

A Hearing of the Joint Economic Committee of the U.S. Congress

“The Economic Impacts of the 2020 Census and Business Uses of Federal Data”

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Chairman Lee, Vice Chair Maloney and members of the Joint Economic Committee, thank you for the opportunity to testify today about the importance of the 2020 Census to American business. Data from the Census doesn't just underpin American democracy and guide Federal spending, they form the backbone of data-driven decision making in the private sector. This data helps U.S. businesses promote economic development, identify and serve customers and create jobs.

I'm wearing two hats at today's hearing. The first is representing the Insights Association,¹ the leading nonprofit association representing the marketing research and data analytics industry. Our industry delivers insights to drive good business decisions. Research studies in the U.S. require the most accurate decennial data in order to produce statistically representative samples of the U.S. population, or segments thereof. Even the most essential Federal government surveys, like the American Community Survey (ACS) (formerly known as the census “long form”) and the Economic Census, are built on decennial census data. Without accurate census data, American businesses can't know what America needs (to paraphrase the 2000 Census tagline).

My second hat is codirector of the Census Project,² a broad-based coalition of national, state, and local organizations and companies that support an inclusive and accurate 2020 Census and ACS, including hundreds of state and local government groups, business trade associations, labor unions, academia, religious groups and civil rights activists.³

While the Census Bureau aims for a 100% accounting of the U.S. population every ten years, our nation rarely achieves that goal. Hard-to-count populations and areas (such as remote and

¹ <https://www.insightsassociation.org/>

² <http://www.thecensusproject.org>

³ For example, the Census Project recently led a letter from more than 130 stakeholder groups requesting \$8.45 billion for the Census Bureau in FY 2020 - <https://thecensusproject.org/alarm-raised-with-congress-on-census-funding-shortfall-census-experts-say-administration-budget-is-short-more-than-2-billion/> - and helped to organize 28 business groups last year in support of FY19 census funding - <https://censusproject.files.wordpress.com/2018/05/final-census-biz-groups-fy19.pdf> .

rural areas, racial and ethnic minorities, young children, and low-income households) are normally undercounted in the decennial.⁴ My testimony will illustrate some of the big impact from small inaccuracies in census data, to demonstrate the need to fully fund the 2020 Census.

Business uses of census data

Many companies, whether large multinationals or fledgling small businesses, use the intricacies of census population and demographic data⁵ to:

- decide where, when or if to site a business;
- find the right consumer base;
- discover (and then satisfy) consumers' unmet needs and wants;
- identify and locate the best and most appropriate workforce (by education level, unemployment rate, or other factors) to run their business;
- find where the workforce of the future (or near-future) is being produced;
- take risks on up-and-coming neighborhoods that potentially may suit the business (in terms of customer, workforce, or infrastructure and other support systems);
- discover locations with the right infrastructure to support their business and workforce (or facilitate their consumers' access to and use of their business' services or products); and
- figure out which neighborhoods sport the right kind of government funding for infrastructure their specific businesses care about.⁶

Manufacturers, retailers, and financial analysts use the data to measure a company's health, compensate employees, quantify ROI, identify new opportunities, forecast performance, and optimize consumer price and strategies. Financial Institutions use Census data to identify lending and investment opportunities, set rates and terms, tailor financial programs to the local neighborhood level, and determine the best locations for branches.

Census data explains more than just how many people live where, it "describes their living arrangements, ages, income, educational attainment, commuting patterns and occupations...

⁴ "CENSUS ACCURACY AND THE UNDERCOUNT: Why It Matters; How It's Measured." The Funders Committee for Civic Participation. January 31, 2017. <https://funderscommittee.org/resource/census-accuracy-and-the-undercount-why-it-matters-how-its-measured/>

⁵ While many Insights Association members use Census data to develop insights, some small businesses go straight to Census Bureau data via the Census Bureau's Census Business Builder - <https://www.census.gov/data/data-tools/cbb.html> - which provides "selected demographic and economic data... tailored to specific types of users in a simple to access and use format."

