

Methodology Statement: 2015/2020 Esri US Demographic Updates

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Esri presents the 2015/2020 demographic forecasts, including population; age by sex; race by Hispanic origin; age by sex, race, and Hispanic origin; households and families; housing by occupancy; tenure and home value; labor force and employment by industry and occupation; marital status; education; and income—including household income distributions, household income by age of householder, and per capita income. Updates of household income are also extended to provide after-tax (disposable) income and a measure of household wealth and net worth. The demographic updates are point estimates, representing July 1 of the current and forecast years.

Forecasts are prepared initially for counties and block groups (BGs). From the county database, forecasts are aggregated to Core Based Statistical Areas (CBSAs), states, or higher levels. From the block group database, forecasts can be retrieved for census tracts; places; county subdivisions; ZIP codes; congressional districts (the 114th Congress); designated market areas (DMA); or any user-defined site, circle, or polygon.

Summary Totals

The change in total population is a function of changes in household population and the population in group quarters, which are subject to different trends. The addition of a prison, for example, produces a sudden increase in the group quarters' population that is unlikely to yield an attendant change in the household population or the projected population growth of a county. The group quarters' population is the Census 2010 count of group quarters, with updates culled from a variety of federal, state, and local sources.

Forecasting change in the size and distribution of the household population begins at the county level with several sources of data. Esri begins with earlier county estimates from the US Census Bureau.¹ Because testing has revealed improvement in accuracy by using a variety of different sources to track county population trends, Esri also employs a time series of county-to-county migration data from the Internal Revenue Service, building permits and housing starts, plus residential postal delivery counts. Finally, local data sources that tested well against Census 2010 are reviewed. The end result balances the measures of growth from a variety of data series.

Measuring the change in population or households at the county level is facilitated by the array of data reported for counties. Unfortunately, there is no current data reported specifically for block groups. Past trends can be calculated from previous census counts; the American Community Survey (ACS) provides five-year averages. But these sources

¹ The latest estimates available at the time were 2013 population estimates from the Census Bureau, CO-EST2013-Alldata.xlsx.

are not recent. To measure current population change by block group, Esri models the change in households from three primary sources: Experian; the US Postal Service (USPS); and Metrostudy, a Hanley Wood company, in addition to several ancillary sources.

The US Postal Service publishes monthly counts of residential deliveries for every US postal carrier route. This represents the most comprehensive and current information available for small, subcounty geographic areas. The USPS establishes carrier routes to enable efficient mail delivery. Carrier routes are a fluid geographic construct that is redefined continuously to incorporate real changes in the housing inventory and occupancy plus administrative changes in staffing and budgets of local post offices. These frequent changes in the carrier routes are not the only difficulty.

Converting delivery statistics from postal carrier routes to census block groups is a complex challenge. Carrier routes are defined to deliver the mail, while block groups are constructed to collect and report census data. Comparing two different areas that are defined for wholly different purposes provides one significant conversion issue. Carrier routes commonly overlap multiple block groups. In many cases, a carrier route encompasses disjointed areas that can be distant from each other, but block groups are rarely divided into multiple polygons. These overlaps require an effective method of allocating the postal delivery counts across multiple block groups.

Esri has developed a technique to link a carrier route to the correct block group(s)—using the actual locations of mail deliveries. Its proprietary Address Based Allocation (ABA) was developed in 2005 to solve the complex challenge of converting delivery counts from carrier routes to block groups. This allocation method assigns carrier routes using household addresses that are geocoded at the block level to serve as the foundation for the conversion. The approach is unbounded by geographic borders or arbitrary assumptions about the distribution of households or postal deliveries. ABA results have been tested extensively against Census 2010 counts, including an independent evaluation that included data from four other vendors. This test confirmed the accuracy of Esri's ABA allocation method.²

To track new housing developments, especially in previously unpopulated areas, Esri licensed a new data source in 2006 from Metrostudy—new and planned residential construction in the top US housing markets. This database identifies individual construction projects by location. The construction information includes

- Total number of units planned.
- Inventory of units under construction, sold, and/or closed.
- Type of housing—detached homes, town homes, condominiums, etc.
- Target markets—families, seniors, empty nesters, etc.

