

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

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TO: Members, Subcommittee on Economic Growth, Tax, and Capital Access  
FROM: Committee Staff  
DATE: June 20, 2019  
RE: Hearing: “The Importance of Accurate Census Data to Small Business Formation and Growth”

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The Committee on Small Business, Subcommittee on Economic Growth, Tax, and Capital Access will hold a hearing entitled, “The Importance of Accurate Census Data to Small Business Formation and Growth” on **Thursday, June 20, 2019 at 10:00 A.M. in room 2360 of the Rayburn House Office Building.**

Every 10 years, the U.S. Census Bureau is constitutionally mandated to count every person in the nation and the next one is less than one year away. Census data is the basis for allocating federal funding and businesses are more dependent on Census data more than ever. Trade associations, chambers of commerce, and businesses rely on this information for economic development, business decisions, and strategic planning. Specifically, census data helps identify potential customers and employees, business locations, where to target advertising, and what should be offered in different communities. New technology and emerging apps also heavily rely on precise and accurate data from the Census. In the 21st century information age, having access to the right data and information is crucial for the success of many small businesses. The hearing will provide an overview of the census and why accuracy is critical to small firms and emerging industries. Members will hear from a variety of witnesses about how census data can be used by small firms to make strategic decisions that can help them start or grow their business.

**Witness List**

- Mr. Darrin Conroy, Library Director, NY Small Business Development Center, Albany, NY; Testifying on behalf of the New York Small Business Development Center
- Mr. James Whittier Parker, President, Riverview Studios, Bordentown, NJ; Testifying on behalf of the New Jersey Main Street Alliance
- Mr. Jonathan Weinhagen, President & CEO, Minneapolis Regional Chamber of Commerce, Minneapolis, MN; Testifying on behalf of Minneapolis Regional Chamber of Commerce
- Ms. Jill Dietz, Regional Center Director Statewide Services, Oklahoma Small Business Development Centers, Tulsa, OK; Testifying on behalf of Oklahoma Small Business Development Centers

## **Background**

In Article I, Section 2 of the United States Constitution, Congress is empowered to carry out a census in “such manner as they by Law direct.”<sup>1</sup> Every 10 years since 1790, the entire population of the United States is recorded to determine, amongst other things, how district lines should be drawn, how people should be represented in the Congress, and to determine the allocation of federal resources to the States.<sup>2</sup> It serves as the bedrock of many of the decisions and programs laid out by governments and businesses. Being the foundation for the responsible allocation of tax dollars, Congress uses census data to allocate funds for dozens of federal programs.<sup>3</sup> These include programs for highway and transportation infrastructure, rural electrification, business and industry development loans, education, and public health services. According to the Census Bureau, 132 federal programs use census data to allocate more than \$675 billion each year to households, towns, cities, and states.<sup>4</sup> Altogether it provides data on nearly a third of all federal assistance to state and local governments.<sup>5</sup>

The Census now conducts a variety of surveys and censuses used by the population. Since this information is used by many different business groups, it is crucial that the data is as accurate as possible. To that end, the Census Bureau conducts monthly, quarterly, annual, and decennial surveys.<sup>6</sup> Monthly and Quarterly Surveys are small sample surveys that provide the timeliest data available so researchers, policymakers, and businesses can keep up with what is happening in their communities. Annual surveys are meant to track changes over time, have larger samples, and keep people up to date with relevant trend data.<sup>7</sup>

This enormous hub of data is used by researchers, policymakers, and businesses alike. Statistics on every area of the United States is now used to determine where to potentially start a business, expand next, or seek new talented employees. From economic, consumer, and workforce data to information on the age of homes in a location, the information from the census is useful to all types of businesses.<sup>8</sup> This hearing will highlight how important a complete and accurate census data and the many ways small firms rely on this data.

