

Statement of

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Before the

Joint Economic Committee

Hearing on
“The Economic Impact of Ending or Reducing Funding
for the American Community Survey and other Government Statistics”

Tuesday, June 19, 2012, at 2:30 pm

210 Cannon House Office Building

Thank you for the opportunity to testify on this vital topic. I appear today as Vice President and member of the Statistics Committee of the National Association for Business Economics (NABE), the professional organization for individuals who use economic information in their work. NABE's more than 2500 members work in a wide variety of companies, financial institutions, and consulting firms; trade associations and business organizations; state, federal and foreign government and organizations; colleges, university-affiliated and independent research centers. Many of them have contacted NABE in the past month to express their deep concern and offer examples of how they use the American Community Survey (ACS), the Economic Census (EC) and other Census products that are imperiled by the House votes to slash funding and make responses voluntary. I will provide a few of those examples to illustrate the broad range of ways in which these statistical series are valuable and their loss would be harmful to the U.S. economy.

In addition to my volunteer role with NABE, I have been a user of Census information throughout my 40-year career with business groups, government agencies and a consulting firm, especially in the position I have held for the last 11 years as Chief Economist for the Associated General Contractors of America (AGC), the leading national construction trade association. AGC's 28,000 members, linked through a network of 95 chapters in every state, include every type of construction other than single-family homebuilding, as well as suppliers of construction materials, equipment and services. I will also briefly discuss the importance of the EC and other series to AGC and the construction industry.

The ACS has been fully available for less than a decade, yet it has already provided a wealth of timely, detailed information that businesses, policy makers and researchers find invaluable. Eliminating it—or making participation voluntary, which would destroy its comprehensiveness, accuracy and timeliness—would be a blow to the U.S. economy.

Before the ACS, the Census Bureau collected some of the same information only once a decade, as part of the decennial census of population. That data took much longer to process than the ACS and was often out of date by the time it was publicly available, given rapid population movements and economic changes in the U.S.

Because the ACS is a much smaller but continuous sample of households, the data can be processed, checked for accuracy and disseminated much more quickly. The full-time, professional staff for the ACS maintains a level of expertise not possible with the temporary decennial census hires. Continuous sampling also allows for continuous improvements in statistical methods, processing and choice of timely, relevant questions. Over the course of a decade, the ACS is far cheaper, more efficient and useful than the long-form census questionnaire it replaced.

The ACS improves U.S. competitiveness. There are over 5,000 local economic development agencies in the United States. They use the ACS to recruit businesses from abroad that are deciding whether to locate here or in other countries. For instance, as Patrick Jankowski of the Greater Houston Partnership testified in March:

When a Japanese company considers opening a plant in our region, they always want to know something about the size of Houston's Asian community. Why? They need assurance that any expat workers they assign to Houston will be comfortable there. When a European company wants to open a research and development facility in Houston, they ask about the number of engineers and scientists that live in the region. Why? They need assurance that they can find the technical talent they need to develop their new products...Where do we get all this information? From the American Community Survey. The ACS is one of the most important tools in our kit.¹

The ACS is used by businesses directly and by consultants and research centers to evaluate the economic profile and health of communities over time and in comparison to one another. For example, "We use the median family and household income reported by ACS to generate our housing affordability index for Orange County, LA County, Inland Empire and California," reported Esmael Adibi, Ph.D., Director, A. Gary Anderson Center for Economic Research, Chapman University, Orange, California.² John Knox, an independent socio-economic research consultant in Hawaii, wrote:

Almost every project I do has utilized data from the American Community Survey and/or the Economic Census. In the last few years, these have included:

- Economic development: Socio-economic impact study for two new commercial projects in Waikīkī (profiles of changing residential and consumer groups).
- Evaluation report to federal government (NSF) on success of University of Hawai'i science research programs in recruiting student or other personnel from under-represented minority groups in Hawai'i (use of ACS for overall population percentages of Native Hawaiians, Filipinos, and others as comparison base).

¹ Patrick Jankowski, Vice President, Research, Greater Houston Partnership, Testimony before the House Subcommittee on Health Care, District of Columbia, Census and the National Archives, March 6, 2012.

