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Counting for Dollars: The Role of the Decennial Census in the Geographic Distribution of Federal Funds

Initial Analysis: 16 Largest Census-guided Programs

Andrew Reamer, Research Professor

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Executive Summary

As directed by Congress, several hundred federal financial assistance programs rely on data derived from the Decennial Census to guide the geographic distribution of funds. To better understand the fiscal impacts of the upcoming 2020 Census on states and local areas, the Counting for Dollars Project aims to:

- identify every federal program that geographically distributes financial assistance on the basis, in whole or part, of data derived from the Decennial Census; and
- ascertain the connection between Decennial Census accuracy and the fair, equitable distribution of funds to states and local areas.

The project will issue a full report in Fall 2017. Meanwhile, it has analyzed the use of Census-derived data by 16 large federal programs and offers these initial findings:

- ***In Fiscal Year (FY) 2015, the 50 states plus the District of Columbia received $589.7 billion from the 16 largest Census-guided programs.***
  - Twelve grant-making programs distributed $427.7 billion, ***68.5 percent of all federal grants.*** Of these, nine made $401.4 billion in grants to state governments, ***70.1 percent of all federal grants to states.***
  - Four programs providing direct payments to individuals distributed $162.0 billion.
- ***For 15 of the 16 programs, the amount of funds a state received was guided by its 2010 Census count.*** The project finds that the more accurate the state's count, the more fair and equitable is its share of federal funds.
- The 16 programs do not directly use the Decennial Census count to guide geographic distribution. Instead, ***programs use 22 datasets <u>derived</u> from the last Decennial Census***, as instructed or authorized by Congress.
- Among these, ***the datasets most relied on*** to guide the distribution of funds to states and local areas include Core-based Statistical Areas, Urban/Rural Classification, Population Estimates, American Community Survey, Current Population Survey, Per Capita Income, and Poverty Guidelines.

- Most Census-derived datasets are built using other Census-derived datasets. Of particular note, 21 of the 22 Census-derived datasets make use of the American Community Survey.
- The project expects to find that there were about 300 Census-guided federal programs in FY2015, with total outlays of approximately $700 billion.

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Introduction: The 24th United States Decennial Census will take place in 2020. Article I, Section II of the Constitution mandates the taking of the Decennial Census as the foundation for the nation's democracy—to apportion among the states a fixed total number of seats in the House of Representatives and votes in the Electoral College.

From the First Census forward, Congress has consistently recognized the additional value of Decennial Census in collecting information on the "particular circumstances of the community" so Congress could "accommodate our laws to the real situation of our constituents," as James Madison put it on the floor of the House of Representatives.[1] As a result, the Decennial Census has served as an important data resource for congressional legislation for nearly 230 years.

As one type of use, Congress relies on data derived from the Decennial Census to determine the fair and equitable geographic distribution of financial assistance. To better gauge the importance of the upcoming 2020 Census for this purpose, the Counting for Dollars Project aims to:

- identify all federal programs that distribute financial assistance on the basis, in whole or part, of data derived from the Decennial Census; and
- ascertain the connection between the accuracy of the Decennial Census and the fair, equitable geographic distribution of funds.[2]

Prior to the 2010 Census, the author previously prepared a report finding that 215 federal financial assistance programs used Census-derived data to guide the distribution of $446.7 billion in FY2008.[3]

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[1] Rep. Madison's remarks on the Census Act of 1790, January 25 and February 2, 1790, as cited in *Gales & Seaton's History of Debates in Congress*, pp. 1115 and 1146.

[2] Decennial Census data are rarely directly used to guide the distribution of federal financial assistance. Rather they provide the basis from which multiple federal agencies create more current and detailed datasets that are used to guide funds distribution. In this sense, federal statistical datasets are highly interdependent.

[3] Andrew Reamer, "Counting for Dollars: The Role of the Decennial Census in the Geographic Distribution of Federal Funds," Metropolitan Policy Program, The Brookings Institution, March 2010.

