

**Effect of Census 2000 Undercount
on Federal Funding to States and
Local Areas, 2002-2012**

Executive Summary

prepared

for

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EFFECT OF CENSUS 2000 UNDERCOUNT ON FEDERAL FUNDING TO STATES AND LOCAL AREAS, 2002-2012

ABSTRACT

Congress relies on the census for purposes of allocating funds under various federal grant programs to state governments. Inaccuracies in the census count can cause federal funds to be distributed in a way that is not fully consistent with congressional intent. Many state-funded grant programs to localities also rely on census counts, compounding the misallocation of grant money. From the perspective of jurisdictions that are counted relatively poorly by the census, this translates into fewer services for families in need.

Using information from the 1990 Post-Enumeration Survey (PES) and more recent census estimates, PricewaterhouseCoopers projects Census 2000 will underestimate the actual U.S. population by almost five million individuals, representing an undercount rate of 1.75 percent of the actual population. This estimate is conservative—the Census Bureau itself has projected an undercount rate of 1.9 percent using confidential administrative records and the PES data.

Federal programs with \$185 billion of obligations were allocated among the states based on census population counts in fiscal year 1998. Because many of these programs use figures adjusted for the census undercount or have formulae that guarantee states a steady share of the funds, the census undercount would affect only a portion of funding under these programs. This study focuses on eight programs with \$113 billion of FY 1998 obligations, representing over 82 percent of the funding of programs affected by the census undercount with obligations over \$500 million in FY 1998. Because this study does not consider all programs affected by census population figures, the effect of the Census 2000 undercount on the allocation of federal funds is likely to exceed the estimates in this report.

For the eight federal grant programs included in this study, the Census 2000 undercount is estimated to cause the District of Columbia and 26 states adversely affected by the undercount to lose \$9.1 billion in federal funding over the 2002-2012 fiscal year period. The shift in federal funds due to the Census 2000 undercount is particularly large in metropolitan areas because relatively poorly counted demographic groups are concentrated in urban areas. These areas not only share in state losses from the undercount but also lose funds to other localities within the state because of the high relative undercounts of urban areas. The federal funding loss to the 169 metropolitan areas adversely affected by the undercount is estimated to reach \$11.1 billion over the period, or \$3,391 per uncounted person in these jurisdictions.

The census undercount not only redistributes funds among jurisdictions, it also causes a net loss to the states of funds from federal entitlement programs, such as Medicaid or Foster Care. For the programs included in this study, the Census 2000 undercount is estimated to reduce *net* federal funds to the states by \$722 million over the 2002-2012 period.

EFFECT OF CENSUS 2000 UNDERCOUNT ON FEDERAL FUNDING TO STATES AND LOCAL AREAS, 2002-2012

EXECUTIVE SUMMARY

A number of federal grant programs rely on population counts from the decennial census for purposes of allocating funds among states. Consequently, a population undercount, such as that estimated to have occurred in the 1990 census, can affect the distribution of federal funds to states and localities that benefit from federal programs. From the perspective of jurisdictions that are counted relatively poorly by the census, this translates into fewer services for families in need.

The Presidential Members of the United States Census Monitoring Board¹ retained PricewaterhouseCoopers LLP (PwC) to conduct an independent estimate of the Census 2000 undercount, and to project its effects on the allocation of federal funds among states, metropolitan areas, and center counties of metropolitan areas over the next decade.

Under the programs analyzed in this report, the District of Columbia and 26 states are estimated to lose \$9.1 billion in federal funding over the 2002-2012 period. Metropolitan areas not only share in the state losses but also lose funds to other areas within the state because of the high relative undercounts of urban centers. The federal funding loss in the 169 metropolitan areas adversely affected by the undercount is estimated to reach \$11.1 billion over the 2002-2012 period, which translates into a loss of \$3,391 per uncounted person in these jurisdictions. Because this report does not include all population-based federal programs or any of the state programs distributed using census data, these estimates should be treated as conservative.

