Role of the 2020 Census in the Geographic Allocation of Federal Spending

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Washington, DC
March 6, 2020

Counting for Dollars 2020

Counting for Dollars 2020 examines:

- the extent to which the federal government will rely on data derived from the 2020 Census to guide the distribution of federal funds to states and local areas

- the impact of the accuracy of the 2020 Census on the fair geographic distribution of these funds

Types of Census-Guided Programs

- **Financial assistance programs** that provide direct payments, grants, loans, and loan guarantees to state and local governments, nonprofits, businesses, and households

- **Matching payments** from states to the federal government required by financial assistance programs

- **Tax credit programs** that allow a special exclusion, exemption, or deduction from gross income

- **Procurement programs** that award federal contract dollars to small businesses located in areas selected using census-derived data
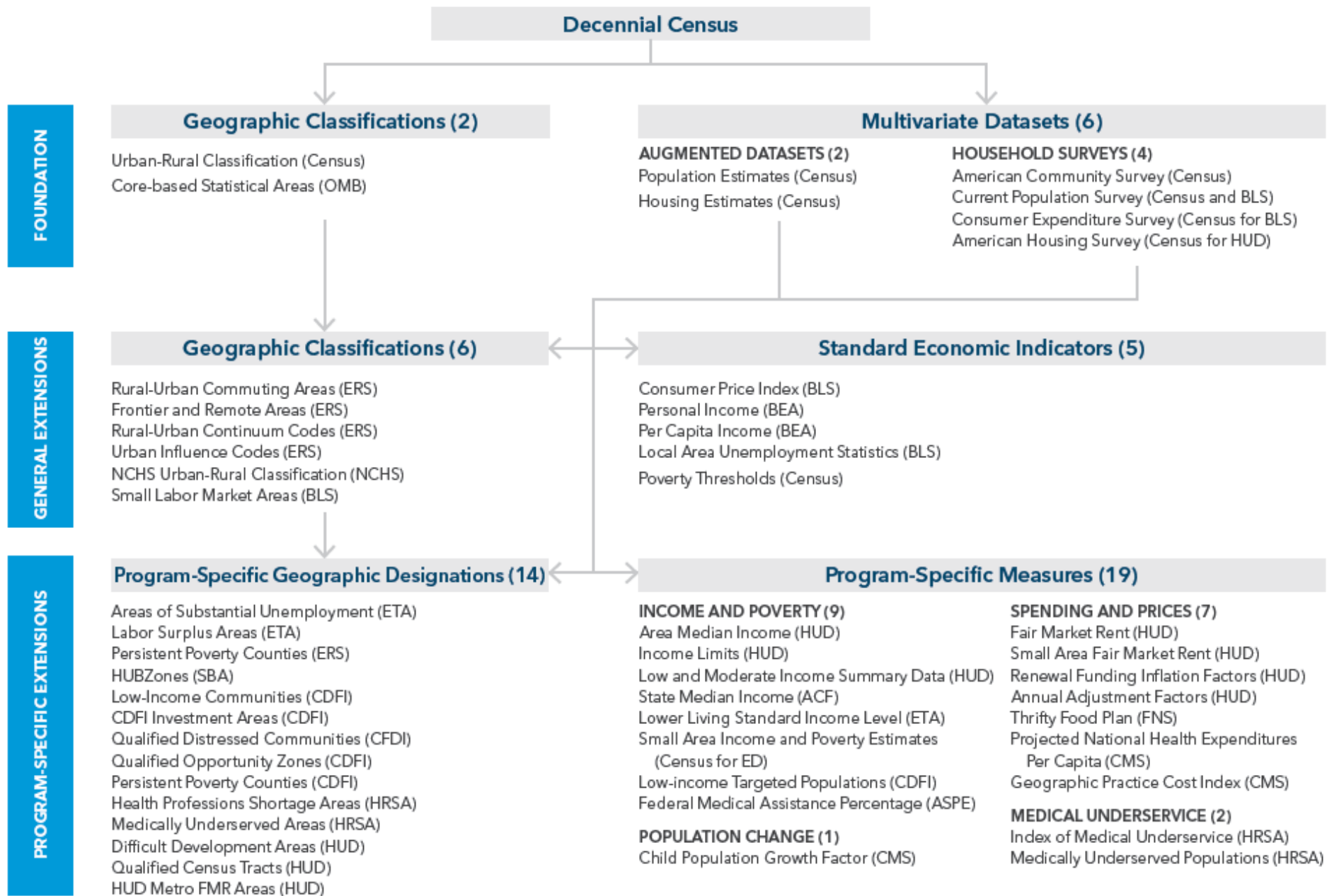
Uses of Census-Derived Data

- Two major uses of census-derived data to guide federal spending in states and local areas:
  - **Eligibility designations – areas and households**
  - **Allocation formulas**

Coverage

- Federal programs that allocated FY2017 spending to states and local areas **based, in whole or in part, on data derived from state and local 2010 Census results**.