The current project's report will be issued in Fall 2017. Meanwhile, the project has identified and analyzed the 16 largest federal programs with distributions guided in whole or part by data derived from the Decennial Census. Findings from this initial analysis follow.

Finding 1: In Fiscal Year (FY) 2015, the 50 states plus the District of Columbia received $589.7 billion from the 16 largest Census-guided programs.[4] (See table on p. 4.) Eight programs are sponsored by the Department of Health and Human Services, three by the Department of Agriculture, two by the Department of Education, two by the Department of Housing and Urban Development, and one by the Department of Transportation. All but one of these programs (Highway Planning and Construction) serves populations with particular characteristics deemed in need, including low-income households, senior citizens, and children with special needs.

In FY2015, 12 grant-making programs distributed $427.7 billion, primarily to state governments (which received $401.4 billion through nine programs). The four remaining programs provided $162.0 billion in direct payments to individuals.

The 12 grant-making programs funded 68.5 percent of all federal grants in FY2015.[5] ***The nine programs making grants to states provided 70.1 percent of all federal grants to states in FY2015.***[6]

The [project website](#) offers 52 geographic tables showing obligations by program—for the U.S., each state, and the District of Columbia. Sixteen tables, one for each of program, with distributions by state, are provided as well. A note accompanying each program table discusses if and how the geographic distribution of program funds is associated with the 2010 Census count.

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[4] The 16 programs were identified through a review of the technical documentation for the 2010 report and data provided by FedSpending.org, managed by the Project on Government Oversight (POGO). The 16 largest programs in the 2010 analysis accounted for 87.0 percent of the $446.7 billion total. Forthcoming research may identify additional large Census-guided programs.

[5] Office of Management and Budget, *The President's Budget for Fiscal Year 2017*, Table 6.1: Composition of Outlays, 1940-2021.

[6] National Association of State Budget Officers, "State Expenditure Report: Examining Fiscal 2014-2016 State Spending," 2016, Table 1 (adjusted for the absence of District of Columbia in the table). For context, according to the Census Bureau's American FactFinder, state governments received $536.4 billion in revenue from the federal government, 22.7 percent of all state government revenues in 2014 (latest year available).

Largest Federal Assistance Programs that Distribute Funds on Basis of Decennial Census-derived Data, Fiscal Year 2015				
Program Name	Dept.	Type	Recipients	Obligations
Medical Assistance Program (Medicaid)	HHS	Grants	States	$311,975,766,352
Supplemental Nutrition Assistance Program (SNAP)	USDA	Direct Pay	House-holds	$69,489,854,016
Medicare Part B (Supplemental Medical Insurance) – Physicians Fee Schedule Services	HHS	Direct Pay	Providers	$64,176,725,988
Highway Planning and Construction	DOT	Grants	States	$38,331,904,422
Section 8 Housing Choice Vouchers	HUD	Direct Pay	Owners	$19,087,549,000
Title I Grants to Local Education Agencies (LEAs)	ED	Grants	LEAs	$13,859,180,910
National School Lunch Program	USDA	Grants	States	$11,560,852,485
Special Education Grants (IDEA)	ED	Grants	States	$11,233,112,681
State Children's Health Insurance Program (S-CHIP)	HHS	Grants	States	$11,089,152,000
Section 8 Housing Assistance Payments Program (Project-based)	HUD	Direct Pay	Owners	$9,238,092,008
Head Start/Early Head Start	HHS	Grants	Providers	$8,259,130,975
Supplemental Nutrition Program for Women, Infants, and Children (WIC)	USDA	Grants	States	$6,347,680,031
Foster Care (Title IV-E)	HHS	Grants	States	$4,635,733,000
Health Center Program	HHS	Grants	Providers	$4,181,407,055
Low Income Home Energy Assistance (LIHEAP)	HHS	Grants	States	$3,370,228,288
Child Care and Development Fund – Entitlement	HHS	Grants	States	$2,858,660,000
Total				**$589,695,029,211**

Based on research to date, in its final report the project expects to find approximately 300 Census-guided federal programs with total FY2015 outlays of about $700 billion.

