

Calendar No. 277

114TH CONGRESS }
1st Session }

SENATE

{ REPORT
114-157

QUARTERLY FINANCIAL REPORTING
REAUTHORIZATION ACT OF 2015

R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 1868

TO EXTEND BY 15 YEARS THE AUTHORITY OF THE SECRETARY
OF COMMERCE TO CONDUCT THE QUARTERLY FINANCIAL
REPORT PROGRAM



OCTOBER 22, 2015.—Ordered to be printed

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Mr. JOHNSON, from the Committee on Homeland Security and
Governmental Affairs, submitted the following

R E P O R T

[To accompany S. 1868]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 1868), to extend by 15 years the authority of the Secretary of Commerce to conduct the quarterly financial report program, having considered the same, reports favorably thereon with an amendment and recommends that the bill, as amended, do pass.

CONTENTS

	Page
I. Purpose and Summary	1
II. Background and Need for the Legislation	1
III. Legislative History	3
IV. Section-by-Section Analysis	3
V. Evaluation of Regulatory Impact	4
VI. Congressional Budget Office Cost Estimate	4
VII. Changes in Existing Law Made by the Bill, as Reported	5

I. PURPOSE AND SUMMARY

S. 1868, the Quarterly Financial Reporting Reauthorization Act, would extend for fifteen years the authorization of the Quarterly Financial Report (QFR) program administered by the United States Census Bureau (Census Bureau), which provides quarterly financial data on the manufacturing, mining, wholesale and other economic sectors.

II. BACKGROUND AND THE NEED FOR LEGISLATION

Federal law requires the Secretary of Commerce to “collect and publish quarterly financial statistics of business operations, organi-

zation, practices, management, and relation to other businesses, including data on sales, expenses, profits, assets, liabilities, stockholders equity, and related accounts generally used by businesses in income statements, balance sheets, and other measures of financial condition.”¹ The QFR program satisfies this statutory requirement by collecting and publishing quarterly aggregate statistics on the business financial conditions of United States corporations.² The information obtained by the QFR program is used to prepare national measures of corporate profits and to inform fiscal and monetary policy.³

The QFR program has been in operation for nearly seventy years. Since 1982, the QFR program has been administered by the Census Bureau.⁴

The QFR program surveys businesses in the industry sectors of mining, manufacturing, wholesale trade, retail trade, information services, and professional, scientific, and technical service industries.⁵ These industries comprise thirty-seven percent of the industries in the National Income and Product Accounts, from which business data informs the calculation of the nation’s gross domestic product (GDP).⁶ The Census Bureau plans to expand the QFR program to include more industries, including health care and social assistance services, administrative and support services, waste management and remediation services, accommodation and food services, real estate, and real estate rental and leasing services.⁷ With this expansion, the QFR program would increase its GDP coverage to sixty-one percent of industries.⁸

Under the QFR program, the Census Bureau sends a mail-out, mail-back survey to a sample number of businesses selected randomly using Federal income tax records.⁹ A long-form survey is mailed out to approximately 4,600 large corporations in the covered industry sectors, and a short-form survey is mailed out to approximately 5,000 small- and medium-sized corporations in the manufacturing industry.¹⁰ While the businesses that receive the QFR survey are required by law to return it, the Census Bureau has not levied fines for noncompliance since it began conducting the QFR program.¹¹ Seventy-three percent of surveyed businesses choose to submit the completed QFR program survey form online.¹² The QFR forms request information from businesses’ income statements and balance sheets.¹³ Key information items requested on QFR forms include sales, operating profits, after-tax profits, inventories, assets, and debt.¹⁴

¹ 13 U.S.C. §91(a).

² *Quarterly Financial Report*, United States Census Bureau (last visited Oct. 16, 2015), <https://www.census.gov/econ/qfr/about.html>.

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ U.S. Census Bureau, Briefing with Committee staff on QFR program, May 21, 2015.

⁷ *Id.*

⁸ *Id.*

⁹ *Quarterly Financial Report*, *supra* note 2.

¹⁰ *Id.*

¹¹ E-mail from Stuart P. Durst, Jr., Branch Chief, Off. of Cong. and Intergovernmental Affairs, U.S. Census Bureau, to Majority Staff, S. Comm. on Homeland Sec. and Governmental Affairs (Oct. 1, 2015 11:48 EDT) (on file with Committee).

¹² *Quarterly Financial Report*, *supra* note 2.

¹³ *Id.*

¹⁴ *Id.*

Data collected and published through the QFR program is used by several entities, including the Bureau of Economic Analysis (BEA), the Federal Reserve, the Small Business Administration (SBA), newspapers, trade magazines, researchers, and individual companies.¹⁵ According to the BEA, “[n]o other source provides quarterly tabulations of a representative sample of mining, manufacturing, trade, information, and professional and technical services corporations—corporations whose profits account for over 50 percent of total domestic profits.”¹⁶ For the Federal Reserve, data collected under the QFR program is used for its quarterly Financial Accounts of the United States, which provides accounts for the flow of funds across large private sectors and quarterly aggregate balance sheets for macroeconomic analysis.¹⁷ The SBA wrote that “the QFR is the only viable publically-available source that provides sufficiently current data for [Manufacturing, Mining, and Wholesale Trade sectors] to (1) assess how changes in economic conditions impact revenues of firms of different size, and (2) assess the actual utilization of and potential capacity to demand credit by firms of different size.”¹⁸ Both the SBA and the Federal Reserve utilized QFR program data during the 2008–2009 financial crisis to analyze the financial health of large and small businesses.¹⁹

Without re-authorization, the QFR program expires on September 30, 2015.

