

The Perryman Report & Texas Letter

SPECIAL REPORT

Accurate Census counts are important to ensuring adequate federal funding for various programs and appropriate representation in Congress. Undercounts in the 2020 Census will cost Texas billions in economic activity. The Perryman Group's estimates of the total economic costs are highlighted in this issue.

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The High Cost to Texas of Census 2020 Undercounts

INTRODUCTION

The concept of a Census to identify and enumerate the population of an area dates back more than 5,000 years and was found in Babylonia, Egypt, Rome, China, and other ancient civilizations.

Records have survived from China dating back more than two millennia. They have been a part of Western civilization at least since the days of William the Conqueror and were enshrined in the US Constitution.

Accurate Census counts are far more than just a matter of interest. They are important to ensuring adequate federal

funding for various programs and appropriate representation in Congress. In addition, the Census is crucial to understanding population and demographic trends in order to plan for the future.

"Accurate Census counts are far more than just a matter of interest. They are important to ensuring adequate federal funding for various programs and appropriate representation in Congress."

Undercounts occur for a variety of reasons, such as failure to realize the importance of the Census, lack of understanding as to whether to respond, inadequate internet access, or fear of providing information.

Certain population groups tend to be difficult to count, including the large Hispanic population and immigrants. People who may be working in

Texas but also have ties in other states may be unsure whether they should respond, and expansive areas with limited internet access can lead to notable undercounts.

The Urban Institute used data from the Census Bureau and a microsimulation model to analyze how various populations could be miscounted to develop estimates of the likely undercounts. For Texas, the Urban Institute projects a 2020 Census undercount of 377,187 people in Texas, meaning that 1.28% of the

state's population was not officially counted. (For additional information, see “The 2020 Census and the Consequences of Miscounts for Fair Outcomes: Texas,” Diana Elliott and Steven Martin, Urban Institute, November 2021.) One key factor contributing to this situation is the fact that Texas, unlike most other areas, chose not to invest in initiatives to encourage a thorough and accurate count. In all likelihood, this shortcoming resulted in the loss of a seat in the US House of Representatives.

The Perryman Group utilized the Urban Institute's estimates of undercounts to project the potential economic costs of the undercount in Texas over the 2021-30 period.

POTENTIAL DIRECT COSTS OF A TEXAS CENSUS UNDERCOUNT

Measuring the economic consequences of the estimated Census undercount involves three major phases. First, it is necessary to quantify the direct losses in funding based on Census counts. Second, the total economic impact of lost funding is measured. Finally, “downstream” effects which are caused by the consequences of funding reductions such as increased hunger, diminished health care access, and adverse educational outcomes are estimated.

Because of the manner in which many major programs determine eligibility and allocations, the loss of Federal dollars can

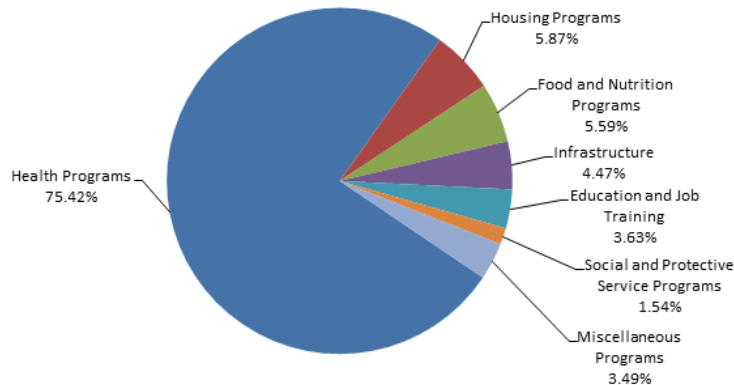
Estimated Direct Potential Losses Associated with a Census Undercount

	Cumulative 2021-2030	Average Annual
Health Programs	-13,968.49 m	-\$1,396.85 m
Housing Programs	-\$1,095.38 m	-\$109.54 m
Food and Nutrition Programs	-\$1,043.78 m	-\$104.37 m
Infrastructure	-\$817.60 m	-\$81.76 m
Education and Job Training	-\$678.64 m	-\$67.86 m
Social and Protective Service Programs	-\$287.66 m	-\$28.76 m
Miscellaneous Programs	-\$649.85 m	-\$64.99 m
TOTAL	-\$18,541.39 m	-\$1,854.14 m

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Note: Monetary values given in millions of 2020 US dollars. Based on Urban Institute estimates of undercounts and The Perryman Group's estimates of related funding losses. Miscellaneous programs include a variety of funding categories with relatively small allocations, such as several types of block grants, administrative funds, arts and cultural programs, and agricultural and environmental initiatives.

Projected Direct Potential Losses from the Estimated Census Undercount in Texas



Source: The Perryman Group

be much greater than the magnitude of the undercount. Moreover, the primary categories of funding reductions are in sectors (such as health care, housing, education, and infrastructure) that are critical to the ongoing health and wellbeing of the population and economy.