Previous Research

In previous studies, the General Accounting Office (GAO) and the U.S. Conference of Mayors have estimated the impact of the 1990 census undercount on the allocation of federal and state grant program funds.

The GAO study looked at the effect of the 1990 census undercount on funding to state governments under 15 federal formula grant programs in fiscal year 1998.² The 1990 census was subject to a net undercount rate of 1.59 percent of the adjusted population. GAO found that the 1990 undercount caused a reallocation of \$449 million in federal funding in 1998. This amounts to a funding loss of approximately \$145 per uncounted individual in the District of Columbia and the 27 states with funding losses in 1998.

¹ The Presidential Members of the U.S. Census Monitoring Board are Gilbert F. Casellas (Co-Chairman), Cruz M. Bustamante, Everett M. Ehrlich, and Lorraine A. Green.

² For several programs, GAO calculated the state allotments for a different year (1997 or 1999) because certain components of the formulas were not available or more recent data were available. See GAO, *Formula Grants: Effects of Adjusted Population Counts on Federal Funding to States*, GAO/HEHS-99-69, February 1999.

According to the Congressional Research Service, federal funding amounting to \$185 billion was distributed using census population counts in 1998. GAO analyzed the 25 largest programs (each had FY 1998 obligations of over \$500 million) with a combined funding level of \$167 billion. Ten of these 25 programs were excluded from the GAO analysis because the data necessary to calculate the effect of the undercount on their allocations were unavailable.

Of the remaining 15 programs, eight programs were responsible for all of the reallocation: (1) Medicaid; (2) Foster Care; (3) Rehabilitation Services Basic Support; (4) Social Services Block Grant; (5) Substance Abuse Prevention and Treatment Block Grant; (6) Adoption Assistance; (7) Child Care and Development Block Grant³; and (8) Vocational Education Basic Grants. The final seven programs were either not affected by the undercount or the effects were insignificant.

The U.S. Conference of Mayors recently surveyed cities regarding the effect of the 1990 census undercount on federal and state funding.⁴ The 34 cities responding to the survey reported a loss of federal and state funds of \$536 million, or \$1,230 per uncounted person, over the ten-year period following the 1990 census. The survey also requested that cities estimate the impact of the Census 2000 undercount. The 20 cities responding to this question reported a loss of federal and state funds of \$677 million, or an average of \$2,263 per uncounted person, over the ten-year period following Census 2000.

Methodology

This study extends the previous research by estimating the federal funding effect of the Census 2000 undercount over the next decade on states and metropolitan areas. The study includes the same programs analyzed in the GAO report, but estimates the impact of the undercount at the metropolitan level over the entire period affected by the Census 2000 figures.

The eight programs studied accounted for \$113 billion in federal grant spending in fiscal year 1998 (see Table A). These programs represented over 82 percent of the funding of grant programs affected by the undercount (for programs with obligations over \$500 million). The effect of the undercount on programs with FY 1998 obligations less than \$500 million has not been included. State programs that rely on census data to distribute funds to localities also have been excluded. Because all federal and state grant programs affected by the undercount were not analyzed in this study, the shift in federal funds due to the Census 2000 undercount is likely to be larger than is estimated in this report.

³ Funding under this program is now distributed under the Child Care and Development Fund Discretionary Funds. This report refers to the program by its original name.

⁴ U.S. Conference of Mayors, *The Fiscal Impact of the Census Undercount on Cities: A 34-City Survey*, January 1999.

Table A. Federal Formula Grant Programs and FY 1998 Obligations
 [Dollar amounts in billions; Programs over \$0.5 billion affected by census undercount]