The 2015/2020 updates also include an additional database from Metrostudy that more than doubles Esri's geographic coverage and the number of units planned and completed.

² For test results, see esri.com/data/esri_data/demographic-overview/~/_media/Files/Pdfs/library/brochures/pdfs/vendor-accuracy-study.pdf.

The addition of this database gives the housing unit update a finer level of granularity and insight into smaller housing markets across the nation. Tracking residential development since 2010 with Esri's enhanced demographic and spatial analysis tools also provides better information for the five-year forecasts than past trends.

A revised housing unit methodology applies the change in households estimated from address counts, delivery counts, and new housing construction to update household population by block group. The best techniques are derived from a combination of models and data sources. Discrepant trends are checked extensively against independent sources and Esri's imagery data. Finally, totals for block groups are controlled to the county totals. Despite the appeal of microforecasting, there is simply more information available to track population change by county than by household. Ignoring the advantage of county-level data is throwing away information.

The integration of demographic and spatial analysis has not only enabled the development of more accurate block group totals, it has also provided the opportunity to update block totals. Blocks are the lowest common denominator in the geographic hierarchy that progresses to block groups, tracts, counties, and states. Blocks are most useful in the estimation of data for polygons, which can be any area outside the geographic hierarchy, from places to ZIP codes to user-defined polygons (including circles and drive-time polygons). For most areas, the application provides a good estimate for the polygon. If the relationship between the blocks and the block group has changed significantly since 2010, then the estimate cannot incorporate that change unless both blocks and block groups are updated.

Population and Household Characteristics

Esri's population and household characteristics include the population by age and sex, race and Hispanic origin, race and Hispanic origin by age and sex, and household type. Population by age includes estimates by five-year age groups and by single years from less than 1 year to 84 years.

The population by age and sex is projected via a cohort survival model that separately calculates the components of population change by age and sex. Applying survival rates specific to the cohort carries the 2010 population forward. Changes in the population by age and sex diverge at the household level. For example, an area that is losing population can age more rapidly with the loss of population in prime migrant ages, 20–34 years—unless there is a college nearby. Neighborhoods near colleges sustain high turnover from student populations but retain their youthful age distributions.

To capture these variations, Esri's model first separates the group quarters' population from the household population and, second, keys the calculations to the size and characteristics of the population. This stratification identifies several different patterns of change by age and sex that can be applied in a cohort survival model.

The changing profile of the US population requires measuring population change by race and Hispanic origin. The American identity is shaped by diversity. Tracking the changing patterns of race and ethnicity provide a current portrait of our society. Historical trends in race and ethnicity combined with the most current data sources by race and Hispanic origin, including population estimates by county and state from the Census Bureau and survey data from the ACS, are analyzed to establish county population by race and Hispanic origin. Forecasts by block group combine local changes in the distributions by

race and projected change for counties. The last step controls block group distributions to county totals by race and Hispanic origin.

The changing face of our nation is evident in Esri's Diversity Index, which summarizes racial and ethnic diversity in an area. This measure shows the likelihood that two persons, chosen at random from the same area, belong to different races or ethnic groups. The index ranges from 0 (no diversity) to 100 (complete diversity). Esri's Diversity Index has risen from 60.6 in 2010 to 63.0 in 2015, with a forecast to 65.3 in five years.

Diversity describes the composition of American households too. Husband-wife families remain the dominant household type, but their share of all households continues to slip—from 52 percent in 2000 to 48 percent in 2010. From 2000 to 2010, the real increase in family households was in single-parent families, up by 22 percent, and multigenerational households, up by 30 percent. Husband-wife families increased by less than 4 percent in 10 years, and husband-wife families with children declined.

All family households increased by 8 percent from 2000 to 2010; nonfamily households, by 16 percent. The fastest-growing nonfamily households, however, are unmarried partners—opposite sex partners, by 40 percent, and same-sex partners by 52 percent from 2000 to 2010. Single-person households retain the highest proportion of nonfamily households (80 percent), but the increase was less than 15 percent in the past decade. Nontraditional family types are the fastest growing segments of households.

