Census-Guided Federal Spending: A Comprehensive Accounting

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Counting for Dollars 2020

The Counting for Dollars 2020 Project aims to understand:

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

- the impact of the accuracy of the 2020 Census on the fair distribution of these funds.
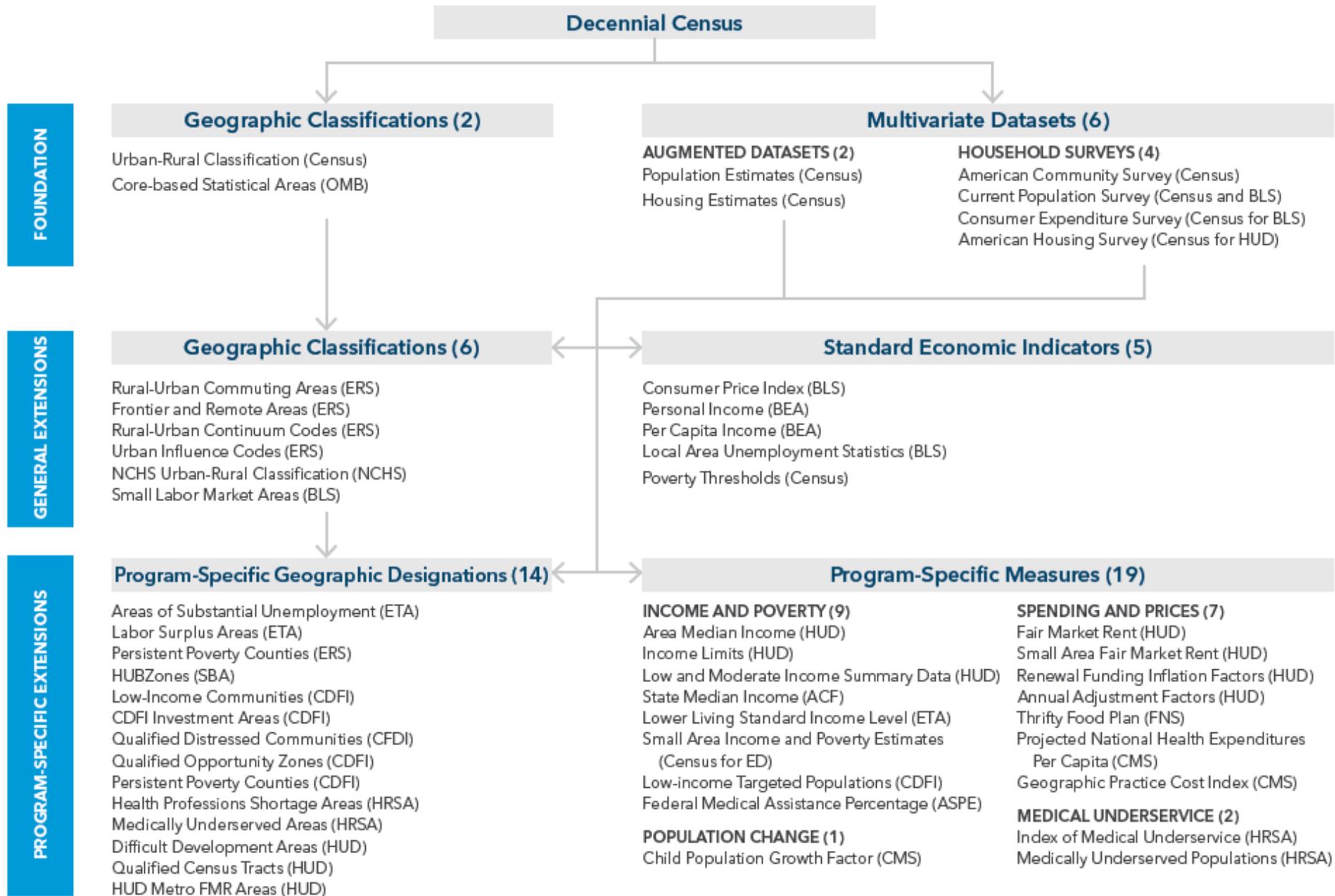
Key Findings

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

- This figure accounted for **7.8 percent of Gross Domestic Product** in FY2017.

- **Census-guided federal spending programs vary substantially** in terms of size, geographic focus, and extent of reliance on and uses of census-derived data.

- The common element across these programs is that a state or area's receipt of its **fair share of federal funds depends on the accuracy of its census count**.

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, and neighborhoods.

