

**Supporting Statement for the  
Intermittent Survey of Businesses  
(FR 1374; OMB No. 7100-0302)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB) proposes to extend for three years, with revision, the voluntary Intermittent Survey of Businesses (FR 1374; OMB No. 7100-0302). The survey data are used by the Federal Reserve to gather information specifically tailored to the Federal Reserve's policy and operational responsibilities. There are two parts to this event-generated survey. First, under the guidance of Board economist, the Federal Reserve Banks survey business contacts as economic developments warrant. Currently, there are approximately 240 business respondents for each survey (about 20 per Reserve Bank); occasionally state and local government officials are called, in which case there are far fewer respondents. It is necessary to conduct these surveys to provide timely information to the members of the Board, and to the presidents of the Reserve Banks. Usually, these surveys are conducted by Reserve Bank economists telephoning or emailing purchasing managers, economists, or other knowledgeable individuals at selected, relevant businesses. Reserve Bank staff may also use online survey tools to collect responses to the survey. The frequency and content of the questions, as well as the entities contacted, vary depending on developments in the economy. The attachment provides a sample of the types of questions used in a previous survey to illustrate the format of these surveys. Second, economist at the Board survey business contacts by telephone, inquiring about current business conditions. Board economists conduct these surveys as economic conditions require, with approximately ten respondents for each survey.

The Federal Reserve proposes to increase the permitted number of respondents for the Reserve Bank part of the survey from 240 to 2,400 (an average of 200 per Reserve Bank). Reserve Banks are *not required* to increase their respondent count, and it is anticipated that a Bank's respondent count will vary both with the nature of the questions asked and the means used to collect responses (e.g., telephone versus online survey tools). The Board part of the survey would remain unchanged. Based on the revision, the total annual burden for the FR 1374 is estimated to increase by 1,620 hours to 1,825 hours.

**Background and Justification**

Prior to the 2002 implementation of this survey, the Federal Reserve found it helpful to collect information on an ad-hoc basis from individuals within the business community on a real-time basis. This information typically reflected current business conditions and ongoing developments in the economy as well as topical issues. Prior to 2002, the Federal Reserve limited its contacts to fewer than nine firms and asked open-ended questions. However, the Federal Reserve believes that it is extremely valuable to talk with firms and ask targeted questions that are critical to understanding the current economic situation and outlook. This is especially true for the surveys conducted by Reserve Banks, many of which have been initiated at the request of Reserve Bank presidents. An in-depth understanding of overall economic

conditions and the types of special issues shown in the attachment can only be gleaned in real time through direct discussions with contacts at relevant entities. The information gathered in surveys conducted by Board economist is disseminated to the Board members. For surveys conducted by Reserve Bank economist, information also goes to the presidents of the Reserve Banks. The information also is used by the Federal Reserve as input to their economic forecasting activities.

In 2010, the respondent panel was revised to include state and local governments if economic conditions warrant. Spending by state and local governments accounts for about 12 percent of total Gross Domestic Product GDP, about the same as total private investment. Given their relative size in the economy, it is important to understand developments in this sector. For example, a sizable part of the American Recovery and Reinvestment Act of 2009 (fiscal stimulus program) directed federal funds to state governments and local school districts. The timing and how these funds were spent, and the extent to which they offset spending from own-source revenues, had important implications for the performance of the overall economy. In addition, many states and localities still face fiscal challenges. Gaining a better understanding of the ways in which these governments are dealing with the strains can help the Federal Reserve better understand the likely path for overall economic activity.

### **Description of Information Collection**

The topics discussed with the respondents are time sensitive, and the questions vary with the topic. There is no reporting form because the questions typically change with each survey. For each survey, the Federal Reserve prepares in advance questions of specific topical interest, often at the request of Reserve Bank presidents. The Federal Reserve then determines a relevant target group of firms to contact. If conducted by telephone, the discussions could last up to twenty minutes, with the typical conversation lasting approximately fifteen minutes. If conducted using an online survey tool, the response times are likely to be significantly shorter. The Federal Reserve tabulates the results of the Reserve Bank surveys and prepares a brief summary of the results. The tabulation and the summary, along with the submission from the individual Reserve Banks, are then circulated to the members of the Board and Reserve Bank presidents. For the Board surveys, a memo is prepared for the Board members summarizing the survey results.