## **Census Data Sources**

The Census provides data conducted through many different surveys. From the monthly American Community Survey to the decennial census, the Census Bureau is always collecting data to help governments and businesses make material decisions resulting in community development programs and job creation that grows the economy.<sup>9</sup> The Census data collected can be used by businesses to assess population flows, customer trends, and emerging markets. The programs used

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<sup>1</sup> ARTICLE I, SECTION 2, CLAUSE 3, UNITED STATES CONSTITUTION.

<sup>2</sup> UNITED STATES CENSUS BUREAU, 2020 CENSUS RESEARCH, OPERATIONAL PLANS, AND OVERSIGHT, <https://www.census.gov/programs-surveys/decennial-census/2020-census/about/what-is.html>.

<sup>3</sup> COMMITTEE FOR ECONOMIC DEVELOPMENT, THE 2020 CENSUS: THE IMPORTANCE OF AN ACCURATE AND ROBUST ACCOUNTING OF OUR NATION’S POPULATION, APRIL 2019.

<sup>4</sup> UNITED STATES CENSUS BUREAU, AMERICAN COMMUNITY SURVEY: ABOUT, <https://www.census.gov/programs-surveys/acs/about.html>.

<sup>5</sup> *Supra* note 3.

<sup>6</sup> UNITED STATES CENSUS BUREAU: AMERICAN FACTFINDER, AMERICAN COMMUNITY SURVEY, <https://factfinder.census.gov/faces/nav/jsf/pages/programs.xhtml?program=acs>.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Supra* note 3.

to collect that data include the decennial census, the American Community Survey (ACS), the Economic Census, the Annual Business Survey, and the Current Population Survey.

### The Decennial Census

Every ten years since the first census in 1790, a count of all current residents of the United States has taken place. With this data, the Census Bureau can calculate the current population size as well as future estimates.<sup>10</sup> In the past decade, the 2010 decennial census has been used to make decisions affecting legislation and spending. It is used broadly by governments to determine communities that need spending on housing, highways, hospitals, schools, assistance programs, and many other projects that are vital to the welfare of the United States' population.<sup>11</sup>

On April 1, 2020, the next population count will begin. Because the data impacts many segments in our society, it is important the data collected are complete and accurate. To be most efficient in the allocation of resources, the Census Bureau needs to set up a vast infrastructure and train a workforce capable of directly counting the nearly 350 million people in the country. Over the past two years, however, the Census Bureau has had trouble obtaining funding needed to perform essential tasks that determine the accurate collection of robust and high-quality data.<sup>12</sup> According to a report by the Center for Economic Development, many cost saving measures have been implemented for the 2020 count.<sup>13</sup> Congress directed the Census bureau to spend no more on the 2020 census than it did on the 2010 census, which is about \$13 billion and through technological development and the expansion of the internet to most of the country, the Census Bureau is expected to save around \$5 billion on data collection.<sup>14</sup> However, the infrastructure investment needed to fully count those in hard-to-count areas, such as rural counties and urban centers, will increase in cost by about \$1.4 billion.<sup>15</sup>

Despite funding challenges, it is important for American businesses and the growth of our economy that the proper resources are allocated to the Census Bureau. Along with the Decennial tracking, the Census also perform other Surveys that provide valuable information to the business community.

### The American Community Survey

While the decennial census is conducted every ten years and provides a broad and complete picture of the country, the American Community Survey (ACS) is collected monthly, quarterly, and yearly to provide more targeted tracking of the development of America's communities.<sup>16</sup> This ongoing survey provides information to determine the distribution of the \$675 billion in federal and state funds allocated each year.<sup>17</sup> The federal government uses ACS data to inform policymakers about how to distribute funds and assess programs.<sup>18</sup> State and local governments use ACS to estimate values for new roads, hospitals, and schools. Additionally, much of the information used for

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Supra* note 7.

<sup>17</sup> *Supra* note 4.

