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Welcome to the latest edition of APDU Newsletter. Please click on the title of each individual article or [click here](#) to download all articles in a PDF file. Feel free to let us know what you think about the newsletter at info@apdu.org.

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President's Corner

Andrew Reamer, President
APDU

Welcome to the mid-summer edition of the APDU newsletter. Last issue, Steve Pierson's article on IRS/SOI information technology centralization generated reactions from APDU members alarmed by what they read. In an effort to continue keeping APDU members apprised of challenges faced by the federal statistical system, in this edition we bring you articles on the threat to the restoration of BEA's foreign direct investment statistics for states, by Catherine Bray of the State International Development Organizations, and the need for a larger American Community Survey sample to ensure the reliability of 5-year estimates, by Cindy Taeuber, a member of the Census Bureau team that developed the ACS. To facilitate member advocacy, we have added contact information for the decision-makers.

The issue also has an informative article on the status of and plans for the re-engineered Survey of Income and Program Participation, by Census Bureau's David Johnson, and a summary of the recent APDU webcast on the National Household Travel Survey, by APDU Board member and webcast producer Christine Pierce. And we have an informative report from Patricia Becker on a variety of program updates presented at the June COPAFS meeting, including those on the ACS, the population estimates program, BEA's health care satellite account, and criteria for delineating urban areas.

Last month, twice in the space of 24 hours, I had the privilege of listening to a panel of former Census Bureau directors discuss their observations regarding the actions necessary to build a strong Census Bureau. The first setting was a hearing before the Joint Economic Committee on the role of the Census Bureau as a 21st century statistical agency; the second was at the swearing-in ceremony for Bob Groves as the new census director. It was quite remarkable to hear from seven directors, stretching back in service to President Nixon, provide advice to Representatives, Senators, and Director Groves regarding the complex management and political issues facing the Census Bureau today.

And you can watch them yourself, if you wish:

The Federal Statistical System in the 21st Century: The Role of the Census Bureau, hearing of the Joint Economic Committee, July 21, 2009
http://www.jec.senate.gov/index.cfm?FuseAction=Hearings.HearingsCalendar&ContentRecord_id=89ad0feb-5056-8059-7698-744705750411

With former directors Barabba, Bryant, Riche, Prewitt, and Kincannon in the first panel. (Yours truly is in the second panel.)

"The Past, the Future, Scientific Innovation, Policy Relevance: The Second Century of the U.S. Census Bureau"

http://www.census.gov/pubinfo/www/broadcast/video/census_operations/014109.html

Hosted by Census Director Robert M. Groves, with former directors Barabba, Keane, Bryant, Riche, Prewitt, Kincannon and Murdock.

Thanks to the 80 APDU members who completed the recent member survey and to Board member Paul Zeisset for managing the survey process. One aim of the survey was to assess member reaction to the recent changes in the lineup of APDU products and services. I am happy to report that these changes are largely appreciated by the survey respondents. For instance, Paul reports that 92% think the APDU Data Updates are very useful or moderately useful and 52 respondents liked the new more substantive newsletter (only 4 preferred the previous model). The most popular benefit of APDU membership is our advocacy role, with 59% saying it is very important. In the next newsletter issue, Paul will provide a summary of the findings.

I'm also pleased to say that the annual APDU conference is shaping up well, thanks to the heroic efforts of conference co-chairs Bob Parker and John Kort and the diligence and creativity of the APDU staff. The event, "Measuring Recovery through Federal Data," will take place on September 24-25 at the Brookings Institution in Washington, DC. Check out the APDU website at <http://www.apdu.org/conference/2009/index.htm> for conference details. I look forward to seeing you there! In the meantime, have a good rest of the summer.

State Fiscal Crisis Deepens Reliance on BEA Data

Catherine Bray, Director of International Programs
State International Development Organizations

“BEA has for many years provided the only systematic, reliable, and methodologically consistent information on the operations of foreign-affiliated companies at the state-level in the U.S. – without these data, states will be running blind at a time when every dollar they spend and every job created counts.”

As senior staffers from the House and Senate Appropriations Committees meet in conference to discuss the fiscal year (FY) 2010 Congressional budget, state economic development agencies across the country are hoping their needs will be considered and addressed. Specifically, states – already stretched thin due to the current fiscal crisis – are supporting Bureau of Economic Analysis (BEA) proposals to rebuild and extend the Foreign Direct Investment (FDI) statistics program that includes the production of state-level FDI data. These data are central to the development of state economic development strategies, job creation, and the successful attraction of international investment at the state level. Options to access comparable data are limited.

The BEA proposal requests \$3.2 million for the replacement and revision of BE-13, BE-11 and BE-15 surveys of multinational companies, respectively. The Administration included this level of funding for BEA in the President’s FY 2010 budget request, which was submitted to Congress in May. In June, the House Appropriations Committee cut \$7.7 million from the proposed BEA budget (to fund an increase in the Economic Development Agency budget). The cut eliminated two proposed BEA initiatives, including the “Rebuilding the Foreign Direct Investment Statistics” initiative. However, the Senate Appropriations Committee has approved the \$3.2 million in funds requested by BEA.