III. LEGISLATIVE HISTORY

On April 28, 2015, Senator Thomas R. Carper introduced S. 1868, the Quarterly Financial Reporting Reauthorization Act of 2015. S. 1868 was referred to the Senate Committee on Homeland Security and Governmental Affairs. The Committee considered S. 1868 at a business meeting on July 29, 2015.

During the business meeting, Senator Ben Sasse offered an amendment, requiring the Census Bureau to report to Congress on its data security procedures. The Committee adopted the amendment and ordered the bill, as amended, reported favorably by voice vote *en bloc*. Senators present for the vote on the amendment and the bill were: Johnson, Portman, Lankford, Ernst, Sasse, Carper, Baldwin, Heitkamp, and Peters.

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

Section 1. Short title.

This section establishes the short title of the bill as the “Quarterly Financial Reporting Reauthorization Act of 2015.”

Section 2. Fifteen-year extension of authority for Secretary of Commerce to conduct the Quarterly Financial Report Programs

Section 2 extends the authorization of the Quarterly Financial Reporting Program for fifteen years to September 30, 2030.

¹⁵*Id.*

¹⁶Letter from Dennis Fixler, Chief Statistician, Bureau of Economic Analysis, to Bill Bostic, Associate Director for Economic Programs, U.S. Census Bureau (Jan. 3, 2015).

¹⁷Telephone Interview with Paul Smith, Assistant Director, Flow of Funds Sec., Research and Statistics Div., Fed. Reserve Sys. (July 8, 2015).

¹⁸Letter from Giuseppe Gramigna, Chief Economist, U.S. Small Bus. Admin., to William G. Bostic, Associate Director for Economic Programs, U.S. Census Bureau (Feb. 20, 2015).

¹⁹*Id.*; Telephone Interview with Paul Smith, *supra* note 17.

Section 3. Report on data security procedures of the Bureau of the Census

Section 3 requires the Secretary of Commerce to review all of the current Census Bureau data security procedures and issue a report of this review to Congress. This report would identify all information systems of the Census Bureau that contain sensitive information and describe any actions taken since the 2015 data breach of the Office of Personnel Management to secure sensitive information on these information systems. The report to Congress would also identify any known data breaches of these information systems that contain sensitive information and whether the Census Bureau stores any information that would comprise classified information if it were to be combined with other such information.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill and determined that the bill will have no regulatory impact within the meaning of the rules. The Committee agrees with the Congressional Budget Office's statement that the bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

AUGUST 31, 2015.

Hon. RON JOHNSON,
Chairman, Committee on Homeland Security and Governmental Affairs;
U.S. Senate; Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1868, the Quarterly Financial Reporting Reauthorization Act of 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie.

Sincerely,

KEITH HALL.

Enclosure.

S. 1868—Quarterly Financial Reporting Reauthorization Act of 2015

S. 1868 would extend the authority for the Department of Commerce to conduct the quarterly financial report program through 2030. Under that program, which will expire at the end of fiscal year 2015, the Census Bureau collects and publishes statistics on the financial condition of U.S. businesses. S. 1868 also would direct the Secretary of Commerce to review the data security procedures in place at the Bureau of the Census, and submit a report to the Congress within 90 days of enactment summarizing the findings from that review.

Information from the Census Bureau indicates that the quarterly financial report program costs about \$5 million a year and that costs to prepare the report on data security would be negligible.

Therefore, CBO estimates that implementing the bill would cost about \$25 million over the 2016–2020 period, assuming appropriation of the estimated amounts. Enacting S. 1868 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 1868 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

The quarterly financial report program, which the bill would extend, requires certain companies to provide survey information on their business and financial data to the Census Bureau. Extending this requirement would be a private-sector mandate on those companies. Based on information from the Census Bureau, CBO estimates that the direct cost to comply with the mandate would fall well below the annual threshold established by UMRA for private-sector mandates (\$154 million in 2015, adjusted annually for inflation).

On July 29, 2015, CBO transmitted a cost estimate for H.R. 3116, the Quarterly Financial Report Reauthorization Act, as ordered reported by the House Committee on Oversight and Government Reform on July 23, 2015. The bills are similar and CBO's estimate of the budgetary effects are the same.

The CBO staff contacts for this estimate are Susan Willie (for federal costs) and Paige Piper/Bach (for private-sector mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by S. 1868 as reported are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

TITLE 13—CENSUS

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CHAPTER 3—COLLECTION AND PUBLICATION OF STATISTICS

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Subchapter IV—Quarterly Financial Statistics

Sec. 91 COLLECTION AND PUBLICATION

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EFFECTIVE AND TERMINATION DATE; REPORT TO CONGRESS

(a) * * *

(b) This Act, including the amendments made by this Act, shall cease to have effect after September 30, [2015] 2030.

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