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)

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 *(305 programs, $1,465.2 billion)*

- **Matching payments** from states to the federal government required by financial assistance programs *(3 programs, $16.5 billion)*

- **Tax credit programs** that allow a special exclusion, exemption, or deduction from gross income *(7 programs, $14.9 billion)*

- **Procurement programs** that award federal contract dollars to small businesses located in areas selected using census-derived data *(1 program, $7.5 billion)*

Data Use

- ***Allocation*** – Almost all programs use census-derived data to determine the amount of spending or services provided to each eligible geographic area and household *(297 programs, $1,414.8 billion).*

- ***Eligibility*** – About 40 percent of programs use census-derived data to determine the geographic areas and households eligible to receive the program's funding *(128 programs, $206.3 billion).*

  - o Most of these programs also use census-derived data to determine allocations as well *(109 programs, $116.9 billion).*

  - o *Nineteen programs ($89.4 billion)* only use census-derived data for program eligibility purposes.

Allocation Variables

- **Total population** *(89 programs, $519.2 billion)*
  - Per capita income – total income (from tax and other records) divided by total population *(10 programs, $409.7 billion)*
  - Number of residents *(79 programs, $109.5 billion)*
- **Population subsets** *(226 programs, $216.9 billion)* – examples:
  - Persons in rural areas
  - Persons below 125% of federal poverty level
  - Persons age 60+ at or below 185 percent of federal poverty level
  - Persons in overcrowded housing
  - Persons unemployed

Allocation Variables

- **Categories of geographic areas** *(87 programs, $773.8 billion)*
  - Category examples
    - Large metro, metro, micro, rural, and isolated counties
    - Persistent poverty counties
    - Area median income as percent of state median income (less than 60.0%, 60.0-69.9%, 70.0-89.9%, 90.0% and above)
  - Use examples
    - Minimum percent allocation reserved for particular category
    - In competitive grant selections, points awarded vary by category
    - In competitive grant selections, preference given to one category
    - Service network adequacy, by category

Eligibility Variables

- ***Geographic areas** (92 programs, $139.3 billion)* – examples:
  - Population density (such as rural or urban designation)
  - Population size (above or below a specified level)
  - Unemployment rate (above a specified level)
  - Household income (percentage of population below a specified level)
- ***Households** (52 programs, $89.5 billion)*
  - Area median income (household income below a specified percentage of AMI)

Distribution by Program Sets

- ***Medicare*** – Medicare Parts A, B, 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 out of Medicare Parts A and B.)

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

Network Adequacy

- **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.

(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.

Distribution by Program Sets

- ***FMAP-based funding*** – Medicaid and six smaller Department of Health and Human Services programs rely on the annually updated Federal Medical Assistance Percentage (FMAP) based on each state's per capita income to determine reimbursement and matching payment rates *($405.2 billion, 27.0 percent of census-guided funding).*

Federal Medical Assistance Percentage

> "Federal medical assistance percentage" for any state shall be 100 per centum less the state percentage; and the state percentage shall be that percentage which bears the same ratio to 45 per centum as ==the square of the per capita income of such state bears to the square of the per capita income of the continental United States (including Alaska) and Hawaii;== except that (1) the Federal medical assistance percentage shall in no case be less than 50 per centum or more than 83 per centum, (2) the Federal medical assistance percentage for Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa shall be 55 percent…

Distribution by Program Sets

- **All other programs** -- The remaining *306 programs distribute $388.8 billion (25.8 percent)*. These programs can be subdivided into:

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

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

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

Example: Local Pop. + Pop. Subset
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]

Example: Local Population
Rural Microenterpreneur

Rural or rural area. Any area of a <u>State</u> 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 <u>United States</u> (decennial Census), and the contiguous and adjacent urbanized area, and any area that has been determined to be "rural in character" by the Under <u>Secretary</u> 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 <u>Agency</u> 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.

Example: State and Local Pop. Subset 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

Example: State Total Population 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.

Distribution by Spending Level

Annual Spending Range	# of Programs	Spending $ (billions)	Spending %
$100 billion+	4	$1,078.6	71.7%
$10 billion - $99.9 billion	11	$247.2	16.4%
$1 billion - $9.9 billion	43	$140.7	9.3%
$100 million -- $999.9 million	95	$33.0	2.2%
$10 million -- $99.9 million	116	$4.5	0.3%
$300 thousand -- $9.9 million	47	$0.2	0.0%
Total	316	$1,504.2	100.0%

Census Accuracy and Funding

- For any one program, the sensitivity of funding distribution to census accuracy depends on its particular use of census-derived data:
  - Extent of reliance – in whole or part
  - Population total, subset, category
  - If categories – nature of typology, closeness to boundary
- For the most part, census-derived data don't determine the "size of the pie" but "who gets what slice of pie." This means that funds not received in one state or area due to an undercount are distributed to all other states and areas.

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