does not ask sensitive questions.

12. Estimate of Hour Burden

The 2019 ABS will be mailed in fiscal year 2019 to approximately 300,000 respondents. This sample size is needed to provide summary-level estimates for women-, minority-, and veteran-owned businesses at a summary geography and NAICS level. Survey years 2020-2022 will also have a sample size of approximately 300,000. The sample size was reduced from 850,000 for the 2017 ABS. The 2017 survey year collection (the initial year for this survey) required a larger sample size to provide detailed comprehensive estimates for women-, minority-, and veteran-owned businesses to a detailed geography level (US, state, msa, county, and economic place). The smaller sample size reduces respondent burden and will also provide quality estimates for women-, minority-, and veteran-owned businesses at less detailed geography (US, state, select msa) and industry levels. Response times will vary for selected respondents. For fiscal years 2019 – 2022, the estimated average time for respondents to complete the survey is 52 minutes and estimated total response burden is 260,000 hours.

The presubmission notice published in the Federal Register, Vol. 82, No. 150, August 7th, 2017, pages 36728-36730, estimated the response burden to be 35 minutes. However, the estimate was updated using paradata obtained from the collection instruments for previous SBO, ASE & BRDI-M collections, as well as results of cognitive interviews conducted for new ABS content. Additionally, the notice included a much higher number of respondents and total annual reporting burden for the collection.

According to the May 2017 Occupational Employment Statistics from the Bureau of Labor Statistics (BLS) website, the mean hourly wage for accountants (13-2011 Accountants & Auditors) was \$37.46. The total annual cost to respondents for their time to respond for fiscal year 2019 is estimated to be \$9,739,600.

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 ABS is funded jointly by the Census Bureau and NCSES within the NSF. The estimated cost to the Federal Government to conduct this survey for 5 reference years is \$36.5 million. The Census Bureau has planned and allocated resources for the effective and efficient management of this information collection.

15. Reason for Change in Burden

The sample size for the 2019 ABS is reduced to approximately 300,000 employer businesses resulting in a fewer total burden hours.

16. Project Milestones

Milestone	2017 Reference Year Planned Completion Date	2019 Collection Planned Completion Date	2020 Collection Planned Completion Date	2021 Collection Planned Completion Date	2022 Collection Planned Completion Date
Content Drafted for Cognitive Testing	June 2017	July 2018	June 2019	June 2020	June 2021
Cognitive Testing Complete	August 2017	September 2018	August 2019	August 2020	August 2021
Content Final/Centurion Requirements Final	November 2017	November 2018	November 2019	November 2020	November 2021
Presubmission Notice Published in Federal Register	August 2017	N/A	N/A	August 2020	August 2021
Approval Request Submitted to OMB	December 2017	March 2019	March 2020	December 2020	December 2021
Usability Testing	May 2018	May 2019	May 2020	May 2021	May 2022
Initial Mail	June 2018	July 2019	June 2020	June 2021	June 2022
1st Follow-up	September 2018	September 2019	September 2020	September 2021	September 2022
2nd Follow-up/Email reminder	October 2018	November 2019	October 2020	October 2021	October 2022
]Possible] 3rd Follow-Up	November 2018	December 2019	November 2019	November 2019	November 2019
Closeout	December 2018	December 2019	November 2020	November 2021	November 2022
Micro Data Review Complete	March 2019	February 2020	February 2021	February 2022	February 2023
Production Processing	August 2019	July 2020	July 2021	July 2022	July 2023
Macro Data Review Complete	October 2019	September 2020	September 2021	September 2022	September 2023
Dissemination Processing	November 2019	October 2020	October 2021	October 2022	October 2023
Data Tables Published	December 2019	November 2020	November 2021	November 2022	November 2023

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.