Program	Description	Obligations
1. Medicaid	Provides medical assistance (such as inpatient and outpatient hospital care, laboratory and x-ray services, and physician services) to low-income individuals. Eligible individuals include low-income children and pregnant women, low-income persons with disabilities, and low-income elderly persons.	\$100.5
2. Foster Care	Provides support to homes and facilities that provide homes to needy foster children. Payments cover food, shelter, and supervision costs. Any foster child eligible for Aid to Families with Dependent Children, as in effect in 1995, is eligible for the program.	3.5
3. Social Services Block Grant	Provides support to states to prevent or reduce dependency; promote self-sufficiency; prevent abuse, neglect, or exploitation of children and adults; prevent inappropriate institutional care; and secure institutional care where appropriate. Funds have been used for child day care, protective and emergency services for children and adults, and counseling.	2.3
4. Rehabilitation Services Basic Support	Provides vocational rehabilitation to disabled individuals and their families. Services include reader services for the blind, interpreter services for the deaf, prosthetic devices, and job placement.	2.2
5. Substance Abuse Prevention and Treatment Block Grant	Provides resources to states to design and implement programs to reduce drug and alcohol abuse and provide rehabilitation to individuals with drug and alcohol problems.	1.4
6. Vocational Education Basic Grants	Provides grants to states for vocational education programs for youths and adults. Funds used for activities such as purchasing occupationally-relevant equipment and curriculum materials, providing career counseling and guidance, hiring staff, and offering remedial classes.	1.0
7. Child Care and Development Block Grant	Provides assistance to low-income families to improve the availability and quality of childcare. Name changed to Child Care and Development Fund Discretionary Funds.	1.0
8. Adoption Assistance	Provides support for the adoption of children with special needs. Payments train professional staff and parents involved in the adoptions, provide resources to families adopting the children, and cover costs associated with placing children in adoptive homes.	0.7
Total for eight programs included in this report		\$112.6
Total for grant programs over \$0.5 billion affected by undercount		\$136.7

The methodology used in this report can be summarized as follows:

1. Estimate the Census 2000 undercount at the state, metropolitan area, and county level.
2. Determine the formulae for allocating the eight federal grant programs included in this study.
3. Project national funding levels for these federal programs through 2012.
4. Project the effect of the Census 2000 undercount on the allocation of federal funds to states, metropolitan areas, and center counties over the period affected by Census 2000 (generally, fiscal years 2002-2012).

Several key assumptions underlie the results in this report. First, the undercount rates of demographic groups in Census 2000 are assumed to be the same as in the 1990 census; however, the change in the demographic composition of the population between 1990 and 2000 is taken into account based on the latest official Census Bureau projections. Second, current formulae for allocating federal grant programs are assumed to remain unchanged. Third, the national funding level for these programs over the FY 2002-2012 period is based on the Administration's fiscal year 2000 Current Services Budget. Last, states are assumed to allocate federal funding among local governments in proportion to their respective populations, as enumerated in the decennial census. To the extent possible, the results in this study are based on federal data, estimates, and methodology.

Projected Census 2000 Undercount

Based on the net undercount rates of demographic groups from the 1990 census and the projected population growth since 1990, PricewaterhouseCoopers estimates that the Census 2000 undercount rate will be 1.75 percent of the actual population, or almost five million uncounted individuals. This is a conservative estimate. Using demographic analysis of confidential administrative records to supplement undercount factors from the 1990 Post-Enumeration Survey, the Census Bureau has estimated that the Census 2000 undercount rate will be 1.9 percent of the true population.⁵

Members of minority groups and children experience undercount rates that exceed those for the rest of the population. The net undercount rate for children is estimated to reach 3.36 percent (an estimated 2.5 million children), and the rate for certain minority groups exceeds five percent.

Effect of Census 2000 Undercount on Federal Funding to States

Over the 2002-2012 fiscal year period, for the eight programs analyzed, PricewaterhouseCoopers estimates that the Census 2000 undercount will result in a loss of \$9.1 billion in federal funding among the 26 states adversely affected by the

⁵ Bureau of the Census, *Report to Congress--The Plan for Census 2000*, August 1997.

undercount and the District of Columbia. Medicaid accounts for the largest shift in federal funds, representing 91 percent of all reallocated funds (see Figure A).⁶

The projected 2000 undercount would have the biggest dollar impact on states with the largest numerical undercount i.e., California, Texas and Florida (see Figure B).