- **Local areas include** metropolitan and micropolitan statistical areas, counties, cities and towns, rural areas, zip codes, census tracts, and program-specific geographic configurations (e.g., HUBZones).

CENSUS-DERIVED DATASETS FOR DISTRIBUTING FEDERAL FUNDS

Decennial Census

FOUNDATION

Geographic Classifications (2)

Urban-Rural Classification (Census)
Core-based Statistical Areas (OMB)

Multivariate Datasets (6)

AUGMENTED DATASETS (2)
Population Estimates (Census)
Housing Estimates (Census)

HOUSEHOLD SURVEYS (4)
American Community Survey (Census)
Current Population Survey (Census and BLS)
Consumer Expenditure Survey (Census for BLS)
American Housing Survey (Census for HUD)

GENERAL EXTENSIONS

Geographic Classifications (6)

Rural-Urban Commuting Areas (ERS)
Frontier and Remote Areas (ERS)
Rural-Urban Continuum Codes (ERS)
Urban Influence Codes (ERS)
NCHS Urban-Rural Classification (NCHS)
Small Labor Market Areas (BLS)

Standard Economic Indicators (5)

Consumer Price Index (BLS)
Personal Income (BEA)
Per Capita Income (BEA)
Local Area Unemployment Statistics (BLS)

Poverty Thresholds (Census)

PROGRAM-SPECIFIC EXTENSIONS

Program-Specific Geographic Designations (14)

Areas of Substantial Unemployment (ETA)
Labor Surplus Areas (ETA)
Persistent Poverty Counties (ERS)
HUBZones (SBA)
Low-Income Communities (CDFI)
CDFI Investment Areas (CDFI)
Qualified Distressed Communities (CFDI)
Qualified Opportunity Zones (CDFI)
Persistent Poverty Counties (CDFI)
Health Professions Shortage Areas (HRSA)
Medically Underserved Areas (HRSA)
Difficult Development Areas (HUD)
Qualified Census Tracts (HUD)
HUD Metro FMR Areas (HUD)

Program-Specific Measures (19)

INCOME AND POVERTY (9)
Area Median Income (HUD)
Income Limits (HUD)
Low and Moderate Income Summary Data (HUD)
State Median Income (ACF)
Lower Living Standard Income Level (ETA)
Small Area Income and Poverty Estimates
   (Census for ED)
Low-income Targeted Populations (CDFI)
Federal Medical Assistance Percentage (ASPE)

POPULATION CHANGE (1)
Child Population Growth Factor (CMS)

SPENDING AND PRICES (7)
Fair Market Rent (HUD)
Small Area Fair Market Rent (HUD)
Renewal Funding Inflation Factors (HUD)
Annual Adjustment Factors (HUD)
Thrifty Food Plan (FNS)
Projected National Health Expenditures
   Per Capita (CMS)
Geographic Practice Cost Index (CMS)

MEDICAL UNDERSERVICE (2)
Index of Medical Underservice (HRSA)
Medically Underserved Populations (HRSA)

Ubiquitous Reliance on the ACS

Every census-derived dataset—except for the decennial count and urban/rural classification—relies to some degree on data from the American Community Survey.

Census-Guided Federal Funding

- In Fiscal Year (FY) 2017, **316 federal spending programs** relied on 2010 Census-derived data to distribute **$1.504 trillion** across the nation.

- Census-guided federal spending accounted for **9.04% of U.S. personal income** in FY2017.

- Economic reliance on census-guided spending varied considerably by state—**from 6.30% of personal income in Colorado to 16.56% in West Virginia**.

- Two-thirds of the differences among the states are explained by two factors—**poverty rate, % population in rural areas.**

Methodology

- Identifying the universe of census-derived datasets
- Identifying individual census-guided programs that rely on census-derived datasets to allocate funding
  - Catalog of Federal Domestic Assistance (CFDA)
  - U.S. Code
  - Code of Federal Regulations
  - Notices of Funding Availability (NOFAs)
  - Federal Register calls for comments
  - Program websites
- Determining FY2017 funding for each program
  - USASpending.gov
  - CFDA (beta.sam.gov)
  - Program websites
  - Department budget request
  - Federal Funds Information for States (FFIS)
  - President's Budget – Analytical Perspectives

Counting for Dollars $1.504 Trillion vs. Census Bureau $675 Billion

Counting for Dollars accounting more **comprehensive** and **current** than the Census Bureau's "Uses of Census Bureau Data in Federal Funds Distribution" (2017). More specifically, Counting for Dollars:

- Includes 316 programs, compared to 132 programs in the Census Bureau's report.

