DIVERSE PERSPECTIVES ON CRITICAL ISSUES

Federal Statistics: Robust Information Tools for the Urban Investor

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Sound investments in urban communities depend on good information.

Intelligent investors in urban areas need reliable information, whether they're managing businesses, government programs, or nonprofit organizations:

- *An entrepreneur might ask*: Is this neighborhood the right place for my new business? Is the market large enough? Where will my employees come from?
- *A regional transportation official might ask:* Where should I recommend that highways and public transit be placed so residents can get to good jobs?
- *A training institute director might ask*: What workforce training programs should I offer to better match residents with available jobs?
- *A community development corporation executive might ask*: What is the need for affordable housing? Where should it be built? How should it be priced?
- *A federal health care administrator might ask*: How should I allocate scarce funds for health care centers across the U.S.?

Investors need information on people, businesses, and community assets.

The Living Cities Policy Series *consists of papers commissioned by Living Cities to stimulate serious conversation about issues that are important to America's cities. The authors present a variety of perspectives that do not necessarily represent the views of Living Cities or its member organizations.*

Living Cities: The National Community Development Initiative *is a consortium of major financial institutions, philanthropic foundations, and federal agencies investing collaboratively in the vitality of cities to increase opportunity and improve the lives of people in urban neighborhoods.*

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To answer these types of questions, investors need information on three dimensions of urban communities:

People – the number of residents; personal characteristics such as age, race and ethnicity, employment, earnings, educational attainment, and skills; household characteristics such as number of children, purchasing power, home and automobile ownership.

Businesses – characteristics of businesses, such as size, industry, and location; employment characteristics, such as occupations, skills, annual and hourly pay.

Community assets – the use, capacity, and condition of roads and bridges, public transit, hospitals, school systems, parks and open areas; the characteristics of the commercial and industrial buildings.

Far too often, ***accurate, up-to-date information about urban neighborhoods is not available to investors.*** The nation's providers of data on people, businesses, and community assets are not adequately meeting decision-maker needs. As a result, private sector investors miss opportunities in cities and urban residents are deprived of goods, services, and jobs. And governments and nonprofits are in the dark on trends in neighborhood change, unable to effectively use limited funds in ways that would spur community progress and well-being.

Federal statistics are essential to the functioning of America's urban markets. The aim of this brief is to review the nature of and rationale for the federal role in urban statistics, and identify specific steps the government can take to close the urban information gap.

The federal government's role in providing statistics is vital to a well-functioning market economy.

The federal government is the nation's primary reporter, collector, disseminator, and analyst of data about cities. For data on ***people*** and ***business***, the nation's cities are almost completely reliant on the work of three federal agencies—the Census Bureau, the Bureau of Labor Statistics (BLS), and the Bureau of Economic Analysis (BEA).

While most cities collect data on ***community assets***, these data tend to be incomplete, of uneven quality, and hard to compare across cities. To overcome these problems, statistical agencies in the major federal departments collect and publish data on the characteristics and outputs of our nation's community assets. For instance, statistics on many aspects of urban communities can be found in the Departments of Transportation, Education, Housing and Urban Development, Health and Human Services, and Justice, and the Environmental Protection Agency.

The federal government's predominant role in producing the nation's socioeconomic statistics has existed since the 1860s. Over time, Congress has made quite clear that an important mission of the federal government is to collect and provide publicly available data on the major dimensions of our society, economy, and citizenry. In fiscal year 2004, over 70 separate agencies in the federal government collectively spent $4.8 billion to carry out this mission.

Historically, Congress and the executive branch have justified the federal statistical role and level of expenditure on a number of grounds:

- ***Markets work best*** when all public and private actors have ***ready access*** to socioeconomic statistics that are current, accurate, produced on a regular schedule, and consistent over geographic space and time.
- Traditionally, federal statistical agencies are seen as ***objective and trustworthy***, unbiased by motives other than the public welfare.
- High levels of respondent participation in important surveys (such as the Decennial Census) can be achieved only through federal laws that ***mandate participation***.
- A centralized federal role in data collection and analysis allows ***economies of scale*** not available to other data providers.
- ***Federal decision-makers***, in order to design and implement appropriate and effective public policies, need ready access to current, accurate national, state, and substate statistics.

Information is a very effective and low-cost federal policy tool for driving healthy urban markets.

The federal government has five types of tools for overcoming barriers to efficient markets:

- ***Expenditures*** – grants, subsidies, and tax credits.
- ***Regulation*** – rules to guide the behavior of market actors (for example, in finance, environment, and product safety).
- ***Procurement*** – criteria for awarding federal contracts (such as set-asides for small businesses and recycled paper purchases).
- ***Market-making*** – organizing market actors who otherwise would have difficulty finding each other, and enable them to trade resources (for example, emissions credit markets).
- ***Information*** – statistics and other information (such as weather) to improve the quality of market decision-making.

