2020 Census: How the Count Affects State Budgets

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How the Census Affects State Budgets

- Context
  - James Madison’s proposal for the 1790 Census lives on
  - Census-derived datasets

- Direct impacts of Census on state budgets
  - State budget forecasting
  - State tax and expenditure limitations (TELs)
  - Federal financial assistance to states

- Indirect impacts of Census – influence on business decisions, government decisions, democracy
Context: Rep. Madison’s Proposal

- [Congress] had now an opportunity of obtaining the most useful information for those who should hereafter be called upon to legislate for their country if this bill [Census Act of 1790] was extended so as to embrace some other objects besides the bare enumeration of the inhabitants; it would enable them to adapt the public measures to the particular circumstances of the community.

- In order to know the various interests of the United States, it was necessary that the description of the several classes into which the community was divided, should be accurately known; on this knowledge the legislature might proceed to make a proper provision for the agricultural, commercial and manufacturing interests, but without it they could never make their provisions in due proportion.

Context: Rep. Madison’s Proposal

- This kind of information all legislatures had wished for; but [it] had never been obtained in any country. He wished, therefore, to avail himself of the present opportunity of accomplishing so valuable a purpose.

- [I]n order to accommodate our laws to the real situation of our constituents, we ought to be acquainted with that situation.

- If the plan was pursued in taking every future census, it would give [Congress] an opportunity of marking the progress of the society, and distinguishing the growth of every interest. This would furnish ground for many useful calculations . . . .
Context: Census-derived Datasets

- **Geographic Classifications**
  - Urban/Rural Areas (Census Bureau)
  - Core-based Statistical Areas (OMB)
  - Rural-Urban Commuting Areas (ERS)
  - County Typology Codes (ERS)

- **Foundational**
  - Population Estimates (Census Bureau)
  - Housing Unit Estimates (Census Bureau)
  - American Community Survey (Census Bureau)
  - Current Population Survey and supplements (Census Bureau and Bureau of Labor Statistics [BLS])
  - Consumer Expenditure Survey (BLS)

Context: Census-derived Datasets

- **Economic Indicators**
  - Consumer Price Index (BLS)
  - Personal Income (BEA)
  - Per Capita Income (BEA)
  - Poverty (Census)
  - Local Area Unemployment Statistics (BLS)
  - Regional Price Parities (BEA)

- **Financial Assistance Program-specific**
  - Eligibility criteria
    - Median Family Income (HUD)
    - Index of Medical Underservice (HHS)
  - Allocation formulas
    - Small Area Income and Poverty Estimates (Census for Department of Education)
    - Fair Market Rent (HUD)
Decennial Role in Census-derived Data

- Direct – e.g., Urban/Rural designations, Population Estimates
- Household survey design/analysis – e.g., ACS, CPS
  - Sampling frame
  - Sample design
  - Imputation
  - Weighting
  - Variance
- Application of household survey data – e.g., CPI, Population Estimates
- Population denominator – per capita income

Direct Impacts on State Budgets – Budget Forecasting

- All states but VT required to balance budget
- All states + DC prepare revenue and expenditure forecasts, often multi-year
- GFOA recommends forecasting major revenues and expenditures several years into future
- Reliable budget forecasting begins with analysis of a series of Census-derived measures:
  - Population
  - Personal income
  - Inflation
  - Gross domestic product
Direct Impacts on State Budgets – TELs

- In 2015, 28 state governments were limited in ability to raise state government spending (23 states), taxes (three states), or both (two states)
- In all but Illinois, limit determined on basis of change in one or more Census-derived indicators
  - Population
  - Personal income
  - Per capita income
  - Inflation
  - Projected revenue

Direct Impacts on State Budgets – Federal Financial Assistance

- In FY2016, states received about $620 billion from the federal government (state budgets = $2.136B)
- Of this amount, $493 billion came from 17 Census-guided programs, the largest being:
  - Medicaid ($361 billion)
  - Highway Planning and Construction ($40 billion)
  - TANF ($17 billion)
  - CHIP ($14 billion)
  - Special Education ($12 billion)
  - WIC ($6 billion)
  - Foster Care ($5 billion)
  - LIHEAP ($3 billion)
  - Child and Adult Care Food ($3 billion)
- Expect to find many more small programs providing grants to states
Direct Impacts on State Budgets – Federal Financial Assistance

- The accuracy of each state government’s 2020 Census count will affect its allocation of federal $.
- Importance of Population Estimates in calculating Per Capita Income (PCI) – determines each state’s Federal Medical Assistance Percentage (FMAP).
- FMAP used to determine state $ flow concerning:
  - Traditional Medicaid (reimbursement)
  - Medicare Part D clawback for dual eligibles (payment)
  - CHIP (reimbursement)
  - Title IV-E Foster Care (reimbursement)
  - Title IV-E Adoption Assistance (reimbursement)
  - Child Care and Development Fund (state match)
- 6 FMAP programs = $286.1 billion in FY2015

Direct Impacts on State Budgets – Federal Financial Assistance

- FMAP formula
  \[ \text{FMAP}_{\text{state}} = 1 - \frac{(\text{Per capita income}_{\text{state}})^2}{(\text{Per capita income}_{\text{U.S.}})^2} \times 0.45 \]

- Components of PCI
  - PCI = State Personal Income/Population Estimate
    - SPI and PE independently calculated
    - PE highly sensitive to decennial count
  - Population Estimate = 2020 count plus annual components of population change
    - Births
    - Deaths
    - Domestic migration
    - International migration (from ACS)
Direct Impacts on State Budgets – Federal Financial Assistance

- FMAP minimum = 50 (DC set at 70)
  - 13 states at minimum in FY15 – 14 states in FY19
- For states not at minimum, an undercount increases PCI relative to US and lowers FMAP
- FY15 $ loss in FMAP-guided programs per person missed in 2010 Census
  - Median – TN ($1,091)
  - Max – VT ($2,309)
  - Min – UT ($533)
- For state with FMAP > 50, additional 1% undercount in 2010 decreases FMAP by 0.6-1.0 points. FY15 examples:
  - TX 58.05 -> 57.28
  - AL 68.99 -> 68.37
Direct Impacts on State Budgets – Federal Financial Assistance

- Est. FY15 cost for 27 states, rank order:

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Census impact on FMAP programs – total population count

Census impact on non-FMAP programs depends on who is undercounted
- Highways – state grant formula variables include total population, urban population, and median income
- Special Education – grants to states based in part on each state’s share of children and children in poverty
- WIC -- A state’s fair share target funding for food is its share of infants and children (ages 0-4) at or under 185 percent of poverty

Ubiquitous impact of American Community Survey
- Madison’s legacy
Indirect Impacts of Decennial Census on State Budgets

- Economy – business decisions
  - Site location
  - Size of establishment
  - Goods and services offered
  - Marketing
- Public Policy and Programs – government decisions
  - Policy and program design, e.g., Census Transportation Planning Package
  - Amount of federal and state funds appropriated
  - Allocation of federal funds to households, e.g., SNAP, Section 8
  - State aid to local areas
  - Program evaluation
- Democracy
  - Apportionment and redistricting

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