- Determined that all of Medicare is census-guided. The Census Bureau report only includes Part B Physician Payments.

- Includes census-guided tax credit programs, matching payment programs, and procurement programs. The Census Bureau report does not.

- Measures FY2017 spending—the Census Bureau report measures FY2015 spending.

- Includes only programs that distribute state/local funding based on the state/local count. The Census Bureau report includes several large programs that distribute spending using only national census numbers ($66.1 billion).

Sensitivity of Funding Allocation to Undercount

Sensitivity of funding allocation to state/local census undercount varies by program—each program is a unique mixture of one or more of following:

- **Every person counts** regardless of characteristics – one missed person means lost dollars

- **Persons with specific characteristics count** – such as poor children ages 5-17, unemployed adults, persons in substandard housing

- **Classification ranges** -- such as urban/rural, persistent poverty, high unemployment – are not sensitive to missing small numbers of people.

- **Diverse state discretion in sub-allocations** – e.g., no discretion, Title I grants to LEAs; partial discretion, WIOA; full discretion, Social Services Block Grants.

- **Reliance on non-census data** – e.g., bus miles for mass transit programs

Geographic Redistribution of $ as Result of State and Local Undercounts

- For most programs, Congress sets the dollars appropriated and the census data determine the fraction of the appropriation received by each state and area.

- Consequently, funds lost in one state or area due to an undercount are not returned to the U.S. Treasury. They are **distributed to all other states and areas.**

Medicare

- Medicare Parts A, B, C, and D account for $710.2 billion of census-guided spending (47.4 percent).

- These programs use census-derived data to define multiple local geographic classifications by which to allocate. Medicare funding and services. (Medicare Part C funded by Parts A and B.)

- Census data used primarily for classification purposes, so not sensitive to small undercounts.

Medicare Part A – Inpatient Prospective Payment System

- Geographic classifications
  - Hospital labor market areas → geographic adjustment factors (Hospital Wage Index), Diagnosis-related Group (DRG) weights
  - Large Urban/Other Urban/Rural designations
  - Lugar county designation
  - Critical access hospital designation
  - Frontier state designation
  - Medicare Geographic Reclassification Review Board
- Disproportionate Share Hospital (DSH) allotments

Medicare Part B – Physician Fee Schedule

- Physician Payment Areas
- Geographic Practice Cost Indices (GPCIs)
- Designation of Rural Health Clinics, Federal Qualified Health Clinics
- Competitive Bidding Areas for suppliers of durable medical equipment, prosthetics, orthotics and supplies (DMEPOS)
- AHRQ Socioeconomic Status Index – use in Merit-based Incentive Payment System (MIPS)
  - "The AHRQ SES Index is a widely used and validated measure of area deprivation derived from the American Community Survey (ACS) census block group-level data and linked to a patient's ZIP code. It summarizes SES measures of employment, income, education, and housing."

Medicare Part C – Network Adequacy

Table 3-1: Population and Density Parameters

County Type Designation	Population	Density
Large Metro	$\geq 1,000,000$	$\geq 1,000/\text{mi}^2$
--	$500,000 - 999,999$	$\geq 1,500/\text{mi}^2$
--	Any	$\geq 5,000/\text{mi}^2$
Metro	$\geq 1,000,000$	$10 - 999.9/\text{mi}^2$
--	$500,000 - 999,999$	$10 - 1,499.9/\text{mi}^2$
--	$200,000 - 499,999$	$10 - 4,999.9/\text{mi}^2$
--	$50,000 - 199,999$	$100 - 4,999.9/\text{mi}^2$
--	$10,000 - 49,999$	$1,000 - 4,999.9/\text{mi}^2$
Micro	$50,000 - 199,999$	$10 - 99.9 /\text{mi}^2$
--	$10,000 - 49,999$	$50 - 999.9/\text{mi}^2$
Rural	$10,000 - 49,999$	$10 - 49.9/\text{mi}^2$
--	<10,000	$10 - 4,999.9/\text{mi}^2$
CEAC	Any	$<10/\text{mi}^2$

Each year, CMS applies these parameters to the most recently available U.S. Census Bureau population estimates to determine appropriate county type designations.[3]

Medicare Part D – Prescription Drug Networks

Zipcode Designations

- **Urban:** more than 3,000 persons per square mile
- **Suburban:** 1,000 to 3,000 persons per square mile
- **Rural:** under 1,000 persons per square mile.

Network Adequacy

(i) At least 90 percent of Medicare beneficiaries, on average, in urban areas served by the Part D sponsor live within 2 miles of a network pharmacy that is a retail pharmacy or a pharmacy described under paragraph (a)(2) of this section.

(ii) At least 90 percent of Medicare beneficiaries, on average, in suburban areas served by the Part D sponsor live within 5 miles of a network pharmacy that is a retail pharmacy or a pharmacy described under paragraph (a)(2) of this section.