Even in states that are relatively well counted by the census, certain portions of the state may have high undercount rates. For example, while Massachusetts is counted relatively well, Suffolk County (containing Boston, MA) is estimated to lose \$154 million in federal funds over the 2002-2012 period as a result of its high undercount. Similarly, while Illinois is counted relatively well, Cook County (containing part of Chicago, IL) is estimated to lose \$219 million in federal funds over the 2002-2012 period.

Note that the funding effects of the Census 2000 undercount are not a “zero-sum game.” The shift in federal funds *away from* states that are counted relatively poorly is greater than the shift in funds *to* states that are counted relatively well. The Census 2000 undercount is projected to result in a *net* loss of \$722 million in federal funds to the states as a whole. This overall loss in federal funding is due to federal entitlement programs such as Medicaid, under which the national level of funding depends on population measures and is not a fixed sum.

Effect of Census 2000 Undercount on Federal Funding to Metropolitan Areas

The Census 2000 undercount also will affect metropolitan areas that receive a portion of federal grants allotted to states. The net impact on metropolitan funding depends on the effect of the undercount on both the allocation of federal funds between states (the “between-state” effect) and the allocation of funds among jurisdictions within a state (the “within-state” effect). The *net* impact of the Census 2000 undercount on the allocation of federal funds to metropolitan areas is the sum of the between-state and within-state effects.

Over the 2002-2012 period, 169 metropolitan areas are estimated to lose \$11.1 billion, or \$3,391 per uncounted person in these jurisdictions, as a result of the Census 2000 undercount. Because metropolitan areas within a state generally experience undercount rates that are higher than the state average, they will fail to receive their proportionate share of any funds distributed by the state based on unadjusted population counts. These “within-state” effects cause the funding losses of metropolitan areas to exceed the funding losses at the state level.

⁶ Because of statutory provisions which guarantee minimum reimbursement rates, Medicaid funding for certain states would remain the same using either adjusted or unadjusted population counts. Some states, like New York, receive the minimum reimbursement of 50 percent of state expenditures under adjusted or unadjusted figures. The District of Columbia has a reimbursement rate set by statute at 70 percent. These areas experience significant undercounts, but the Medicaid minimum reimbursement provisions limit the federal funding losses from the undercount.

Six metropolitan areas are estimated to lose over \$300 million in federal funds: New York, NY; Los Angeles-Long Beach, CA; Houston, TX; Riverside-San Bernardino, CA; San Diego, CA; and Miami, FL (see Figure C). In New York, NY, the funding loss is estimated to exceed \$2 billion. Because some state-funded grant programs also rely on the decennial census for purposes of allocating funds among localities, the impact of the Census 2000 undercount on metropolitan areas will be larger than the federal funding effect.

Effect of Census 2000 Undercount on Federal Funding to Center Counties

The demographic composition of the “center county” within a metropolitan area frequently is quite different from the surrounding suburbs. As a result, census undercount rates can vary dramatically within a metropolitan area, and this can affect the allocation of federal funds. The “center county” generally is defined as the county containing a metropolitan area’s central city.

Seven center counties are estimated to lose over \$300 million in federal funding: Los Angeles County, CA; Kings County, NY (which comprises the borough of Brooklyn, NY); Bronx County, NY; New York County, NY (which comprises the borough of Manhattan, NY); Harris County, TX (which contains the city of Houston, TX); San Diego, CA; and Miami-Dade County, FL (see Figure D). In Los Angeles County, CA the funding loss is estimated at over \$1.8 billion. (As noted above, these estimates exclude the effect of the Census 2000 undercount on the allocation of state-funded grant programs.)

Conclusion

Congress relies on the census for purposes of allocating various federal grants to state governments. Inaccuracies in the census count can cause federal funds to be distributed in a way that is not consistent with congressional intent. Many state-funded grants to localities also rely on census counts, compounding the problem. From the perspective of jurisdictions that are counted relatively poorly by the census, this translates into fewer services for families in need. By participating in Census 2000, all Americans can help ensure that their communities are not short-changed in the allocation of federal and state program funds.