If Congress fails to include the \$3.2 million in funds requested by BEA, several state-level items will remain dropped¹ from foreign affiliate survey forms including gross property, plant, and equipment by state, commercial property by state, and manufacturing employment by state. The only state-level data that will continue to be published will be employment by foreign affiliates. The accuracy of the remaining data also will be compromised as reporting thresholds will be raised and the use of sampling expanded. There is widespread support for BEA’s proposal, including from a number of government agencies, international organizations such as the IMF, and most robustly by state economic development agencies. States rely on BEA state-level FDI data for strategic and operational planning – monitoring the FDI share of their state’s employment and capital. States use the data to identify emerging opportunities by analyzing which sectors are advancing or lagging,

and to help prepare for trade and investment promotion missions to target countries and sensibly locate overseas trade and investment offices.

As a percentage of a state's overall trade agenda, FDI attraction varies across the country. For a state like Indiana, which spends 100% of its international budget on FDI attraction (with no funded export promotion activities), access to BEA state-level FDI data is essential to the health of the state's economy. Indiana's June unemployment rate hit 10.7%, one of the highest in the country – job creation is paramount. This need is deepened by the current state fiscal crisis. A March 2009 survey conducted by the State International Development Organizations (SIDO) reports that, on average, state trade budgets have been cut by 11% for state fiscal year 2009, ranging from 3% to 60% in one caseⁱⁱ. With these limited resources, states rely more heavily on the intelligence provided by BEA data in order to ensure the best return on their own investments. The Maryland Department of Business and Economic Development reports that BEA data encouraged them to explore opening an overseas trade and investment office in a high-activity investing country that was not previously on their radar. Maryland's trade agenda is 75% investment focused.

In its budget proposal justification, BEA states, "the demands for this type of data has grown dramatically..." This is due to the growth in investment activity in the states. A good example of this growth is Iowa, which has experienced a fivefold increase in foreign companies expressing an investment interest, from 8% to 40% between 2002 and 2008. In the last fiscal year, 50% of the investment and 30% of jobs in the state of Virginia originated from international sources. Paul Grossman, Director of International Trade and Investment at the Virginia Economic Development Partnership said, "Every year the economy becomes more international. . . . (I)t is unfathomable that the U.S. federal government would not track this data for their own purposes as much as for the states." BEA has also reported that in 2008 foreign affiliate investment in the U.S. was the third largest on record and has been increasing for the past six years. The federal FDI attraction program, 'Invest In America,' estimates over 5 million Americans are currently employed by foreign companiesⁱⁱⁱ.

BEA's assessment is correct, but Congress needs to recognize what is driving the increase in demand for these data. Trade and investment budgets are acutely sensitive to any changes in a state's budget. Despite greater awareness of the role investment attraction has played in fostering economic growth, state trade directors are continually challenged to defend their budgets to state legislatures. Even with a one to two year lag in reporting the data, BEA is still considered the most reliable source of information to gauge the success of investment attraction strategies and set future directions. States also spend billions of dollars every year on workforce training; some states even offer customized training programs, and the BEA data is the only way to track the success of this spending in attracting and retaining foreign employers. The data are used to justify programs and brief Governors and

state legislatures; the general consensus among states is that if the federal government continues to spend money on attracting FDI, they should keep the data, measure the success, and report to the taxpayers.

Although states do conduct their own tracking of foreign affiliates, the process is voluntary and they do not possess the capacity – or legal authority – to demand primary, financial information on the same level as BEA. Foreign companies only recognize the mandate of the federal government to regulate commerce. Enterprise Florida, the state's public-private economic development entity, operates a comprehensive program of foreign affiliate surveying – cited by BEA as an example of best practice. Still, Florida, which has been actively campaigning in favor of BEA's proposal, is adamant that its ability to compete for international investment is gravely impaired without BEA's state-level data.

Historically, FDI attraction has been the responsibility of state economic development agencies. States have spent billions of dollars attracting investment and creating jobs. A SIDO study estimates that the average state spent \$2.3 million on FDI attraction in 2008^{iv}, both through direct expenditure and tax concessions.

Commerce Secretary Gary Locke has spoken of the vital role trade and investment will play in driving America's recovery. Despite the U.S. being the number one destination for foreign investment, international competition is increasing. If states are spending precious dollars doing most of the heavy lifting to attract foreign interest in their communities, creating jobs and new investments in research and development, Congress needs to ensure the states have the tools they need to carry out this vital role. Without trusted, comprehensive state-level FDI data from BEA, transparency is decreased and economic development efforts will be severely hampered.

Catherine Bray welcomes your comments at cbray@csg.org

Editor's note: If you wish to provide the House of Representatives with your thought on this issue, you are encouraged to write the Honorable Alan Mollohan, Chairman, Subcommittee on Commerce, Justice, and Science, and Related Agencies, House Appropriations Committee, c/o John Blazey, Clerk at john.blazey@mail.house.gov.

ⁱ These questions have already been dropped from the 2008 survey due to budgetary constraints at BEA

ⁱⁱ Figures based on information submitted by 27 states.

ⁱⁱⁱ "Assessing Trends and Policies of Foreign Direct Investment in the United States," U.S. Department of Commerce, International Trade Administration publication, July 2008

^{iv} "SIDO Annual Survey 2008: Trends in State International Business Development." Figures based on 33 participating states.