(iii) At least 70 percent of Medicare beneficiaries, on average, in rural areas served by the Part D sponsor live within 15 miles of a network pharmacy that is a retail pharmacy or a pharmacy described under paragraph (a)(2) of this section.

FMAP Program Funding

- State spending for Medicaid, CHIP, Foster Care, Adoption Assistance, and the Child Care and Development Fund are reimbursed by the Federal government according to the Federal Medical Assistance Percentage (FMAP), which is based on each state's per capita income. ($405.2 billion, 27.0 percent of census-guided funding).

- Reimbursement range 50-83. For state with PCI equal U.S. PCI, FMAP = 55.

- Every person counts, regardless of characteristics.

  - Among the 37 states with an FMAP over 50, the median FY2015 loss per person missed in the 2010 Census was $1,091. FY2015 loss per person missed ranged from $533 for Utah to $2,309 for Vermont. Tennessee was the median state.

- Impact of loss on local areas not possible to determine.

All Other Programs

- The remaining 306 programs distribute $388.8 billion (25.8 percent).

  o **Local only** – 174 programs rely only on local-level census-derived data ($261.2 billion, 17.4 percent).

  o **State and local** – 38 programs rely on both state- and local-level census-derived data ($73.9 billion, 4.9 percent).

  o **State only** – 94 programs rely only on state-level census-derived data ($53.7 billion, 3.6 percent).

Community Dev Block Grant – Entitlement

Entitlement Communities

These are principal (central) cities of metropolitan areas, other metropolitan-based cities (satellite) with populations of 50,000 persons or more, and statutorily defined urban counties whose populations may range from 100,000 to 200,000 persons.[6] Seventy percent of the funds appropriated for CDBG activities are allocated among these communities after funds are set

Formula A

Each entitlement community's share = 0.25(pop/total pop) + 0.50(pov/total pov) + 0.25(overcrowded/total overcrowded).[21]

Formula B

Each entitlement community's = 0.30(pov/total pov) + 0.50(age of housing/total age of housing) + 0.20(pop lag/total pop lag).[22]

Title I Grants to Local Education Agencies

Formula Characteristic	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants (EFIG)
Formula child count	Children ages 5-17: (1) in poor families;	Same as Basic Grants	Same as Basic Grants	Same as Basic Grants
Weighting of formula child count	None	None	At all stages of the allocation process, formula children are assigned weights on the basis of each LEA's number of formula children and formula child rate	For allocation of funds within states only, formula children are assigned weights on the basis of each LEA's number of formula children and formula child rate

Rural Microenterpreneur

Rural or rural area. Any area of a State not in a city or town that has a population of more than 50,000 inhabitants, according to the most recent decennial Census of the United States (decennial Census), and the contiguous and adjacent urbanized area, and any area that has been determined to be "rural in character" by the Under Secretary for Rural Development, or as otherwise identified in this definition. In determining which census blocks in an urbanized area are not in a rural area, the Agency will exclude any cluster of census blocks that would otherwise be considered not in a Rural Area only because the cluster is adjacent to not more than two census blocks that are otherwise considered not in a rural area under this definition.

Social Services Block Grant

(b) **COMPUTATION OF AMOUNTS FOR EACH STATE OTHER THAN JURISDICTIONS OF PUERTO RICO, GUAM, ETC.** The allotment for any fiscal year for each State other than the jurisdictions of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands shall be an amount which bears the same ratio to—

(1) the amount specified in subsection (c), reduced by

(2) the total amount allotted to those jurisdictions for that fiscal year under subsection (a),

as the population of that State bears to the population of all the States (other than Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands) as determined by the Secretary (on the basis of the most recent data available from the Department of Commerce) and promulgated prior to the first day of the third month of the preceding fiscal year.

Census Bureau Knowledge of Decennial Census Uses

- Finding: The Census Bureau does not have a comprehensive understanding of the uses of census-derived data in the allocation of federal funding.

- This lack of information:

  - Inhibits the capacity of the Census Bureau to persuade Congress to provide funding adequate to carry out an accurate decennial census.

  - Constrains the capacity of the Census Bureau to provide information that better motivates households to participate in the decennial census.

  - Reduces Census Bureau credibility among the media and the public.

  - Prevents the Census Bureau from creating mutually beneficial relationships with the large number of federal agencies reliant on census-derived data.

Census Bureau Knowledge of Decennial Census Uses

- I would like to give up the role of national expert on the uses of census-derived data to allocate federal funding.

- I wish that the Census Bureau would develop the capacity to play that role.

- I would be pleased to transfer my knowledge and information to the Census Bureau so that it might fully correct the deficiencies cited above and increase the likelihood of a successful 2030 Census.

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