**Figure A. Estimated Effect of Census 2000 Undercount on Eight Federal Grant Programs:
26 States with Funding Losses and the District of Columbia, Fiscal Years 2002-2012
[Millions of Dollars]**

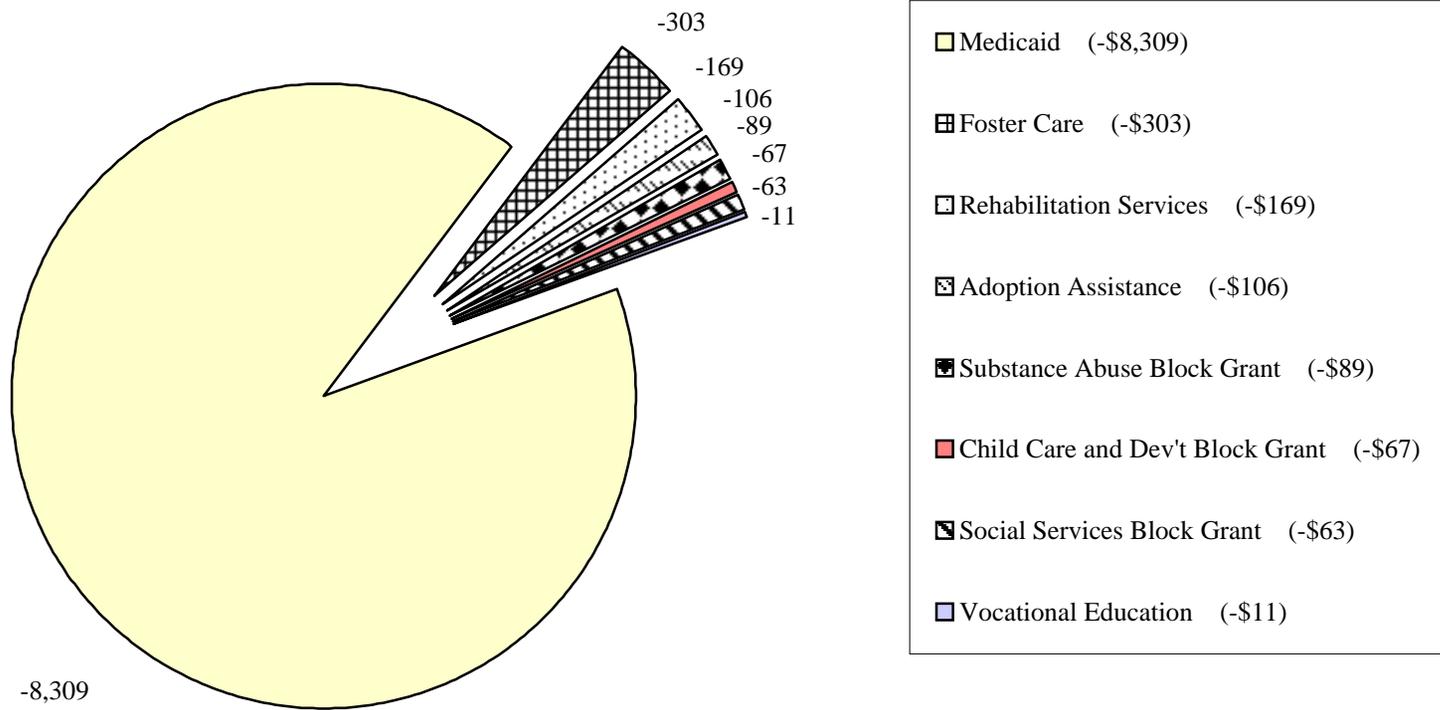
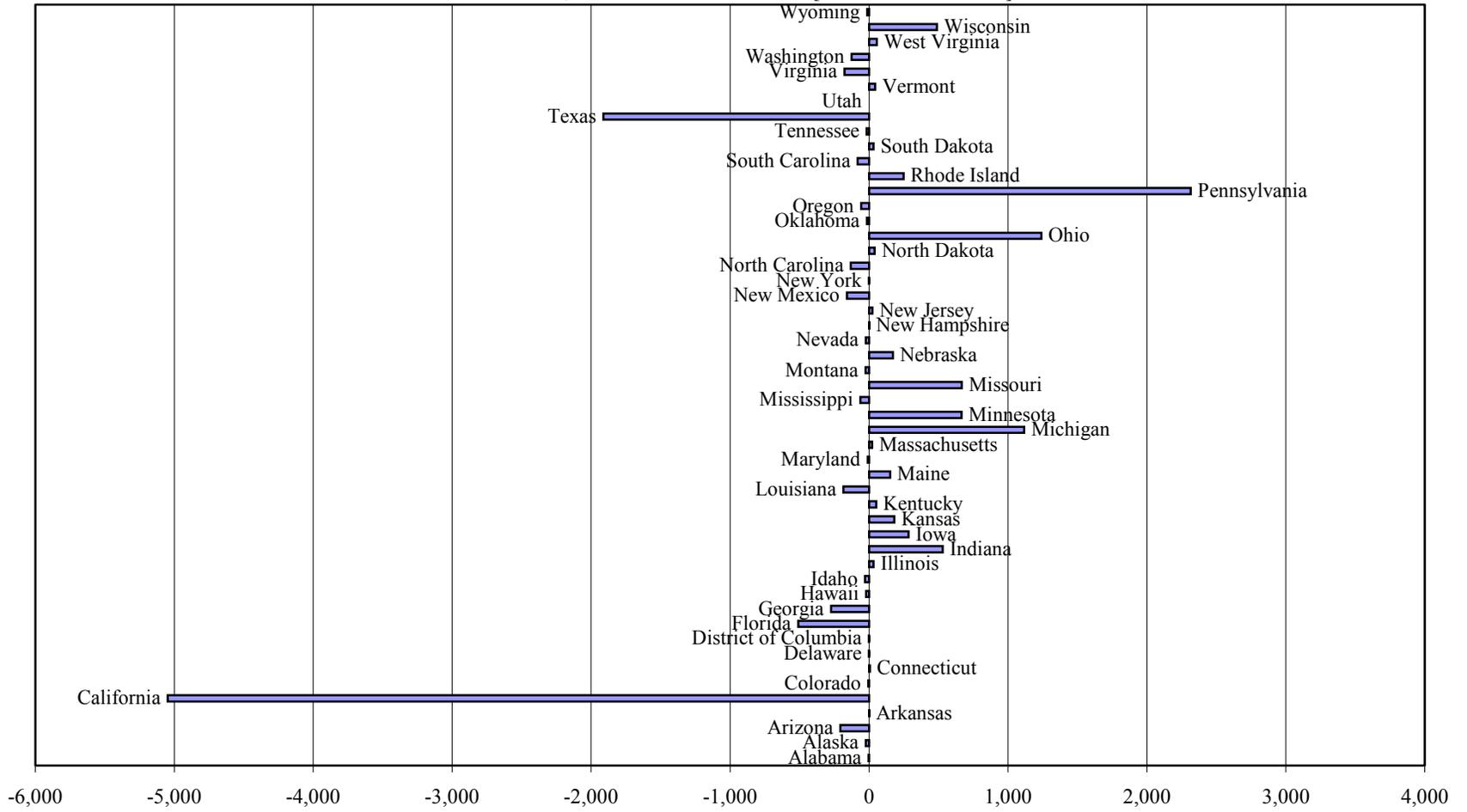
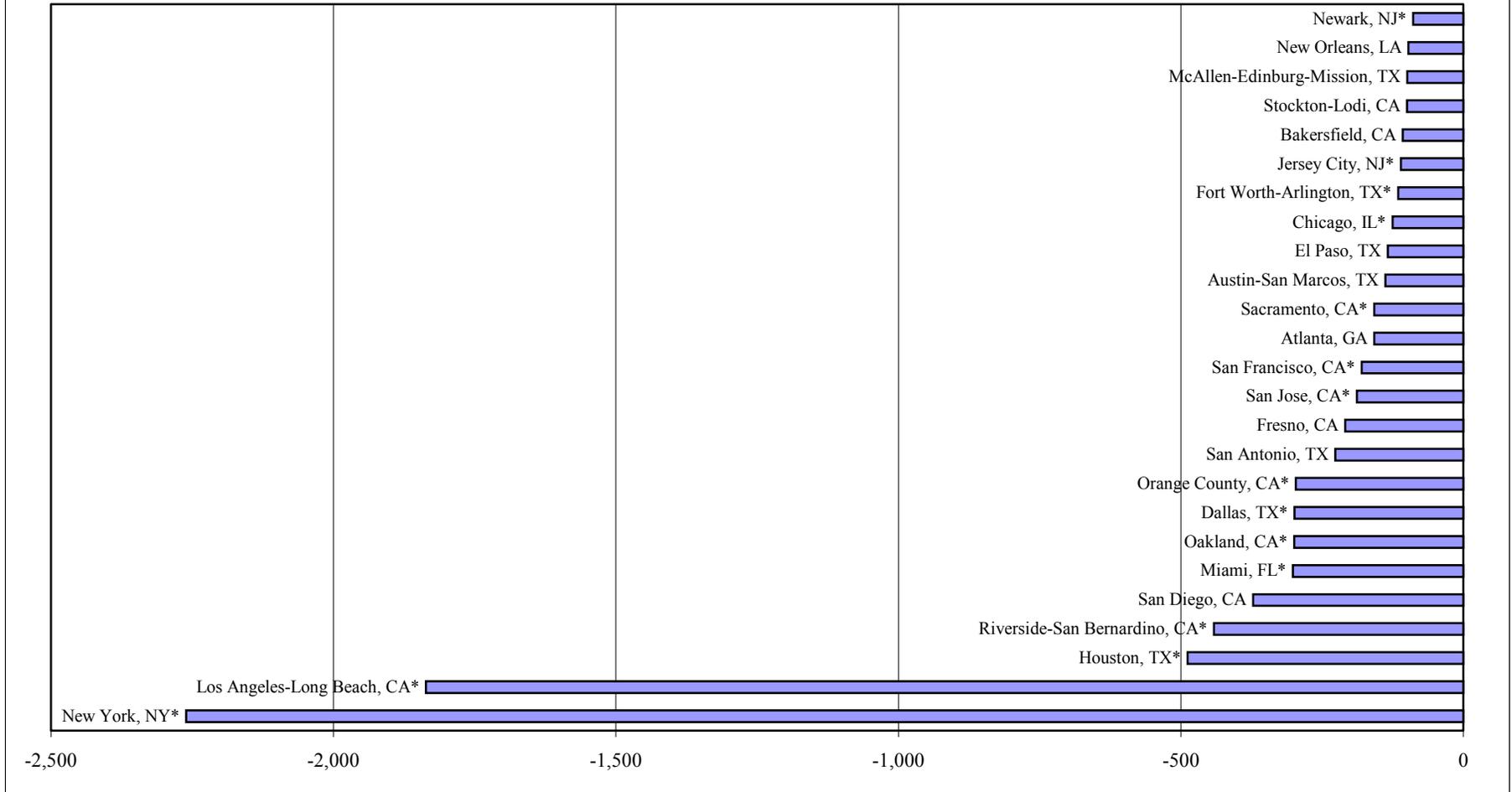


