

Summary of the State and Local Undercoverage Evaluation (SLUE)

The Manufacturing and Construction Division (MCD) conducted a State and Local Undercoverage Evaluation (SLUE) study to evaluate the State and Local (S&L) Value-Put-in-Place (VIP) frame and derive up-to-date undercoverage adjustment factors.

In evaluating the S&L VIP frame, a list of projects from an independent source was needed. Because such a list was not readily available, we had to survey S&L government agencies to acquire the information. We selected 4,026 S&L government agencies from a sample of 16,986 agencies in the Annual Survey of Government Finances (ASGF). The agencies from the ASGF were stratified by types of construction (TCs) and weighted expenditures. They were subsampled using stratified systematic sampling with unequal probabilities.

We utilized a mailout/mailback strategy with telephone follow-up (TFU) to collect data from the agencies. Forms were mailed to the S&L agencies in two separate waves, three months apart. The first wave was mailed out July 1, 2004 asking for contracts awarded for construction projects and force account work started during April, May, and June 2004. The second wave was mailed out October 1, 2004 asking for contracts awarded for construction projects and force account work started during July, August, and September 2004. Each agency was asked to list all contracts awarded for construction projects at \$75,000 or more during a given quarter; and total amounts for contracts less than \$75,000 and force account projects. The information requested was contract award date, project description, physical location of project, name of general contractor, and the contract value.

To minimize respondents' burden, different reporting modes were offered to the agencies: mail back, fax back, email back, or phone in. We conducted TFU for nonresponse or delinquent cases immediately after all returned forms were keyed. The total duration of the data collection for SLUE expanded over a nine-month period: from July 2004 to March 2005 with an overall unweighted response rate of 73 percent.

To reduce the workload for the matching and verification of the matches, we subsampled 2,098 contracts from 6,845 contracts (valued at \$75,000 or more) that were awarded for construction projects and reported to us by SLUE respondents. These contracts were selected using stratified systematic sampling with unequal probabilities. The contracts were stratified according to their TCs, contract values, and regions. The probabilities of selection were based on the number of contracts reported for each TC.

The matching of contracts from SLUE to those projects in the frame that were used to produce the monthly S&L VIP estimates was done by McGraw-Hill Construction (MHC) over an eight-month period. MCD sent 2,098 projects/contracts (projects and contracts are equivalent) with values at \$75,000 or more to MHC. MHC matched these projects to their database(s) and we verified their findings. Any "questionable" matches that arose within the first six months of the matching operation were sent back to MHC for further

research. No matching was done for force account projects and projects less than \$75,000.

MHC reports were found for 67 percent of the 2,023 (75 contracts were out-of-scope) SLUE contracts. These matches represented 83 percent of the weighted value of all contracts awarded in two quarters. In general, MHC coverage was better for large projects than for small projects.

Beginning with the 2007 annual revision of the VIP series, all S&L VIP series will be adjusted using factors derived from the SLUE study. The adjustment will be done on a monthly basis using the factors shown below:

<u>Type of Construction</u>	<u>Factor</u>
Highway	1.25
Education	1.20
Sewer and Water	1.24
Power	5.85
Housing and Hotel/motel	2.51
Transportation	1.53
Others	1.20

We will also adjust the S&L VIP historical series back to January 1993 with these factors.