The attendant change in average household size is nominal from 2000 to 2010, 2.59 to 2.58, with a slight decrease to 2.57 in 2015. The gradual change in household size has made it uniquely suitable to forecasting the change in household population from the change in households. Average household size is traditionally one of the most stable and predictable components of the forecasts. Household forecasts are predicated on local patterns of change, which are controlled to the more constant trends for states and counties.

Few block groups represent a cross-section of US households. For example, in areas that gain population from immigration, the trend in average household size is an increase. To distinguish local variation, Esri's model is keyed to the characteristics of households at the block group level. This stratification identifies several different patterns of change by household type that are applied to forecast trends in the characteristics of households—both family composition and tenure. Local change is emphasized in the 2015/2020 forecasts of households and families for counties and block groups. National and state trends are monitored with sources such as the Current Population Survey (CPS) and American Community Survey from the Census Bureau and then applied as controls.

The 2015 updates include marital status and educational attainment. Distributions by marital status for the population aged 15 years and older from the 2009–2013 American Community Survey are applied to Esri's 2015 population aged 15 years and older. Similarly, educational attainment is updated for the population aged 25 years and older.

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Housing

Esri's housing updates include total housing units, occupancy, tenure, and home value. Total housing unit updates are created from recorded changes in the housing inventory and estimated changes in occupancy rates since April 2010, applied to Census 2010 base data. Recorded change in the housing inventory is culled from several data sources, including multiple construction data inputs from Metrostudy, data for new manufactured homes placed by state from the Census Bureau, and building permits for permit-issuing places and counties. As of 2010, only half of the counties had complete coverage with building permits. Numerous independent sources are leveraged to obtain detailed information on housing development data where no building permits exist. Independent estimates of change in occupancy are calculated from USPS residential lists, the American Community Survey, and various state and local data sources. Additionally, data from the Current Population Survey and the Housing Vacancy Survey from the Census Bureau is used to model trends in occupancy.

Data for tenure represents owner- and renter-occupied housing units. Together, the two components sum to total households, or total occupied housing units. A time series model based on data from the Housing Vacancy Survey combined with changes in the Current Population Survey, the American Community Survey, and intercensal data guide tenure forecasts. With a blend of top-down and bottom-up techniques, the forecasts take advantage of the latest information from survey data at higher levels of geography while employing local characteristics at the lower levels. The data from the lower levels of geography are controlled to the higher levels to produce the tenure updates. Changes in owner-versus-renter occupancy are forecasted independently and then controlled to the total households.

Esri tracks the change in home value using several different sources, including the House Price Index (HPI) from the Federal Housing Finance Agency (FHFA) and annual estimates from ACS. The HPI is designed to monitor changes in average home prices based on repeat sales or refinancing of the same properties. The index is derived from mortgage loans purchased or securitized by Fannie Mae or Freddie Mac. FHFA affirms the "significant advantages" of the HPI over Commerce Department surveys or other data collections based on snapshots of sales figures. Employing the repeat-sales methodology renders the index less susceptible to compositional effects, especially with data for smaller geographic areas. If a higher proportion of lower-end homes are sold in the current period than in an earlier period, survey data can underestimate home prices.

Local estimates of home value incorporate supply-demand characteristics, the socioeconomic traits of householders in the area, and trends assessed for larger markets. This approach to modeling small areas efficiently predicts home value for areas with small housing bases or missing base data. The 2015 update implements sophisticated techniques designed to accurately target change in home value and to address the outliers that are expected in small area modeling.

Labor Force Esri forecasts the civilian labor force (employment and unemployment) and employment by industry and occupation for 2015.³ The US labor market has emerged from the most severe postwar contraction to date. Since 2010, the economy added 8.6 million jobs, raising the total workforce to 147.8 million.

Estimates of the civilian labor force integrate recent change in the supply and demand for labor from the Local Area Unemployment Statistics (LAUS), Occupational Employment Statistics (OES), and Current Employment Statistics (CES) programs of the Bureau of Labor Statistics (BLS), as well as the American Community Survey and Current Population Survey from the US Census Bureau. Federal statistical surveys are the principal sources for labor force trends. The LAUS program is the premier resource for current and local economic conditions. The 2015 employment and unemployment estimates are developed from a block group base constructed from one- and five-year ACS labor force tables and current sources.