<sup>18</sup> *Id.*

business is derived from this survey. Through the ACS, more facts about jobs and occupations, educational attainment, veterans, whether people own or rent their homes, and other topics are available.<sup>19</sup> It allows businesses to access statistics about the income of an area, the median age of residents, and home values.<sup>20</sup> This useful information can be integral to market research and business plan development. It helps enterprises both large and small make informed decisions such as where to open new facilities, and whether to expand existing ones. It can help them determine where to best invest their money and create marketing strategies, forecast demand, growth and staffing needs.<sup>21</sup>

### The Economic Census

The Economic Census is taken every five years to track extensive data and statistics about the development of businesses throughout the United States.<sup>22</sup> This information is essential for understanding American economic patterns and trends. By measuring U.S. businesses and their economic impact, the Census Bureau provides timely information on the health of the economy serving as the most extensive data collection related to business activity.<sup>23</sup> According to the Bureau, this program provides nearly 4 million businesses, large, medium, and small, covering most industries and all geographic areas in the U.S with surveys tailored to their primary business activity.<sup>24</sup>

This data is important to communities, businesses, and industries because they provide policymakers with evidence-based information used to make sound programmatic decisions. Federal agencies also rely on the data as a basis for key measures of economic activity, such as Gross Domestic Product (GDP), National Income and Product Accounts (NIPAs), and the Producer Price Index (PPI).<sup>25</sup> Furthermore, it is used by trade and business associations, along with Chambers of Commerce to measure key business facts used to gauge organizational structure and product trends. Individual businesses use the data to make decisions about operating sites, capital investments, and product development.

To develop the Economic Census, the Census Bureau works with a variety of consultants both inside and outside the Federal government.<sup>26</sup> With all the data gathered, the Census Bureau can determine the total number of establishments, the value of sales, shipments, receipts, revenue, primary business activity, total number of employees, total annual payroll, total first quarter payroll, and statistics on industry-specific topics.<sup>27</sup> The total data gathered include over 950 detailed industries across 18 industrial sectors classified using the North American Industry Classification System.<sup>28</sup> When the first report is released this September, it will include extensive

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<sup>19</sup> *Id.*

<sup>20</sup> *Supra* note 3.

<sup>21</sup> *Id.*

<sup>22</sup> UNITED STATES CENSUS BUREAU, ECONOMIC CENSUS: ABOUT, <https://www.census.gov/programs-surveys/economic-census/about.html>.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

and comprehensive data on nearly 21,000 geographic areas including the U.S. Territories, and over 7,900 goods and services products.<sup>29</sup>

### *The Annual Business Survey*

The Annual Business Survey (ABS) is used to provide information on selected economic and demographic characteristics for businesses and business owners by sex, ethnicity, race and veteran status.<sup>30</sup> Further, the survey measures research and development for microbusinesses and new business topics such as innovation and technology. To create the survey, the Census Bureau works jointly with the National Center for Science and Engineering Statistics within the National Science Foundation.<sup>31</sup> It also replaces the five-year Survey of Business Owners for employer businesses, the Annual Survey of Entrepreneurs, the Business R&D and Innovation for Microbusiness survey, and the innovation section of the Business R&D and Innovation Survey.<sup>32</sup>

The ABS is used to assess business assistance needs, allocate available program resources, and create a framework for planning, directing, and assessing programs that promote the activities of disadvantaged groups.<sup>33</sup> This helps assess minority-owned businesses by industry and area to educate industry associations, corporations, and government entities. Further, it helps analyze business operations in comparison to similar firms, compute market share, and assess business growth and future prospects.<sup>34</sup> It is used widely by private firms and individuals to evaluate their businesses and markets. Developments in the ABS will be able to enhance content to provide a more comprehensive view of domestic employer businesses, their owners, and corresponding characteristics and activities.<sup>35</sup>