⁶ According to the former president and CEO of the Business Council of Alabama, census data helps businesses "identify barriers and solutions to improve our local schools, health care system, and transportation options that our workers rely on." -- "Our workplace and economy depend on an accurate Census." by William Canary. AL.com. April 15, 2019. <https://www.al.com/opinion/2019/04/our-workplace-and-economy-depend-on-an-accurate-census.html>

the kinds of homes people have, in terms of age of home, number of rooms, value, whether it has complete kitchen and plumbing facilities, the availability of telephones and automobiles and the type of home-heating fuel used."⁷

Because accurate census data is considered the gold standard of publicly available data, it creates a competitive advantage for our country. Economic development agencies like the Greater Houston Partnership utilize Census data at the neighborhood level to attract and retain business investment in their cities based on points like infrastructure data, education levels, and traffic patterns.⁸ American localities can use census data to attract and keep business not just across the U.S., but across the globe. One of the greatest barriers to international expansion is the lack of good, transparent data, but census data gives the private sector the confidence to get their capital off the sidelines and put it to productive use here in the U.S.

Data-driven decisions are even more reliant on accurate census data when they involve small or hard-to-count demographic groups or areas. Starbucks can easily open another coffee shop in Manhattan's financial district, but it takes the most accurate census-based insights to justify one in rural Arkansas. Census (and ACS) data give companies comparable, consistent, timely, and high-quality demographic and socio-economic data for all American communities, down to the neighborhood and census tract levels, so that we can accurately compare an East Asian immigrant neighborhood in downtown New Orleans to a low-income Hispanic neighborhood of Austin, a middle-class small town in rural Washington State, and a large suburb of Chicago.

The Census Bureau has compiled a few case examples for how businesses use Census data, such as helping:

- a "high-end mountain bike component manufacturer" to open "his own bike shop to sell his manufactured components along with mountain bikes and other components" in Portland, Oregon;⁹

⁷ "Business Uses of Census Data." Incontext. July 2001.
<http://www.incontext.indiana.edu/2001/july01/spotlight.asp>

⁸ https://www.census.gov/library/video/sia_greater_houston.html

⁹ "He used data from the American Community Survey (ACS) to identify potential customers (young professionals with moderate to high median household income) that he could then market his new business to. He also used Census business data to identify locations where Sporting Goods stores (NAICS 451110, which includes bike shops) are located. These data not only identified possible competitors to his business but also potential businesses to partner with by opening a leased department within a larger store. Using the business data from Census, he was also able to compare the payroll per employee, sales per employee, and other stats for the nine areas he considered which gave him a better understanding of his industry and what he should expect to pay his employees. These data were included in his business plan and in the application that he submitted to his local small business lender for a start-up capital loan." -- "Uses of Data." <https://www.census.gov/programs-surveys/economic-census/guidance/data-uses.html>

- a "restaurant in Albuquerque, New Mexico" to add "a drive-through window to each of his five restaurants;"¹⁰ and
- a "utility truck manufacturer" conduct and act upon a periodic review of the company's "network of dealerships and repair facilities across the U.S." to relocate certain facilities and open some new facilities "to better serve their markets" and improve customer satisfaction.¹¹

The trickle-down impact of an inaccurate decennial census would restrain or ruin American businesses for a whole decade:

- Utah-based Qualtrics, an Insights Association company member providing software to measure and improve the customer experience for thousands of brands around the world, would struggle to provide them with the data necessary to do so, absent census-benchmarked statistical sampling.
- J.M. Smucker, a member of ours based in Ohio, might have to locate new manufacturing and production facilities outside of the country rather than risk investing in a small American town with no accurate measure of its local workforce.

¹⁰ "A restaurant in Albuquerque, New Mexico considered adding a drive-through window to each of his five restaurants but was not sure that his sales would increase enough to warrant the required investment in equipment and personnel or the disruption to the business during the installation period. He spoke with other restauranters in his area who had drive-through windows about their experiences but few were willing to share information about the competitive advantage they believed they had. Using the Products Line data from the Economic Census for Limited Service Restaurants (NAICS 722513), he was able to determine that similar businesses in New Mexico typically saw around 29.3% (\$406.4 Million) of their sales of food and 10.4% (\$144.2 Million) of their sales of nonalcoholic beverages from their drive-through receipts. Using these data, he applied for and received a ten-year small business loan to help pay for the installation of the drive-through in each of his five locations. His sales increased enough that he was able to pay off the note in three years." -- "Uses of Data." <https://www.census.gov/programs-surveys/economic-census/guidance/data-uses.html>