Figure B. Estimated Effect of Census 2000 Undercount on Eight Federal Grant Programs: All States and the District of Columbia, Fiscal Years 2002-2012 [Millions of Dollars]



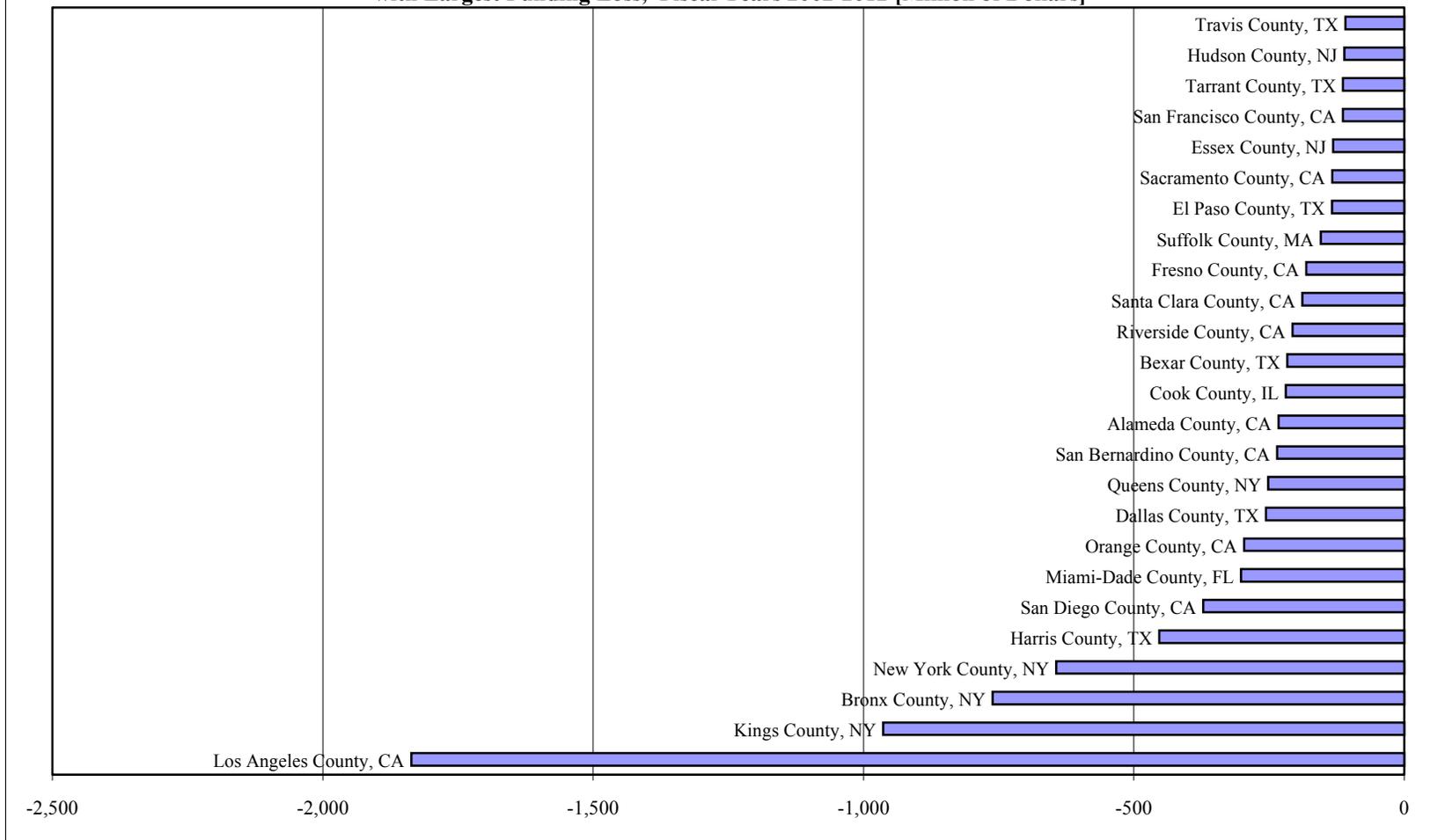
Source: PricewaterhouseCoopers calculations.

Figure C. Estimated Effect of Census 2000 Undercount on Eight Federal Grant Programs: 25 MSAs with Largest Funding Loss, Fiscal Years 2002-2012 [Million of Dollars]



Source: PricewaterhouseCoopers calculations.
 * Primary Metropolitan Statistical Area (PMSA).

Figure D. Estimated Effect of Census 2000 Undercount on Eight Federal Grant Programs: 25 Center Counties with Largest Funding Loss, Fiscal Years 2002-2012 [Million of Dollars]



Source: PricewaterhouseCoopers calculations.