The Small Business Administration (SBA) and the Minority Business Development Agency (MBDA) use this information to assess business assistance needs and allocate available program resources.<sup>36</sup> ABS is also used by local governments to commission small and disadvantaged businesses to establish and evaluate contract procurement practices. It can also help the National Woman's Business Council to assess the state of women's business ownership for policymakers, researchers, and the public at large.<sup>37</sup>

### *The Current Population Survey*

The Current Population Survey (CPS) is one of the oldest, largest, and most well-recognized surveys in the United States.<sup>38</sup> The CPS is not only the primary source of monthly labor force statistics, but also a data collector of a variety of other studies that keep the nation informed of the economic and social well-being of its people.<sup>39</sup> Like many of the surveys above, it provides crucial

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<sup>29</sup> *Id.*

<sup>30</sup> UNITED STATES CENSUS BUREAU, ANNUAL BUSINESS SURVEY: ABOUT, <https://www.census.gov/programs-surveys/abs/about.html>.

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>38</sup> UNITED STATES CENSUS BUREAU, CURRENT POPULATION SURVEY (CPS): ABOUT, <https://www.census.gov/programs-surveys/cps/about.html>.

<sup>39</sup> *Id.*

information about how individuals live their lives in the United States. For instance, it can be used to cover a wide variety of topics such as child support, volunteerism, health insurance coverage, and school enrollment.<sup>40</sup> The information is provided to governments, researchers, businesses, and individuals for a variety of purposes including general research, business planning, and the allocation of resources through government programs.

### Census Business Builder

The Census Business Builder (CBB) is a suite of services that uses the information compiled by the Census surveys to provide demographic and economic data to help those looking to start a business, grow a business, or otherwise understand the business landscape for a region. With the information passed through the CBB, companies can plan where they want to locate, who they intend to market to, and how they hire and retain employees.<sup>41</sup> Using the CBB, an entrepreneur can look at a map of where they want to start their business and find information on the demographics of people in that map. For businesses whose sales depend on consumers, the CBB can provide information on population size and density, ages, incomes, educational attainment, commuting patterns, and even living situations.<sup>42</sup> Not only can businesses use this to sell their products, they can use it to determine how to hire people, and if an area has the workforce with the skills they need. There are two versions of the CBB, the original Small Business Edition, and the Regional Analysis version that was created for larger businesses that liked the original.

#### 1. Small Business Edition of the Census Business Builder

Through the CBB, demographic and economic data are provided for free through the Small Business Edition (SBE). Using this tool, marketing teams and business owners can use a map and determine target markets. The SBE provides easy to access information about potential customers and similar businesses for those starting or planning a business. Partnered with Esri's consumer data and the ArcGIS mapping platform, CBB was released on the cloud and combines the Census geography and data through an API to deliver updated content to the user.<sup>43</sup>

The CBB SBE contains data on demographic, socioeconomic, and housing data from the American Community Survey, business data from the County Business Patterns, Nonemployer Statistics, Economic Census, and Survey of Business owners.<sup>44</sup> It also uses data on imports and exports from the International Trade Program, as well as consumer data from Esri, agriculture data from the Census of Agriculture, and workforce data from the Quarterly Workforce indicators.<sup>45</sup>

This tool can be used by entrepreneurs seeking to access capital to start or grow their business. By selecting different areas and filters on the map, business owners can easily see data provided by the variety of surveys to give a complete picture of the business and labor environment in the target area. By customizing the information provided through the tool, businesses can generate fully

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<sup>40</sup> *Id.*

<sup>41</sup> UNITED STATES CENSUS BUREAU, CENSUS ACADEMY: CENSUS BUSINESS BUILDER – SMALL BUSINESS EDITION: A PRIMER. APRIL 2019, <https://www.census.gov/data/academy/webinars/2019/cbb-sbe-primer.html>.