Finding 2: As instructed or authorized by Congress, the 16 programs use 22 datasets <u>derived from the Decennial Census</u> to guide the geographic distribution of funds. The 16 programs do not rely directly on the Decennial count, which takes place only once a decade and gathers a limited amount of information on each person. Rather, programs use 22 datasets derived from the Decennial Census to determine applicant and beneficiary program eligibility and allocate funds to states and areas through formulas based on population size and characteristics. (See box on p. 5 and [Attachment A](#).)

Census-derived Datasets

Nine datasets are foundational – Directly based on the Decennial Census, these are used in their own right and to build other more focused datasets:

- Geographic classifications – Urban/Rural Areas, Core-based Statistical Areas, and Small Labor Market Areas
- Annually updated estimates of decennial counts – Population Estimates and Housing Unit Estimates
- Household surveys – Current Population Survey and American Community Survey
- Price and expenditure surveys – Consumer Expenditure Survey and Consumer Price Index

The foundational datasets in turn generate:

Four economic indicator datasets that have broad uses for analysis, research, and distributing funds – Personal Income, Per Capita Income, Local Area Unemployment Statistics, Poverty Thresholds

Nine datasets specifically designed to distribute program funds based on:

- Eligibility criteria – Poverty Guidelines, State Median Income, and Index of Medical Underservice (for Department of Health and Human Services [HHS]) and Median Family Income (for Department of Housing and Urban Development [HUD])
- Allocation formulas – Fair Market Rent, Annual Adjustment Factors, Renewal Funding Inflation Factors (for HUD), Geographic Practice Cost Index (for HHS), and Small Area Income and Poverty Estimates (for Department of Education)

Of the 22 Census-derived datasets, those most relied on to guide the distribution of funds to states and local areas include Core-based Statistical Areas (Office of Management and Budget), Urban/Rural Classification (Census), Population Estimates (Census), American Community Survey (Census), Current Population Survey (Census and Bureau of Labor Statistics), Per Capita Income (Bureau of Economic Analysis), and Poverty Guidelines (HHS).

Finding 3: For 15 of the 16 programs (all but National School Lunch), the amount of funds a state received depended on its 2010 Census count. The more accurate the state's count, the more fair and equitable is its share of federal funds. (See box on p. 6.)

Association between Decennial Census Accuracy and Geographic Flow of Funds

For six programs, a positive connection exists between annual Population Estimates and geographic funds distribution:

- Four are directly affected by total population count – Medicaid, S-CHIP, Foster Care, and Highway Planning and Construction
- Three are affected by the count of children – Title I Grants to Local Education Agencies, S-CHIP, and Child Care and Development Fund

The distributions of 10 programs are significantly determined by the Current Population Survey at the state level and the American Community Survey at the state and local level:

- These programs each address specific populations. They include SNAP, Medicare Part B, Section 8 Housing Choice Vouchers, Title I Grants to Local Education Agencies, Special Education Grants, Section 8 Housing Assistance Payments, Head Start, WIC, the Health Center Program, and LIHEAP.
- As the Decennial Census is used as the sampling frame for the CPS and ACS, an undercount of target households in the Decennial Census would lead to an undercount of these populations in the CPS and ACS.
- For CPS and ACS reliability, an accurate Decennial Census is necessary but not sufficient. CPS and ACS reliability also depends upon adequate funding and, for the ACS, a response rate high enough to generate statistically valid data at the neighborhood level.

Note: In each program table on the project website, the nature of the association between the Decennial Census count and funds distribution is described.

Finding 4: A reliable American Community Survey (ACS) is particularly important to the fair, equitable geographic distribution of federal funds. Attachment A indicates that 21 of the 22 Census-derived datasets (all but Urban/Rural Areas) use the ACS—directly or indirectly—to construct their respective statistics.

Conclusion: The fair and equitable distribution of federal financial assistance to state and local governments and households will depend on the accuracy of the 2020 Census. This project's forthcoming Fall 2017 report will comprehensively explore this finding in greater detail.