Each tool has an appropriate role to play, depending on the nature of the problem to be solved. The primary value of federal information tools is that they are ***"bottom-up,"*** aiming to enhance, rather than substitute for, the judgment of market actors. They build on the detailed, nuanced knowledge and experience of millions of market actors—the result is more efficient and effective investment decisions.

Information tools based upon Federal statistics have an impact on millions of market decisions every day—from Wall Street to Main Street. Their impact is greater than their presence in the Federal budget would imply. For example, while the Federal government provided $441 billion in grants in fiscal year 2003, it spent only about 1% of that amount, or $5 billion on statistical programs in that year. Clearly, the economic impact of each federal statistical dollar spent is very high.

These impacts are immediate and sustainable over time. While complex new surveys can take some years to get up and going, once information is published, their impacts on markets occur instantaneously. Moreover, with regular updating, the benefits of information tools can be harvested for years to come.

The federal government can do much to make better information about cities available.

Within its budget limitations, the federal statistical agencies do an adequate job of providing useful information for urban areas. At the same time, many steps can be taken to improve the availability, accuracy, and accessibility of federal statistics. In particular, three issues and opportunities present themselves.

First, it is critical to continue to provide an accurate picture of ***urban population size and characteristics***. These data are essential to almost all private and public investors. Providing such data is the work of the Census Bureau, through three data programs—the Decennial Census, the American Community Survey (ACS), and the Intercensal Population Estimates Program (ICPE).

- Once a decade, the Decennial Census provides a complete count of everyone living in the U.S. using the "short form". The "long form" collects data on basic characteristics of age, sex, race and ethnicity, and size of household. These data are published at very small geographic levels ("census tracts," "block groups," and "blocks").[1] The Decennial Census is mandated by the U.S. Constitution.
- For each of the nine years between the Decennial Census, the ICPE Program publishes estimates of population size for states, metropolitan areas, counties by age, sex, race, and Hispanic origin, and estimates of population size for places.[2] The ICPE program is mandated by federal law.
- Surveying and publishing data annually, the America's Community Survey (ACS) is replacing the once-a-decade "long form" of the Decennial Census.[3] As a result, the ACS will transform the ability of businesses and governments to know and understand local communities in precise detail. Every question on the ACS is tied to a specific Congressionally mandated data requirement in support of a federal agency or program.[4]

In providing these necessary data, the Census Bureau faces several challenges:

- The Bureau's population programs need ***adequate budgets***. While not expensive compared to other federal efforts to influence markets, the Decennial Census and the ACS in combination are the most expensive federal statistical undertaking and thus an easy target for budget reduction. For the Decennial Census and the ACS

[1] http://www.census.gov/main/www/cen2000.html
[2] http://www.census.gov/popest/estimates.php
[3] http://www.census.gov/acs/www/
[4] See http://www.census.gov/acs/www/SBasics/congress_toolkit/Housing%20Fact%20Sheets.pdf and http://www.census.gov/acs/www/SBasics/congress_toolkit/Population%20Fact%20Sheets.pdf.

to produce accurate statistics, sufficient funding is required each and every year. Because they rely on multi-year processes of planning (Decennial Census) and implementation (ACS), gaps in funding in any one year serve to substantially both reduce the accuracy of results and the return on the federal government's entire investment.

- To provide accurate population counts, the Bureau needs to build ***productive cooperative relationships with local governments***. The correctness of the population count depends on the validity of the Census Bureau's Master Address File (MAF), a listing of every mailing address in the nation. For the 2000 Census, Congress mandated that the Bureau work with local governments to revise the MAF. As a result, both urban areas (New York City) and rapidly growing exurbs (Delaware County, Ohio) had more accurate population counts. Continuously updated address files, vetted by local governments, are vitally important to creating an accurate picture of America's cities and suburbs.

The second important opportunity for federal action is to develop and publish an accurate, comprehensive, detailed, easily accessible ***measure of metropolitan economic activity***. At present, such a measure does not exist. A gross metropolitan product (GMP) data series would quantify the total value of the goods and services produced in each U.S. metropolitan area. For urban decision-makers, the absence of a GMP series is glaring—it prevents them from accurately understanding the workings of individual regional economies and so design effective policies to improve their health. In particular, they are hindered in accurately ascertaining the full economic impacts of various types of planned and implemented public and private investments.

If funding is sufficient, the U.S. Bureau of Economic Analysis (BEA) plans to produce a GMP series consistent with BEA's national estimates of gross domestic product (GDP) and with its gross state product estimates.[5] BEA intends to prepare prototype GMP estimates for selected years and industries beginning in fiscal year 2007. The cost to carry out this effort appropriately is $1 million annually; the impact of this measure to drive markets in America's cities will be infinitely greater.