The Perryman Group estimates that the direct losses due to a significant Census undercount in Texas total over \$18.5 billion over the 2021-2030 period, or almost \$1.9 billion per year on an average annual basis over the period. As noted, these losses are in programs that are important

to the health and wellbeing of Texans as well as future economic growth. More than 75% of direct potential losses would likely fall in health programs.

TOTAL ECONOMIC AND DOWNSTREAM COSTS OF A SIGNIFICANT UNDERCOUNT

Direct costs lead to negative ripple effects through the economy, multiplying the overall economic harms of an undercount. Even beyond these negative economic impacts, reductions in funding for these programs involve substantial “downstream” effects such as reduced wellness, less infrastructure improvement, and more limited job training. (For an overview

Estimated Cumulative Total Economic Losses Associated with a Significant Census Undercount: 2021-30

	Gross Product	Job Years
Health Programs	-\$26.54 b	-283,306
Housing Programs	-\$1.74 b	-17,232
Food and Nutrition Programs	-\$1.73 b	-14,361
Infrastructure	-\$1.46 b	-14,326
Education and Job Training	-\$1.25 b	-15,306
Social and Protective Service Programs	-\$0.53 b	-6,113
Miscellaneous Programs	-\$0.90 b	-8,000
TOTAL	-\$34.16 b	-358,644

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Note: Monetary values given in billions of 2020 US dollars. A job-year is one person working for one year, though it could be multiple individuals working partial years. Based on The Perryman Group's estimates of funding losses due to estimated undercounts from the Urban Institute and the related multiplier effects. Miscellaneous programs include a variety of funding categories with relatively small allocations, such as several types of block grants, administrative funds, arts and cultural programs, and agricultural and environmental initiatives.

of methods used, see page 7.)

Total Economic Harms of the Estimated Undercount

The Perryman Group estimates that the undercount could lead to total losses of almost \$34.2 billion in Texas gross product and over 358,600 job-years of employment over the 2021-30 period (including multiplier effects).

Downstream Effects

In addition to these economic costs, there are additional negative effects due

to “downstream” effects of undercounts. For example, having less funding for nutrition, education, social services, health care, and other programs can lead to reduced productivity and efficiency, diminished overall health of the population (further reducing productivity), and increased

"The Perryman Group estimates that cumulatively over the 2021-30 period, the total decrease in tax receipts due to undercounts and the related economic harms is estimated to be \$1.72 billion to the State and \$1.55 billion to local entities. These losses are over and above lost direct allocations and do not include downstream effects."

stress on the social service system. Similarly, inadequate infrastructure

resources impose costs on local businesses and households and reduce efficiency.

The Perryman Group analyzed the potential economic costs of these downstream effects over the 2021 through 2030

Estimated Cumulative Potential Downstream Losses Associated with a Significant Census Undercount: 2021-2030

	Total Expenditures	Gross Product	Personal Income	Job Years
Health Programs	-\$36.95 b	-\$16.75 b	-\$10.08 b	-157,529
Housing Programs	-\$2.74 b	-\$1.32 b	-\$0.80 b	-13,870
Food and Nutrition Programs	-\$3.44 b	-\$1.64 b	-\$1.03 b	-19,144
Infrastructure	-\$2.33 b	-\$1.11 b	-\$0.69 b	-11,556
Education and Job Training	-\$33.72 b	-\$15.58 b	-\$9.58 b	-218,456
Social and Protective Service Programs	-\$1.23 b	-\$0.59 b	-\$0.36 b	-6,190
TOTAL	-\$80.41 b	-\$36.99 b	-\$22.53 b	-426,744

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Note: Monetary values given in billions of 2020 US dollars. A job-year is one person working for one year, though it could be multiple individuals working partial years. Based on the Urban Institutes estimates of potential undercounts and related funding losses and the related downstream effects such as reduced productivity and economic efficiency. Does not include certain funding categories with relatively small allocations which would further increase economic costs. Miscellaneous programs include a variety of funding categories with relatively small allocations, such as several types of block grants, administrative funds, arts and cultural programs, and agricultural and environmental initiatives.

Losses Texas Could Have Avoided

Scenario	Reduction in Losses
If the national average percentage undercount had been achieved	61.2%
If Texas' undercount equaled the average of the five states with the lowest undercounts	91.9%
If Texas had achieved a percentage undercount equal to the average of the other states with more than 20 million in population (California, Florida, and New York)	25.8%

Note: Based on the Urban Institute's estimates of undercounts and The Perryman Group's estimates of related losses.

period and found that they include an estimated \$37.0 billion in gross product and over 426,700 job-years in Texas (when multiplier effects are considered).

FISCAL EFFECTS

Business activity generates tax revenue. The decrease in economic activity associated with funding losses due to undercounts leads to a notable decrease in tax receipts to the State and local government entities including cities, counties, schools, and special districts. Taxes are generated through the economic effects measured in the preceding sections. For example, the economic harms cause losses of retail sales.

A portion of these lost retail sales would have been taxable, and local taxing entities are negatively affected. Similarly, visitor outlays can lead to gains in occupancy tax revenues. Economic harms also affect demand for housing and commercial real estate and, hence, property tax values.