² Email forwarded to Kenneth Simonson, June 13, 2012.

- Housing needs analysis and economic development activity on the Hawaiian islands of Moloka‘i and Lāna‘i, for County community plan update.
- Entitlement study for mixed housing-commercial development on the Island of Hawai‘i (social analysis of effective housing outcomes for various ethnic groups). Not to have solid and fairly up-to-date data on the income, housing, and social characteristics would greatly hobble good decision-making by both private-sector investors and public-sector policy makers. For local governments or private industrial associations to attempt to gather similar information would be far more costly – and would likely generate less public cooperation, leading to much less reliable information – than the current national system.³

Another association uses ACS and EC data for a series of reports on the largest metro economies in the United States:

We developed these reports a few years ago in order to provide localized data for our 255,000 members around the world. Along with data we generate, the reports provide members – many of whom are CEOs, legal executives, HR executives and recruiters – with solid working knowledge of their local economies. ... We hope that the reports may, for instance, give a CEO insight on where to expand his business; maybe they provide a recruiter with the right information on where to find the best job candidates for a particular sector of the economy. ... Without the ACS and EC data, the private sector – and the public – will lose valuable tools for understanding our economy and, more importantly, knowing where it needs to be improved.⁴

Many Representatives and Senators use ACS data on their websites, in speeches and in assisting constituents. “The ACS is virtually the only source of data that can be used to provide housing and demographic data for individual Congressional districts,” the National Association of Home Builders (NAHB) wrote recently. “Recent examples of ACS-based studies published by NAHB include the following:

- Latest Snapshot of Local Housing Markets (March 2012)
- Metro Area House Prices: The ‘Priced Out’ Effect (February 2012)
- Property Tax Rates by County and City (August 2011)
- Housing Opportunity Index by Race/Ethnicity in 2010 (May 2011)
- Property Tax Rates After the Housing Downturn (April 2011)⁵

For trade associations such as The Aluminum Association, “the Economic Census is critical for developing impact studies...I don’t know how we could explain the impact of the industry within a State or Congressional District without the Census as a starting point.”⁶

³ Email to Kenneth Simonson, June 14, 2012.

⁴ Email to Kenneth Simonson, June 14, 2012.

⁵ Letter from James W. Tobin III, Senior Vice President & Chief Lobbyist, NAHB, to Senator Barbara A. Mikulski, Chairwoman, Senate Committee on Appropriations, Subcommittee on Commerce, Justice, Science, and Related Agencies, May 15, 2012.

⁶ Email to Kenneth Simonson from Nick Adams, V.P., Business Information & Member Services, The Aluminum Association, June 12, 2012.

Similarly, AGC relies on employment-size and other information from the Economic Census for fact sheets, like those attached to this testimony, that provide state-specific information on the role of the construction industry in each state's economy. (A full set of AGC's state fact sheets is at www.agc.org/factsheet.) Among its uses, the Economic Census underlies the input-output tables from the Bureau of Economic Analysis that AGC and many other organizations use to determine the direct and indirect employment effects of investment in an industry, product or community.

The Census Bureau has already had to absorb substantial cuts in resources, with negative effects on products that are important to a variety of industries. Two examples are the termination of the Survey of Residential Additions and Remodeling (SORAR) and Current Industrial Reports.

AGC and numerous other NABE members have commented on the loss of accuracy in estimates of construction spending and gross domestic product (GDP) from the termination of SORAR. As Bernard M. Markstein III, U.S. Chief Economist, Market Intelligence, Reed Construction Data, explained:

The loss of data from the [SORAR] has reduced the accuracy of the construction spending data for residential improvements produced by the Census Bureau. Reed Construction Data and its customers use these numbers along with data that Reed collects to gauge the strength of the remodeling market. The loss of SORAR has meant that residential improvements data cannot be trusted, making understanding what is happening in the remodeling market more difficult. It also has degraded the ability of some of our customers to forecast demand for their products and thus their ability to make plans for investment in plant and equipment and to project their hiring needs. Private sourced data, even Reed's extensive data base, are not sufficient to fill in the gaps created by the loss of SORAR. Also, since the data from SORAR were used as inputs by the Bureau of Economic Analysis (BEA) to produce their estimates of residential investment in the [GDP] accounts, the accuracy of those numbers has been reduced, and consequently, the accuracy of the GDP numbers has been marginally reduced.⁷

A variety of industries and government agencies formerly relied on the Current Industrial Reports, for which there is no equivalent. As stated in a letter from five associations to the Commerce Department in 2011:

This important economic statistical series is very important to American manufacturing competitiveness and is especially significant, as we indicated, to those small and medium enterprises with less capacity to replicate this vital information were it no longer collected by the Census Bureau.