Esri's updated employment by industry and occupation captures temporal change from the federal statistical sources: the ACS and CPS from the Census Bureau and the CES and OES programs from the BLS. National and state industry distributions are updated using trends from the CES. The latest industry-occupation matrix from the OES is applied to allocate 2010–2015 employment change by industry to the related occupations.

Income Esri's forecast base is the income that was reported in the 2009–2013 ACS. To estimate income for households, Esri evaluates an extensive list of sources for household income trends that includes both federal and proprietary sources. The review of national surveys includes the Bureau of Economic Analysis' local personal income series, the Current Population Survey, and the Bureau of Labor Statistics' Consumer Price Index. Esri's updates emphasize the use of time series' data from household surveys to establish a base trend line.

After forecasting the state income distributions, household income is estimated for counties and then block groups. Esri's income forecasts are uniquely designed to distinguish local variation, changes in income inequality, and urbanicity as differentiators of income growth. The model correlates the characteristics of households at the block group level with changes in income. This stratification identifies several different patterns of change by household type that are applied to forecast trends in income. Modeling links the current income change to all households with similar socioeconomic characteristics. Areas with small household bases or missing base data, where the model is unable to capture the local variation, are forecast with another level of modeling to capture the change in income by strata (a group of areas classified by their sociodemographic characteristics). Separate forecasts of the change in income by strata are aggregated to compose the income distributions.

Household income reported by age of householder is updated to be consistent with the 2015/2020 distributions of household income and age of householder. To update the age

³ It is important to remind data users that Esri's civilian labor force estimates represent seasonally unadjusted totals as of July 1 to stay consistent with the forecast base. While press releases of labor force statistics produced by the Bureau of Labor Statistics report seasonally adjusted change each month, removing such calendar influences, Esri's totals reflect actual estimated levels. As a result, Esri estimates and measures of change can yield differences when compared to these official government statistics.

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distribution of householders, the ratio of householders by age to the population by age in 2010 is updated to 2015/2020 and, taking into account the change in group quarters population, applied to the current age distributions. After the targets are set, the base distributions of household income by age of householder at the block group level are fitted to current distributions of households by income and age of householder.

Esri uses the definition of money income used by the Census Bureau. For each person 15 years of age or older, money income received in the preceding calendar year is summed from earnings, unemployment compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, disability benefits, pension or retirement income, interest, dividends, rent, royalties, estates and trusts, educational assistance, alimony, child support, financial assistance from outside the household, and other income.

Data for consumer income collected by the Census Bureau covers money income received (exclusive of certain money receipts such as capital gains) before payments for personal income taxes, Social Security, union dues, Medicare deductions, etc.

Disposable income represents money income *after* taxes—an estimate of a household's purchasing power. The proportion of household income left after taxes is estimated from special studies conducted by the Census Bureau to simulate household taxes. Esri's 2015 disposable income incorporates data from the 2014 Annual Social and Economic Supplement of the Current Population Survey (ASEC). Starting with the 2011 ASEC release, the Census Bureau introduced a new technique to accommodate disclosure avoidance. Previously, high dollar values were capped or top-coded; rank proximity swapping is employed currently.

Four types of taxes are deducted: federal individual income taxes, state individual income taxes, FICA (Social Security) and federal retirement payroll taxes, and property taxes for owner-occupied housing. Internal Revenue Service tax rates are used as guidelines for model testing. Esri then applies the proportions of after-tax earnings to income intervals that are cross-tabulated by age of householder for each state. State-specific proportions account for the variation in taxes by state. The proportions, or multipliers, are then applied to the age by income forecasts for block groups and counties to calculate disposable income.