¹¹ "A utility truck manufacturer was doing a periodic review of its network of dealerships and repair facilities across the U.S. They were happy to see that most of their facilities reported high customer satisfaction scores from the surveys they did with their customers, but were disappointed to see that some were not doing as well. Especially concerning was that the complaints were not about the quality of the service provided but the time it was taking to get an appointment and get the vehicle repaired. Customers also complained about the distance they had to travel (at great expense) for service. Their planning staff considered relocating some of the locations to better serve the existing customers, but senior staff were concerned about the costs. Using Census business data, headquarters staff were able to identify (on a map) the numbers of businesses (plumbing and electrical contractors) that typically used their vehicles throughout their covered service areas. They overlaid a map of their service facilities on top; doing so quickly revealed areas with many potential customers but no dealerships or repair facilities within 50 miles. They also noted that the service area of some of their under-performing facilities overlapped with other areas. Using Census data, the planning staff were able to convince senior managers that changes were needed. They decided that some facilities should be relocated and new facilities opened to better serve their markets. When the next periodic review was done, the customer satisfaction scores had significantly improved." -- "Uses of Data." <https://www.census.gov/programs-surveys/economic-census/guidance/data-uses.html>

- A rural utility would not know where to site new cell towers, electric transmission lines, or water lines, so certain communities would go without enough coverage while others might end up unnecessarily over-saturated.
- An obstetrics practice might not be opened in an area growing dense with young family households if census data can't accurately reflect the neighborhood's demographic trends (costing the medical practice profits and the local community the benefits of care).
- A business might not invest in a certain neighborhood without special tax treatment for requisite concentrations of low or moderate-income households – incentives that would be unavailable without accurate census data to qualify them.¹²
- Retail companies like Target wouldn't be able to accurately understand their local stores' customer bases, plan where and how to exactly stock certain goods and where to display them on shelves in specific stores, or track changes in consumer preferences between urban, suburban and rural communities in a timely fashion.¹³
- An Insights Association member company conducting public opinion polling, like Ipsos, would not know how representative survey results of contentious political issues would be of the total population, let alone important demographic segments (e.g., African American women between 30 and 45), leaving policymakers and stakeholders guessing.
- A marketing research and data analytics company like Insights Association company member Kantar measures the U.S. media audience, setting the rates for advertising, publication and programming across the country. Without accurate census data, ad spending and media programming would target the wrong areas and demographic segments, miss others entirely, or not be produced/delivered at all.¹⁴
- For a retail real estate project, a member of the International Council of Shopping Centers (ICSC) would be unable to conduct the extensive market analyses needed to accurately “determine, among other things: where to build, what to build, and when to

¹² <https://www.brookings.edu/blog/fixgov/2017/08/31/the-2020-census-may-be-wildly-inaccurate-and-it-matters-more-than-you-think/>

¹³ “Stats in Action: Target Uses ACS Data.” <https://youtu.be/jgsdQxTv5kY>

¹⁴ As the CEO of another major audience measurement provider, Nielsen, recently wrote in The New York Times: “American businesses’ reliance on this data cannot be overstated. As soon as the decennial census data is available, for example, we revise our ranking of the top media markets in the United States, by population. This “designated market area” list is always eagerly anticipated by our clients, and it has a direct impact on how advertisers spend their money.” ... “In the era of big data, an accurate census is more critical than ever. We know that big data sets have inherent structural biases, and those biases require calibration to a “truth set,” which in almost all cases is benchmarked to the census. Even a small error in the census can be amplified over and over again as the data is used in new and ever evolving ways. The last thing that business needs is for the next 10 years of data to be built on a faulty foundation.” - “A C.E.O.’s Plea: Don’t Mess With the Census.” By David Kenny. The New York Times. April 22, 2019. <https://www.nytimes.com/2019/04/22/opinion/us-census-2020.html>

build,” nor would the company have accurate data for “sales forecasting, trade area delineation, target marketing and supply chain management.”¹⁵