Not only do the Current Industrial Reports support American manufacturing competitiveness, but this economic series supports the important work of a variety of other stakeholders, such as the Small Business Administration, the Department of

⁷ Email to Kenneth Simonson, June 15, 2012.

Defense, the Bureau of Labor Statistics, the Federal Reserve, the Bureau of Economic Analysis, the Department of Agriculture, the Food and Drug Administration, and others.⁸

In summary, both the American Community Survey and the Economic Census are vital tools for attracting, retaining and strengthening businesses as well as for efficiently allocating and evaluating a range of government programs. Eliminating, delaying or weakening the statistical validity of these products would be a serious, self-inflicted and unnecessary blow to U.S. competitiveness and economic growth. These steps would compound the harm already imposed by previous budget cuts that forced elimination of other important Census products.

⁸ Letter from American Bearing Manufacturers Association, American Coatings Association, National Oilseed Processors Association, The Fertilizer Institute and The Chlorine Institute, Inc. to Nicole Y. Lamb-Hale, Assistant Secretary for Manufacturing and Services, U.S. Department of Commerce, May 23, 2011.



The Economic Impact of Construction in the United States and New York

Economic Impact of Investment in Nonresidential Construction:

- An additional \$1 billion invested in nonresidential construction would add \$3.4 billion to Gross Domestic Product (GDP), \$1.1 billion to personal earnings and create or sustain 28,500 jobs.
 - About one-third (9,700) of these jobs would be on-site construction jobs.
 - About one-sixth (4,600) of the jobs would be indirect jobs from supplying construction materials and services. Most jobs would be in-state, depending on the project and the mix of in-state suppliers.
 - About half (14,300) of the jobs would be induced jobs created when the construction and supplier workers and owners spend their additional incomes. These jobs would be a mix of in-state and out-of-state jobs. Conversely, investments elsewhere would support some indirect and induced jobs in the state.

Nonresidential Construction Spending:

- Nonresidential spending in the U.S. in 2011 totaled \$544 billion (\$283 billion public, \$269 billion private).
- Private nonresidential spending in New York totaled \$14.0 billion in 2010. (Public spending is not available by state.)
- Nonresidential starts in New York totaled \$16.5 billion in 2010 and \$19.4 billion in 2011, according to Reed Construction Data.

Construction Employment (Seasonally Adjusted):