The third opportunity is to support tools that allow investors to ***see the flow of people through urban communities*** over space and time. In particular, the Census Bureau's Longitudinal Establishment-Household Dynamics Program (LEHD) offers an innovative approach to mapping patterns of people traveling from home to work, or moving from a job, school, prison, or welfare to a new job.[6] LEHD does so by linking together independent sets of existing federal and state administrative records while fully protecting confidentiality.[7] For instance:

- LEHD is building web-based maps that show general patterns of where people live in relation to where they work, by neighborhood. These maps will be

[5] http://www.bea.gov/bea/regional/gsp.htm
[6] http://lehd.dsd.census.gov/led/
[7] Title 13 prohibits the Census Bureau and its employees from releasing data obtained on any individual person, household, or organization.

extremely valuable to transportation planners and businesses exploring new locations.

- LEHD data for the first time allows local policy analysts—particularly local workforce investment boards and economic development agencies--to see turnover (new hires, firings) and other measures of labor market "churning" by industry and worker characteristics (such as age and gender). By seeing the workings of the marketplace in much greater detail, these organizations can design more responsive programs.

From a federal budget perspective, LEHD is highly cost-effective. It uses existing data collected for administrative purposes to produce new statistics at minimal cost and without burdening the public with another survey questionnaire. As a result, the annual budget required for operations is quite small, $6 million.

Missing in action – local data.

While the federal government is the largest provider of statistics on urban areas, thousands of state, regional, local, and private organizations across the nation produce more detailed data on neighborhoods and small areas with regards to education, housing, land use, public safety, employment, transportation, and every other dimension of urban life. However, the costs of building local capacity to produce these data, the difficulty of gaining easy access to them, and the problems of integrating and comparing different data sources has made it impossible to fully utilize these valuable resources.

Again, new information technology will enable policymakers to overcome these barriers and create a system through which community statistics and tools can be shared. The ***National Infrastructure for Community Statistics*** (NICS), organized by the Brookings Urban Markets Initiative, will be a web-based marketplace, offering both access to data from thousands of public and private sector providers and the tools to prepare, integrate, and analyze those data.[8] Once developed, NICS will enable analysts to integrate diverse data sets from multiple sources in new and innovative ways. As a result, the ability of public and private decision-makers to locate and use information for better decisions will be greatly enhanced.

A community of practice (CoP) is overseeing the development of NICS, and includes representatives from over 120 federal, state, local, nonprofit, and commercial organizations. Federal participants are central to this effort, and include staff from the Office of Management and Budget, General Services Administration, Census Bureau, Environmental Protection Agency, Department of Justice, Federal Highway Administration, U.S. Geological Survey, and the Centers for Disease Control and Prevention.

The federal government can play several key roles in the NICS implementation process. First, federal statistical agencies can make their data "NICS ready." The first priority for the users of NICS is to gain improved access to key federal, state and local data sets.

[8] http://colab.cim3.net/cgi-bin/wiki.pl?NationalInfrastructureforCommunityStatistics

Second, federal statistical agencies will be important customers, since NICS will allow them to collect robust local data by downloading state and local administrative datasets, thereby reducing the need for additional costly and redundant surveys. Third, federal agencies, such as the National Science Foundation, may have a role in supporting research to build elements of the NICS platform.

The investment in Federal statistics provides outstanding returns.

This paper illustrates the important role played by federal statistics in generating and disseminating information critical to driving urban markets in neighborhoods across the country.

The federal government has a number of opportunities to significantly improve thse ability of private and public decision-makers to make wise investment decisions. Strong and continued support for the Census population programs, the Gross Metropolitan Product, and LEHD, and continued federal involvement in NICS, will go far to bring into focus the true value of urban markets. For urban America, the results will be improved access to goods, services, and jobs. For the federal government, and for the nation's taxpayers, the return on a relatively small investment will be substantial.

Resources:

Federal Statistics

FedStats (gateway to federal statistics on the Internet): www.fedstats.gov

American Community Survey: http://www.census.gov/acs/www/

Decennial Census: http://www.census.gov/main/www/cen2000.html

Population Estimates Program: http://www.census.gov/popest/estimates.php

Gross State Product (web site similar in nature to proposed Gross Metro Product): http://www.bea.gov/bea/regional/gsp.htm

LEHD: Longitudinal Employer-Household Dynamics: http://lehd.dsd.census.gov/led/

National Infrastructure for Community Statistics: http://colab.cim3.net/cgi-bin/wiki.pl?NationalInfrastructureforCommunityStatistics

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