

**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 Research and Development (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, require a response from sampled firms (see Attachment H).

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 sampled approximately 850,000 employer businesses for survey year 2018. Starting with survey year 2019, the sample is reduced to approximately 300,000 employer businesses annually (survey years 2019 – 2022) to reduce the burden on the respondents. The reduced sample size will yield summary-level estimates for women-, minority-, and veteran-owned businesses at the 2-digit NAICS, U.S., state and metropolitan statistical area (MSA) levels. The Census Bureau uses administrative data to estimate the probability that a firm is minority- or women-owned. Each firm is then placed in one of nine frames for sampling. The sampling frames are: American Indian or Alaskan Native, Asian, Black or African American, Hispanic, Non-Hispanic White Men, Native Hawaiian and Other Pacific Islander, Other, Publicly Owned, and Women. The sample is stratified by state, industry, and frame. The Census Bureau selects some companies with certainty based on volume of sales, payroll, and number of paid employees or NAICS. All certainty cases are sure to be selected and represent only themselves.

Starting with survey year 2021, the ABS sample will include an additional 8,000 respondents to collect research activities from nonprofit organizations. Historically, nonprofit organizations were in scope to the ABS, however, they were not mailed because the survey does not expect nonprofit organizations to be classifiable by sex, ethnicity, race, or veteran status. To include the nonprofit

organizations, the sample size will increase to approximately 308,000 (300,000 employer businesses + 8,000 nonprofit organizations). Of note, nonprofit organizations will only see questions relating to research activities and will not be asked any questions relating to owner demographics.

The ABS is designed to allow for incorporating new content each survey year based on topics of relevance. Each year new questions will be 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
Owner Characteristics	Full	Reduced	Reduced	Reduced	Reduced
Innovation	Full	Reduced	Full		Full
Research & Development	Full (1-9 employees only)	Full (1-9 employees only)	Full (1-9 employees only)	Full (1-9 employees and Nonprofit Organizations)	Full (1-9 employees and Nonprofit Organizations)
Technology and Intellectual Property	Reduced (digital)	Full (automation)		Full (digital)	Full (automation)
Financing	Full			Full	
Globalization			Full	Reduced	Full
Business Structure	Full	Full	Full	Full	Full

Employer businesses will be asked questions about the sex, ethnicity, race, and veteran status for up to four persons owning the majority of rights, equity, or interest in the business (Section B of the questionnaire). Organizations sampled as nonprofits and respondents with 1-9 employees will be asked about research and development (R&D) activities and related costs (Sections C and D of the questionnaire respectively). Further, employer businesses sampled will be asked about the following topics: Technology, Operations, and Innovation (Section E of the questionnaire); Financing (Section F of the questionnaire); Management Practices (Section G of the questionnaire); and Coronavirus Pandemic as related to R&D (Section H of the questionnaire).

The ABS is primarily collected via an electronic instrument. 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 2021 ABS initial mailing is scheduled for July 2021. 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 nonrespondents reminding them to submit their report in the electronic instrument (see Attachment B). The Census Bureau may include a paper questionnaire during the follow-up activities to assist with collecting data from select nonrespondents. Closeout of mail operations is scheduled for December 2021 but may be extended to allow ample time to receive returned forms if necessary. Response data will be processed as they are received. Upon the close of the collection period, data processing will continue, and records will be edited, reviewed, tabulated, and disseminated.

The Annual Business Survey uses the collection year in the survey name rather than a single reference year. Therefore, the 2021 ABS covers mostly reference year 2020.

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 R&D 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. Results of the research activities data collected from nonprofit organizations will be used to report updated, valid, and reliable estimates of U.S. nonprofit R&D in National Patterns of R&D Resources and BEA's system of national accounts.