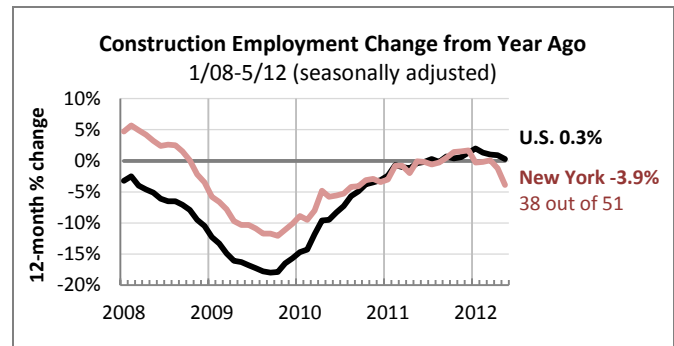
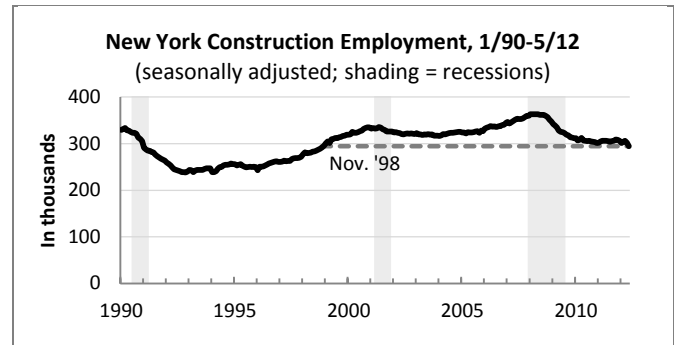
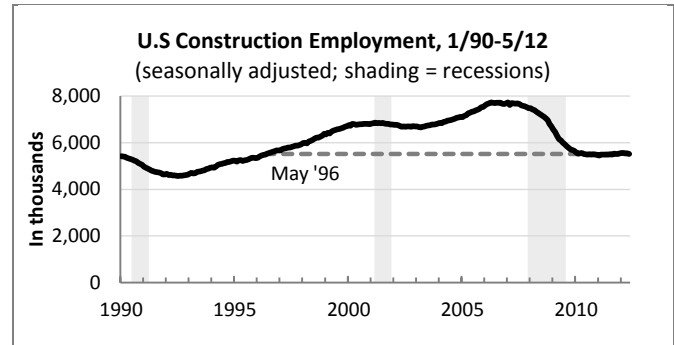
- Construction (residential + nonresidential) employed 5.5 million workers in May 2012, an increase of 18,000 (0.3%) from May 2011 and a decrease of 2.2 million (29%) from April 2006 when U.S. construction employment peaked.
- Construction employment in New York in May totaled 294,400, a decrease of 3.9% from May 2011 and a decrease of 19% from the state's peak in March 2008.

Construction Industry Pay:

- In 2010, annual pay of all construction workers in the United States averaged \$49,588, 7% more than the average for all private sector employees.
- Construction workers' pay in New York averaged \$60,272, 2% less than all private sector employees in the state.

Small Business:

- The United States had 713,000 construction firms in 2009, of which 92% employed fewer than 20 workers.
- New York had 45,900 construction firms in 2009, of which 93% were small (<20 employees).



Empl. Change by Metro (not seasonally adjusted)		Rank (out of 337)
Metro area or division	5/11-5/12	
Statewide (Construction only)	-3%	
Statewide* (Const/mining/logging)	-3%	
Albany-Schenectady-Troy*	11%	17
Binghamton*	-2%	187
Buffalo-Niagara Falls*	14%	8
Glens Falls*	-4%	218
Kingston*	0%	127
Nassau-Suffolk Div.*	-8%	282
New York City*	-5%	242
Poughkeepsie-Newburgh-Middletown*	-8%	282
Putnam-Rockland-Westchester*	-6%	256
Rochester	-3%	196
Syracuse*	-6%	256
Utica-Rome*	-3%	196

*The Bureau of Labor Statistics reports employment for construction, mining and logging combined for metro areas in which mining and logging have few employers. To allow comparisons between states and their metros, the table shows combined employment change for these metros. Not seasonally adjusted statewide data is shown for both construction-only and combined employment change.



The Economic Impact of Construction in the United States and Texas

Economic Impact of Investment in Nonresidential Construction:

- An additional \$1 billion invested in nonresidential construction would add \$3.4 billion to Gross Domestic Product (GDP), \$1.1 billion to personal earnings and create or sustain 28,500 jobs.
 - About one-third (9,700) of these jobs would be on-site construction jobs.
 - About one-sixth (4,600) of the jobs would be indirect jobs from supplying construction materials and services. Most jobs would be in-state, depending on the project and the mix of in-state suppliers.
 - About half (14,300) of the jobs would be induced jobs created when the construction and supplier workers and owners spend their additional incomes. These jobs would be a mix of in-state and out-of-state jobs. Conversely, investments elsewhere would support some indirect and induced jobs in the state.

Nonresidential Construction Spending:

- Nonresidential spending in the U.S. in 2011 totaled \$544 billion (\$283 billion public, \$269 billion private).
- Private nonresidential spending in Texas totaled \$16.7 billion in 2010. (Public spending is not available by state.)
- Nonresidential starts in Texas totaled \$25.1 billion in 2010 and \$26.3 billion in 2011, according to Reed Construction Data.

