

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

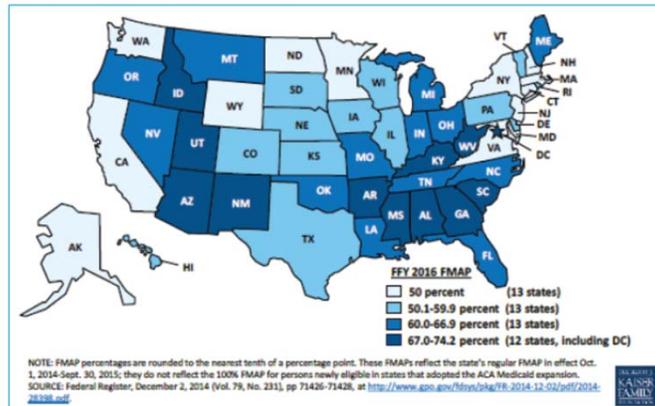
- The accuracy of each state government's 2020 Census count will affect its allocation of federal \$
- Importance of Population Estimates in calculating Per Capita Income (PCI) – determines each state's Federal Medical Assistance Percentage (FMAP)
- FMAP used to determine state \$ flow concerning:
 - 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
 - $$\text{FMAP}_{\text{state}} = 1 - ((\text{Per capita income}_{\text{state}})^2 / (\text{Per capita income}_{\text{U.S.}})^2 * 0.45)$$
- 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 by State, FY2015



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:

| State | Millions | State | Millions | State | Millions |
|-------|----------|-------|----------|-------|----------|
| TX | \$291.9 | TN | \$69.2 | IA | \$38.6 |
| PA | \$221.8 | GA | \$68.6 | SC | \$37.4 |
| FL | \$177.8 | CO | \$63.5 | AL | \$36.1 |
| OH | \$139.1 | LA | \$62.2 | MS | \$30.1 |
| IL | \$122.2 | IN | \$60.2 | KS | \$29.1 |
| MI | \$94.3 | AZ | \$56.7 | AK | \$26.5 |
| NC | \$94.2 | OR | \$44.8 | NM | \$23.1 |
| MO | \$76.2 | KY | \$42.2 | ME | \$21.8 |
| WI | \$76.1 | OK | \$42.1 | NE | \$20.3 |

Direct Impacts on State Budgets – Federal Financial Assistance

- 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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