The data collected by ABS will also be incorporated into the National Science Board's biennial report, Science and Engineering Indicators (SEI). The R&D data from the nonprofit module will be reported in the Organization for Economic Cooperation and Development (OECD) periodic publications and for international comparisons of R&D efforts. NCSES also anticipates professional associations will use data from the nonprofit module. Likely users in this category include, but are not limited to, the Science Philanthropy Alliance, the Association of Independent Research Institutes, and the Health Research Alliance.

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.

New questions on the 2021 ABS collect data on the following topics: research activities at nonprofit organizations (Section C of the 2021 ABS questionnaire); technology, operations, and innovation (Section E of the 2021 ABS questionnaire), financing (Section F of the 2021 ABS questionnaire), and management practices (Section G of the of the 2021 ABS questionnaire). Within Sections F and H of the questionnaire, several questions have been added to measure the impact of the 2020 coronavirus pandemic on business activity and R&D respectively. The 2021 ABS questionnaire is included in Attachment C.

Information quality is an integral part of the predissemination review of information disseminated by the Census Bureau (fully described in the Census Bureau’s Information Quality Guidelines) at <http://www.census.gov/about/policies/quality/guidelines.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 primarily collected via an electronic reporting instrument. 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 instrument 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 Attachment 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 instrument 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 instrument saves respondents’ progress and allows them to return later to complete the survey. The instrument also generates an error page prior to submission that indicates if a respondent should revisit a page to make a correction.

Implementing an electronic collection instrument 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

R&D data are collected on both the ABS and the BERD surveys. Although some businesses may be selected for both the ABS and the BERD, the R&D module asked on the ABS is only asked of businesses with 1-9 employees. The BERD will continue to collect R&D data from businesses with 10 or more employees.

The Census Bureau consulted with NCSES to remove duplication of innovation questions that existed on the BERD. As a result, BERD no longer includes innovation questions. Innovation questions are asked of all ABS respondents, regardless of the number of employees.

5. Minimizing Burden

The ABS uses the following methods to minimize the burden:

- Predetermining the likelihood that a business is minority- or women-owned for sampling: 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 by the respondent in Section A of the questionnaire, businesses with 10 or more employees will not be asked questions on R&D because those businesses' data will continue to be collected from BERD.
- Predetermining owner characteristics to reduce burden on some respondents: Businesses that were sampled for previous cycles will not be asked questions in Section B: Owner Characteristics for 2021.
- Survey instrument design to improve user experience: New questions have been cognitively tested through personal interviews (see Attachments E and F). 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, business, and R&D characteristics.
- Nonprofits receiving the abridged version of ABS: 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 will only report their research activities and therefore will only receive Section C of the questionnaire.
- 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).

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

Content for the ABS, including topics for modules, is selected by the NCSSES and the ABS Survey Director at the Census Bureau. The Census Bureau and NCSSES have also collaborated with SBA, MBDA, and other government agencies to implement a robust and effective program. Feedback on content is obtained through interactions at professional conferences, including the Allied Social Science Associations (ASSA) Annual meetings, the Conference on Research in Income and Wealth (CRIW), and the National Bureau of Economic Research (NBER) Summer Institute.

The NCSSES has had extensive consultation outside of the agency in preparation for the various sections/modules included on the ABS and its predecessor surveys, including meetings with researchers, academia, data users, expert panels, cognitive interviews and debriefings. Additionally, many people and organizations have been consulted to develop the research activities at nonprofit organizations content including the National Academies of Science, Engineering, and Medicine Committee on National Statistics, experts in survey methodology and nonprofit R&D, and dozens of nonprofit organizations representatives.

NCSSES and 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 on July 6, 2020, pages 40196-40198, inviting public comments on our plans to submit this request. The published FRN invited public comments on our plans. The FRN generated no credible comments.

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. Sections 224 and 225 of Title 13 require businesses to report. Respondents are informed in the initial letter that responses are confidential, and their responses are mandatory. This information is also available from the electronic reporting instrument as shown in Attachment D.