<sup>42</sup> *Id.*

<sup>43</sup> UNITED STATES CENSUS BUREAU, CENSUS BUSINESS BUILDER: SMALL BUSINESS EDITION, <https://www.census.gov/content/dam/Census/data/data-tools/cbb/sbe-flyer.pdf>.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

interactive reports that are customizable, printable, and downloadable.<sup>46</sup> The reports generated through the SBE can be provided alongside business plans when meeting with a lender. The useful information provided can help businesses access the capital they need to start and expand operations, knowing they are making a proper investment.

### *Small Business Development Centers*

Small Business Development Centers (SBDCs) are a nationwide assistance network for small businesses. Throughout the country there are nearly 1,000 of these local centers existing purely to help small businesses start, expand, and thrive in their communities. At these centers, business owners can seek no-cost consulting with an SBDC Counselor or low-cost training for running a business.<sup>47</sup> These programs are very successful, generating almost \$250 million in federal revenue given the 123 million appropriation in 2017.<sup>48</sup> By using the resources available at SBDCs, businesses have generated a new job every 5.6 minutes.<sup>49</sup> SBDC counselors can help businesses make foundational decisions that can have long term impacts to the business success or failure, so they need to make evidence-based suggestions using accurate and complete data. To that end, many counselors leverage census data made accessible through the Census Business Builder.

When helping entrepreneurs develop a business plan or access the capital needed to start their business many SBDC counselors use the CBB as a resource. With the entrepreneur, they can use this tool to help decide where to locate their business, who to potentially market to, and how to obtain a capable workforce. Using this data can provide essential information about demographics and population trends, housing and workforce, and the broader economic landscape of the community. It helps SBDC Counselors do their jobs and helps small business owners make important decisions. Without the information obtained by SBDC Counselors through the CBB, many of those decisions would face much more uncertainty. As noted above, the SBA also uses data collected by the Annual Business Survey to use information collected in those surveys to assess business assistance needs and allocate available program resources. As a result, to ensure SBDCs are receiving the necessary resources to assist small businesses to in their communities, accurate data must be collected.

### **Why Small Business Needs Accurate Census Data**

One of the biggest reasons small businesses fail is that they often do not have the affordable access to resources and data. Without information on the area in which the business is opening, it can be hard to know if the target market is present. However, that means investing scarce time and resources to understand the community and market, so relying on accurate census data can save an entrepreneur time and money as they determine the best path forward for the business. In addition, it provides businesses with reliable data on population shifts, information on new markets, and can help small firms identify workforce needs. Small businesses in manufacturing, retail, and finance, and many other sectors also need affordable, easy to access information to determine returns on investment, optimize marketing strategies, determine pricing strategies, and identify new investment opportunities.

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<sup>46</sup> *Id.*

<sup>47</sup> AMERICA'S SBDCs: ABOUT US, <https://americassbdc.org/about-us/>.

<sup>48</sup> AMERICA'S SBDCs: SBDC ECONOMIC IMPACT, <https://americassbdc.org/about-us/economic-impact/>.

<sup>49</sup> *Id.*

Accurate data does not just save a business money, it can also lead to new markets and business formation. For example, small businesses have been formed around the idea of providing specific targeting plans and options to local small business owners in their community. Data-mining services provide a tool for small owners who do not have the time or resources to perform the market research themselves. In other instances, new technologies have been developed by using the census data, such as online real estate companies or driving services. Without the census data, many companies may face obstacles in identifying the next new market or where existing services and products may be well-placed. Members will hear about the plethora of ways small firms utilize census data and how informed decision-making has led to innovation and leveled the playing field for entrepreneurs.

### **Conclusion**

The Census, along with many of the additional surveys they provide, collects essential data that educates researchers, policymakers, businesses, and individuals about many aspects of the country. It provides information that is crucial to the allocation of federal resources to the SBA and other programs that benefit small firms. Because entrepreneurs and small businesses looking to grow and expand rely on information derived from the census every day to make business decisions, the Census Bureau must have the resources it needs to provide high quality, accurate data on our population so small firms can create jobs and grow our economy. This hearing will allow Members to discuss the important nexus between an accurate census and small business growth.