### **Proposed Revisions**

The Federal Reserve proposes to increase the permitted number of respondents from 240 to 2,400, for the Reserve Bank surveys. This increase would allow (but not require) Reserve Banks to survey an average of 200 respondents per District instead of 20, providing better representation and more complete coverage of the developments within each District. The Reserve Banks have recently increased the number of businesses surveyed to better assess local markets (especially with respect to issues of broad applicability). The Board part of the survey would remain unchanged.

## **Time Schedule for Information Collection**

The surveys are conducted intermittently.

## **Legal Status**

The Board's Legal Division has determined that the Board is authorized to collect this information under sections 2A and 12A of the Federal Reserve Act (12 U.S.C. §§225a and 263) and that respondent participation in the survey is voluntary. Although the names of the participating entities might be disclosed in the summary memo and the memo might contain information provided to the Board and staff for internal use only, exemption 4 of the Freedom of Information Act (5 U.S.C. §552(b)(4)) may exempt this information from disclosure to the public. However, if the information collected on the FR 1374 does not meet these standards for confidentiality (for example if the information collected is already public), it would not be granted confidential treatment.

## **Consultation Outside the Agency**

On July 26, 2013, the Federal Reserve published an initial notice in the *Federal Register* (78 FR 45193) requesting public comment for 60 days on the proposed revisions to the FR 1374. The comment period for this notice expired on September 24, 2013. The Federal Reserve did not receive any comments. On October 11, 2013, the Federal Reserve published a final notice in the *Federal Register* (78 FR 62016), implementing the revisions as proposed.

## **Estimate of Respondent Burden**

For surveys conducted by Board economists, the number of respondents is 10 and the frequency is event-generated, with approximately 10 surveys per year. For surveys conducted by the Reserve Banks, the permitted number of respondents would be increased from 240 to 2,400 (an average of 200 at each Reserve Bank) for each survey as proposed. It is anticipated that these surveys will be conducted approximately three times per year. A particular survey would likely be conducted of either businesses or state and local governments, but not both. In the case of state and local governments, the respondent count will be considerably lower. The average response time for both parts of the survey is estimated to be 15 minutes. As shown below, the respondent burden for the current FR 1374 is estimated to be 205 hours annually and would increase to 1,825 hours with the proposed revision. This reporting requirement represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
Board	10	10	.25	25
Reserve Bank	240	3	.25	<u>180</u>
<i>Total</i>				205
<i>Proposed</i>				
Board	10	10	.25	25
Reserve Bank	2,400	3	.25	<u>1,800</u>
<i>Total</i>				1,825
<i>Change</i>				1,620

With the proposed revisions the total cost to the public is estimated to increase from the current level of \$14,760 to \$131,400.<sup>1</sup>

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

Based on the proposed revisions, contacting the respondents, compiling the information, and writing the summary memos for the Board surveys would increase from 5 to 25 hours of staff time per year, increasing the estimated cost to the Board from \$265 to \$1,325. Regarding the Reserve Bank surveys, the cost to the Federal Reserve System for collecting and processing the survey is estimated to increase from \$96,900 to \$133,900. The one-time cost to implement the revised surveys is estimated to be \$18,100.

<sup>1</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (50% Financial Managers at \$59, and 50% Chief Executives at \$85). Hourly rate for each occupational group are the rounded (*mean*) hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages 2012*, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/)

## **Attachment**

### **Examples of Survey Questions**

1. Do you expect your firm's spending on new plant and equipment over the next six to twelve months to increase, decrease, or be about unchanged relative to your actual spending over the past six to twelve months?
2. If your firm plans to increase its spending on new plant and equipment, what are the major factors behind your plan to increase capital spending?
3. How much of the increase in your firm's planned spending on plant and equipment over the next six to twelve months reflects investment that had been postponed because of the recession?
4. If your firm does not plan to increase its spending on new plant and equipment, what are the major factors behind your plan not to increase capital spending?