11. Justification for Sensitive Questions

The ABS asks questions on the sex, ethnicity, race, and veteran status 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. ABS uses the race and ethnicity categories and definitions mandated by the OMB. These standards were developed by the Executive Branch and Congress.

By law (Title 13 of the United States Code), all responses to the survey, including sensitive questions, are completely confidential and may be seen only by persons sworn to uphold the confidentiality of Census Bureau information. The data are used only for statistical purposes and the responses are summarized so that the confidentiality of individual respondents and their business activities is fully protected.

12. Estimate of Hour Burden

The 2021 ABS will be mailed in fiscal year 2021 to approximately 308,000 respondents. Approximately 300,000 of the total cases selected will be mailed to employer businesses. This sample size will yield summary-level estimates for women-, minority-, and veteran-owned businesses at a summary geography and NAICS level. The sample size was reduced from 850,000 for the 2018 ABS. The 2018 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 (U.S., 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 (U.S., state, select MSA) and industry levels. Response times will vary for selected respondents. For fiscal year 2021, the estimated average time for the 300,000 employer businesses to complete the survey is 52 minutes.

Approximately 8,000 of the total cases selected will be mailed to nonprofit organizations. This will yield national and state level estimates on research activities for U.S. nonprofit organizations. Based on estimates from a previous survey conducted on research activities at nonprofit organizations (2016 Nonprofit Research Activities - NPRA Survey), the estimated burden for R&D performers is 3 hours. This includes the time it will take to gather materials prior to reporting and responding to the survey. For nonprofit organizations that are not R&D performers and therefore will not answer all the questions, the estimated burden is 20 minutes. The percent of R&D performers is approximately 35%, resulting in an average response burden of 1.27 hours for the research activities at nonprofit organizations section (Section C of the 2021 ABS questionnaire). The questions were adopted from the 2016 NPRA survey.

The estimated total response burden for the 2021 ABS is 270,133 hours as shown in the table below.

	Number of Businesses	Burden Hours	Total Burden Hours
Employer Businesses	300,000	0.87 ¹	260,000
Nonprofit Organizations - R&D Performers	2,800	3.00	8,400
Nonprofit Organizations - Non R&D Performers	5,200	0.33 ²	1,733
Total	308,000	---	270,133

According to the May 2019 Occupational Employment Statistics from the Bureau of Labor Statistics (BLS) website, the mean hourly wage for accountants (13-2011 Accountants & Auditors) was \$38.23. The total annual cost to respondents for their time to respond for fiscal year 2021 is estimated to be \$10,327,185.

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 five reference years is \$36.5 million. The Census

¹ True value is 0.866666666666667.

² True value is 0.333333333333333.

Bureau has planned and allocated resources for the effective and efficient management of this information collection.

15. Reason for Change in Burden

The change in burden has increased due to the mailing of nonprofit organizations to measure their research activities.

16. Project Milestones

Milestone	2018 ABS Planned Completion Date	2019 ABS Planned Completion Date	2020 ABS Planned Completion Date	2021 ABS Planned Completion Date	2022 ABS 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	September 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	July 2020	August 2021
Approval Request Submitted to OMB	December 2017	March 2019	March 2020	March 2021	March 2022
Usability Testing	May 2018	May 2019	May 2020	May 2021	May 2022
Initial Mail	June 2018	July 2019	July 2020	July 2021	July 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 2020	November 2021	November 2022
Closeout	December 2018	January 2020	January 2021	December 2021	December 2022
Micro Data Review Complete	March 2019	March 2020	March 2021	March 2022	March 2023
Production Processing	August 2019	July 2020	July 2021	July 2022	July 2023
Macro Data Review Complete	October 2019	November 2020	October 2021	October 2022	October 2023
Dissemination Processing	November 2019	December 2020	November 2021	November 2022	November 2023
Data Tables Published	March 2020	January 2021	December 2021	December 2022	December 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.