Construction Employment (Seasonally Adjusted):

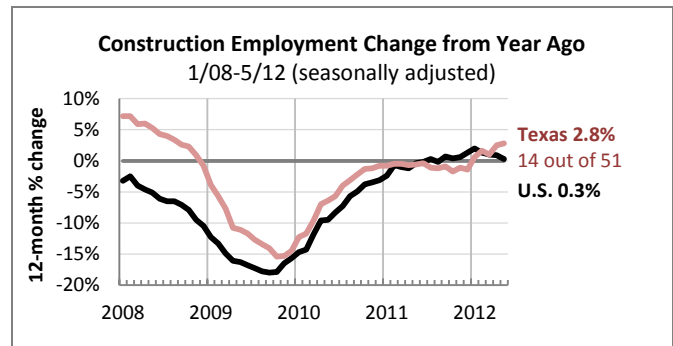
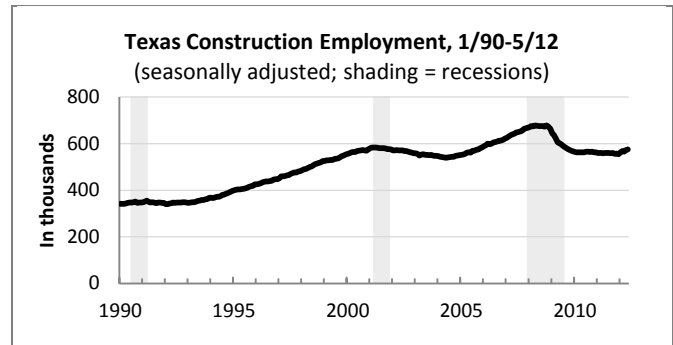
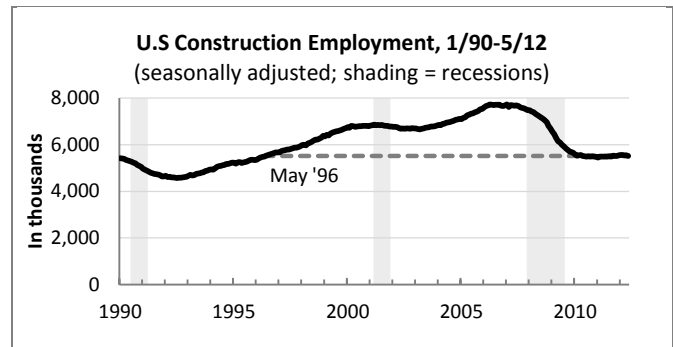
- Construction (residential + nonresidential) employed 5.5 million workers in May 2012, an increase of 18,000 (0.3%) from May 2011 and a decrease of 2.2 million (29%) from April 2006 when U.S. construction employment peaked.
- Construction employment in Texas in April totaled 575,300, an increase of 2.8% from May 2011 and a decrease of 15% from the state's peak in April 2008.

Construction Industry Pay:

- In 2010, annual pay of all construction workers in the United States averaged \$49,588, 7% more than the average for all private sector employees.
- Construction workers' pay in Texas averaged \$49,241, 3% more than all private sector employees in the state.

Small Business:

- The United States had 713,000 construction firms in 2009, of which 92% employed fewer than 20 workers.
- Texas had 40,500 construction firms in 2009, of which 87% were small (<20 employees).



Empl. Change by Metro (not seasonally adjusted)		Rank
Metro area or division	5/11-5/12	(out of 337)
Statewide (Construction only)	2%	
Statewide* (Const/mining/logging)	5%	
Austin-Round Rock-San Marcos*	5%	51
Beaumont-Port Arthur*	6%	37
Corpus Christi*	6%	37
Dallas-Plano-Irving, Div.*	-1%	177
El Paso*	1%	116
Fort Worth-Arlington, Div.*	5%	51
Houston-Sugar Land-Baytown	1%	116
Longview*	1%	116
McAllen-Edinburg-Mission*	2%	103
Midland*	8%	26
Odessa*	9%	24
San Antonio-New Braunfels	5%	51

*The Bureau of Labor Statistics reports employment for construction, mining and logging combined for metro areas in which mining and logging have few employees. To allow comparisons between states and their metros, the table shows combined employment change for these metros. Not seasonally adjusted statewide data is shown for both construction-only and combined employment change.