When the total economic effects are considered (such as those measured in this study), the losses in taxes from these sources

are significant. The Perryman Group estimates that cumulatively over the 2021-30 period, the total decrease in tax receipts due to undercounts and the related economic harms is estimated to be \$1.72 billion to the State and \$1.55 billion to local entities. Note that these losses are over and above the much larger amounts that are lost in direct allocations of funds to the State and local governments and do not reflect any of the downstream effects described in the preceding section.

"Undercounts have the potential to negatively affect the health and wellbeing of residents of the state, job training availability, infrastructure investments, housing, and other important programs and initiatives."

The Impact of Losses of Federal Funding Arising from Estimated 2020 Census Undercounts on Business Activity in Texas: 2021-2030

Industry	Total Expenditures	Gross Product	Personal Income	Job Years
Agriculture	-\$1.120 b	-\$0.315 b	-\$0.208 b	-2,779
Mining	-\$1.001 b	-\$0.237 b	-\$0.129 b	-664
Utilities	-\$2.845 b	-\$0.646 b	-\$0.282 b	-1,036
Construction	-\$3.157 b	-\$1.482 b	-\$1.221 b	-14,526
Manufacturing	-\$9.082 b	-\$2.869 b	-\$1.601 b	-21,080
Wholesale Trade	-\$3.271 b	-\$2.213 b	-\$1.276 b	-12,269
Retail Trade*	-\$8.924 b	-\$6.709 b	-\$3.903 b	-101,003
Transportation & Warehousing	-\$1.857 b	-\$1.252 b	-\$0.828 b	-9,555
Information	-\$1.370 b	-\$0.846 b	-\$0.361 b	-2,741
Financial Activities*	-\$9.419 b	-\$2.419 b	-\$0.894 b	-7,906
Business Services	-\$2.795 b	-\$1.716 b	-\$1.400 b	-14,427
Health Services	-\$16.273 b	-\$11.014 b	-\$9.313 b	-130,259
Other Services	-\$4.591 b	-\$2.438 b	-\$1.989 b	-40,400
Total, All Industries	-\$65.708 b	-\$34.157 b	-\$23.405 b	-358,644

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Note: Monetary values given in 2021 US dollars per year. A job-year is one person working for one year, though it could be multiple individuals working partial years. Components may not sum due to rounding. Retail Trade includes Restaurants, Financial Activities includes Real Estate. Based on the Urban Institute's estimates of the undercount and The Perryman Group's estimates of resulting implications for more than 300 programs with funding levels tied to the Census findings.

CONCLUSION

Undercounting Texans will have a substantial negative effect on the economy. In addition to losses of federal funds for programs, representation of the state in Congress could be adversely affected.

The Perryman Group estimates that a significant undercount in the 2020

Census has the potential to lead to total losses of \$34.2 billion in gross product and nearly 358,700 job-years of employment over the 2021-2030 period (including multiplier effects), with another \$37.0 billion in gross product and over 426,700 job-years in losses due to the related downstream effects. A significant portion of these losses could have

been avoided if Texas had achieved the level of undercounts estimated for other areas.

Undercounts negatively affect the health and well-being of residents of the state, job training availability, infrastructure investments, housing, and other important programs and initiatives.

Any economic stimulus, whether positive or negative, generates multiplier effects throughout the economy. In this instance, undercounts decrease funding for major programs, generating multiplier effects and dynamic responses rippling through the economy. In addition, lower funding leads to notable downstream effects.

The Perryman Group's dynamic input-output assessment system (the US Multi-Regional Impact Assessment System, which is described in further detail in Appendix A) was developed by the firm about 40 years ago and has been consistently maintained and updated since that time. The model has been used in hundreds of analyses for clients ranging from major corporations to government agencies and has been peer reviewed on multiple occasions.

The impact system uses a variety of data (from surveys, industry information, and other sources) to describe the various goods and services (known as resources or inputs) required to produce another good/service. This process allows for estimation of the total economic impacts of a significant undercount. The model used in the current analysis reflects the specific industrial composition and characteristics of the Texas economy.

Total economic effects are quantified for key measures of business activity:

Total expenditures (or total spending) measure the dollars changing hands as a result of the economic stimulus.

Gross product (or output) is production of goods and services that will come about in each area as a result of the activity. This measure is parallel to the gross

domestic product numbers commonly reported by various media outlets and is a subset of total expenditures.

Personal income is dollars that end up in the hands of people in the area; the vast majority of this aggregate derives from the earnings of employees, but payments such as interest and rents are also included.

Job gains are expressed as job-years of employment for multi-year, cumulative effects or jobs for annual or ongoing effects. A job-year is one person working for one year, though it could be multiple people working partial years.

The decrease in business activity associated with a significant undercount also has the potential to decrease taxes to the State and local governments. Monetary values were quantified on a constant (2021) basis to eliminate the effects of inflation.



The Perryman Group is a focused team of analysts who know how to address complex economic information tasks and present our findings effectively.

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M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.



He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, patent infringement and other intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.

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