- The National Association of REALTORS® would be unable to benchmark its home sales figures and struggle to properly analyze trends in migration among recent movers, generational demand or household formation.¹⁶
- A broadcaster like Univision would have a smaller amount of the audience “represented in data,” resulting in fewer “potential advertisers” desiring or agreeing to advertise “if ratings decline overall or take a notable dip” and “less inclusive programming and fewer executives of color in the C-suite.”¹⁷

Ensuring the most accurate 2020 Census

The dependence on accurate census data of American businesses, especially the marketing research and data analytics industry, drives our advocacy for adequate resources for the Census Bureau over the whole decennial lifecycle. We’re extremely concerned about that accuracy, given the cancellation of essential 2020 Census field testing in remote and rural areas,¹⁸ the potential drop in response rate due to the addition of a citizenship question¹⁹ (and a general growing distrust in government), and the Administration’s plan to not spend all available resources allocated by Congress for FY2019 during FY2019,²⁰ We’re also worried about the severe impact of a continuing resolution or shutdown heading into FY2020 without a funding

¹⁵ "Urge Congress to Maintain Adequate Census Funding." ICSC. <https://p2a.co/gHa0DFI>

¹⁶ Letter from the National Association of REALTORS®. March 2018. <https://thecensusproject.org/2018/03/13/how-realtors-use-census-data/>

¹⁷ "Census2020: Why Media Companies Should Tune In Now." By Jessica Herrera-Flanigan. February 11, 2019. <https://corporate.univision.com/blog/demographics-culture/2019/02/11/census2020-why-media-companies-should-tune-in-now/>

¹⁸ Due to funding shortfalls, the Census Bureau had to cancel 2017 tests of special counting procedures for tribal lands and rural and remote areas in the Dakotas, Washington state and Puerto Rico. The same effectively happened for the 2018 end-to-end readiness test, which was supposed to be of 700,000 varied and targeted households in Wisconsin, Washington and West Virginia. Instead, the end-to-end test only happened, on a small scale, in Providence, RI. For more, see the Insights Association 1-page position paper, "Counting Rural America in the 2020 Census." <https://www.insightsassociation.org/legal-article/counting-rural-america-2020-census>

¹⁹ Although the Census Project takes no position on the citizenship question, the Insights Association advocates against the addition of the citizenship question to the 2020 Census and joined an amicus brief in the U.S. Supreme Court case, explaining the negative business impact of the question. See the press release -- <https://www.insightsassociation.org/article/supreme-court-amicus-brief-argues-citizenship-question-would-harm-businesses-reliant-census> -- and the amicus brief -- https://www.insightsassociation.org/sites/default/files/misc_files/census_merits_amicus_brief_to_file.pdf

²⁰ Letter to Congressional appropriators advocating for the Census Bureau to spend as much of the FY2019 appropriations from Congress as possible in FY2019, since the “window of opportunity to enhance and refine key census operations that are most likely to reach historically hard-to-count population groups is closing fast.” <https://censusproject.files.wordpress.com/2019/04/census-project-and-lchr-letter-to-senate-re.-fy-19-spending-4-30.pdf>

anomaly for the Census Bureau, since the decennial census has legally-required deadlines to follow, and playing catch-up can be challenging (and expensive).

The Insights Association, and the business community at large, are particularly concerned that, as it becomes time to scramble for the 2020 Census, funding for the ACS and Economic Census may be sacrificed. Any funding diversion from the ACS would reduce the sample size, preventing the survey from delivering accurate data on more than 40% of (mostly rural) U.S. counties and small towns, while funding diverted from the Economic Census would hurt our ability to track national and international productivity, trade, and employment

For now, we're pleased that the House CJS Appropriations Subcommittee approved FY2020 funding legislation on May 17 with \$7.5 billion for the 2020 Census and \$8.45 billion for the Census Bureau overall (which is in line with census stakeholders' request²¹).

The Insights Association and the Census Project urge committee members from both sides of Congress and both political parties to quickly coalesce in support of the maximum amount of census funding, to ensure an inclusive and accurate accounting of our nation's population. The 2020 Census will help to determine the fate of American business for the next decade (and beyond).

Thank you for inviting my testimony this afternoon. I look forward to answering your questions.

²¹ <https://censusproject.files.wordpress.com/2019/04/fy-2020-census-project-sign-on-letter-pre-cjs-mark-up-4-16-19-2.pdf>