Current income is only one component of a household's financial security. Householders' net worth or accumulated wealth reflects their ability to stay afloat during a financial shock as well as their savings for future retirement. Net worth is estimated from data on household wealth that is collected from the Surveys of Consumer Finance (SCF) from the Federal Reserve Board from 1992 through 2013. These triennial surveys feature enhanced representation of wealthy households through the comprehensive measurement of net worth components. By definition, net worth equals total household assets less any debts, secured or unsecured. Assets include ownership of homes, rental properties, businesses, individual retirement accounts (IRAs) and Keogh accounts, pension plans, stocks, mutual funds, and motor vehicles. Examples of secured debt include home mortgages and vehicle loans; unsecured debt includes credit cards and other bills or certain bank loans.

Esri's 2015 income and net worth updates introduce unique sociodemographic methods to model distributions and aggregates simultaneously. This top-down, bottom-up approach not only provides well-grounded small area estimates but places value on the relationship between medians and averages. Methods to compute summary statistics assume a continuous distribution. Medians are calculated from the distributions using a combination of linear and Pareto interpolation; average statistics are computed from the aggregates.

2015 Geography

Changes in the areas for which data is tabulated and reported are critical to the analysis of trends. Esri reports data for political and statistical areas that include states, counties, census tracts, block groups, places, county subdivisions, Core Based Statistical Areas, and congressional districts plus special use areas like ZIP codes and DMAs. Of course, the provision of small area data in Esri® software enables users to define their own areas of interest too.

Data is reported in 2010 geography for the standard political and statistical areas. Statistical areas, like block groups and census tracts, are defined by the Census Bureau (with help from local officials) to collect and report data for neighborhoods. Historically, these areas change every 10 years with each new census. Political areas, like counties, cities, or townships, are subject to change by local governments. Larger political areas, like counties, change less often than places, but boundary revisions were common with Census 2010.

Revisions to metropolitan and micropolitan statistical areas were last released by the Office of Management and Budget (OMB) in February 2013. OMB has not released any subsequent document on revisions. The 2015/2020 updates reflect the latest definitions (2013). Core Based Statistical Areas include 381 metropolitan and 536 micropolitan areas. Congressional districts represent the 114th Congress.

ZIP codes, which are defined solely by the US Postal Service to expedite mail delivery, can change monthly or whenever the US Postal Service revises delivery routes. ZIP codes do not represent standard census geographic areas for data reporting. ZIP code boundaries are not contiguous with census geographic areas or stable over time. Data estimated for ZIP codes is also subject to change. Residential ZIP code data is estimated from block group data, using a correspondence created by assigning Census 2010 block points to ZIP code boundaries from Nokia. The vintage of the ZIP code boundaries is third quarter, 2014; the total residential ZIP codes in this release is 31,719.

Use of Projections

Projections are necessarily derived from current events and past trends. The past and present are known; the future must be extrapolated from this knowledge base. Even though projections represent the unknown, they are not uninformed. Guidelines for the development of projections also inform the use of those projections:

- The recent past provides a reasonable clue to the course of future events, especially if that information is tempered with a historical perspective.
- A stable rate of growth is easier to anticipate than rapid growth or decline.

- The damaging effects of natural disasters cannot be anticipated. Esri makes every effort to assess the impact of sudden, catastrophic events like strong storms, flooding, or wildfires.
- The risk inherent in forecasting is inversely related to the size of an area: the smaller the area, the greater the risk.
- The risk increases with the length of the projection interval. Any deviation of the projected trends from actual events is amplified over time.

Esri revises its forecasts annually to draw on the latest data. However, this data can be enhanced with personal knowledge of an area to provide the qualitative, anecdotal detail that is not captured in a national database. It is incumbent on the data user and the producers to incorporate as much information as possible when assessing local trends, especially for areas that are subject to "boom-bust" cycles or natural disasters.

Esri's Data Development Team

Led by chief demographer Lynn Wombold, Esri's data development team has a 35-year history of excellence in market intelligence. The combined expertise of the team's economists, statisticians, demographers, geographers, and analysts totals nearly a century of data and segmentation development experience. The team develops datasets, including annual demographic updates, Tapestry Segmentation, Consumer Spending, Market Potential, and Retail MarketPlace, which are now industry benchmarks.

For more information about Esri's demographic data, call 1-800-447-9778.



Esri inspires and enables people to positively impact their future through a deeper, geographic understanding of the changing world around them.

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