

# EFFECT OF CENSUS 2000 UNDERCOUNT ON FEDERAL FUNDING TO STATES AND SELECTED COUNTIES, 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 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 Board<sup>1</sup> retained Dr. Eugene P. Ericksen of Temple University to analyze and extend the Census Bureau's estimate of the Census 2000 undercount and retained PricewaterhouseCoopers LLP (PwC) to project the effect of the Census 2000 undercount on the allocation of federal funds among the states and 112 selected counties over the next decade.<sup>2</sup>

Under the programs analyzed in this report, the District of Columbia and the 31 states adversely affected by the undercount are estimated to lose \$4.1 billion in federal funding over the 2002-2012 period. Counties not only share in the state losses but can also lose funds to other areas within the state because of the high relative undercounts. The federal funding loss in the 58 largest counties adversely affected by the undercount<sup>3</sup> is estimated to reach \$3.6 billion over the 2002-2012 period, which translates into a loss of \$2,913 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 March 2000, PricewaterhouseCoopers prepared a study<sup>4</sup> for the Presidential Members of the U.S. Census Monitoring Board that estimated the impact of the projected Census 2000 undercount on the allocation of federal funds. This March 2000 report assumed similar undercount rates by demographic group as were estimated following the 1990 census and used Census population projections for 2000. The study projected that the 2000 census undercount rate would be 1.75 percent. This was considered a conservative estimate since the Census Bureau predicted an undercount rate of 1.9%.

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<sup>1</sup> 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.

<sup>2</sup> The 112 counties were selected as the 111 counties (excluding the District of Columbia) with enumerated population over 500,000 plus Richmond County, New York (Staten Island).

Source: [www.census.gov/population/cen2000/phc-t4/tab02.pdf](http://www.census.gov/population/cen2000/phc-t4/tab02.pdf).

<sup>3</sup> Of the 112 counties examined in our study, 58 of them are adversely affected by the undercount.

<sup>4</sup> *Effect of Census 2000 Undercount on Federal Funding to States and Local Areas, 2002-2012* (March 2000).

Now that Census 2000 is complete, the data indicate that the Census Bureau counted a higher percentage of the population in 2000 than in 1990. The Census Bureau estimates that the Census 2000 net undercount rate was 1.18 percent.

This report updates PricewaterhouseCooper's previous study by using Dr. Ericksen's analysis and extension of the information the Census Bureau has made public about the Census 2000 undercount rate rather than projections based on the 1990 Census experience.

### ***Methodology***

This study generally follows the same methodology for estimating funding effects as the March 2000 PricewaterhouseCoopers report.

The eight programs studied accounted for \$145 billion in federal grant spending in fiscal year 2001 (see Table A). These programs represent 87 percent of the funding of major programs identified by the General Accounting Office (GAO) as being affected by the undercount.<sup>5</sup> The effect of the undercount on smaller federal programs has been excluded. 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 funds due to the Census 2000 undercount is likely to be larger than is estimated in this report.

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

1. Based on the Census Bureau's and Dr. Ericksen's estimates of the Census 2000 undercount rate by state and selected county, derive adjusted state and county population levels for comparison with Census 2000 population counts.
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 and selected counties over the period affected by Census 2000 (generally, fiscal years 2002-2012).

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<sup>5</sup> General Accounting Office, *Formula Grants: Effects of Adjusted Population Counts on Federal Funding to States*, GAO/HEHS-99-69, February 1999.

**Table A. Federal Formula Grant Programs and FY 2001 Obligations**  
[Dollar amounts in billions; Major programs affected by census undercount]

| <b>Program</b>   | <b>Description</b>   | <b>Obligations</b> |
|--|--|--------------------|
| 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.  | \$130.0            |
| 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.   | 5.1                |
| 3. 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.   | 2.4                |
| 4. 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.  | 2.0                |
| 5. 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. | 1.7                |
| 6. 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.   | 1.7                |
| 7. 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.  | 1.2                |
| 8. 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.   | 1.1                |
| <b>Total for eight programs included in this report</b>      |  | <b>\$145.1</b>     |
| <b>Total for major grant programs affected by undercount</b> |  | <b>\$166.6</b>     |

Several key assumptions underlie the results in this report. First, Dr. Ericksen's extension of the Census Bureau's methods is assumed to be accurate. Second, the undercount rate is assumed to not vary substantially between group-quarters and non-group-quarters persons.<sup>6</sup> Third, current formulae for allocating federal grant programs are assumed to remain unchanged over the 2002-12 period. Fourth, the national funding level for these programs over the FY 2002-2012 period is based on the Administration's fiscal year 2001 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.

### ***Effect of Census 2000 Undercount on Federal Funding to States***

The Census Bureau has estimated a national net undercount rate for the non-group-quarters population in Census 2000 of 1.18 percent, totaling nearly 3.3 million persons missed. Assuming the same undercount rate for the group-quarters population, Dr. Ericksen estimates a total net undercount of 3.4 million.<sup>7</sup> Over the 2002-2012 fiscal year period, for the eight programs analyzed, PricewaterhouseCoopers estimates that this Census 2000 undercount will result in a loss of \$4.1 billion in federal funding among the 31 states adversely affected by the undercount and the District of Columbia. Medicaid accounts for the largest shift in federal funds, representing 92 percent of all reallocated funds (see Figure A).<sup>8</sup>

The estimated 2000 undercount is expected to cause the biggest dollar losses in California, Texas and Georgia (see Figure B). These are large states that have relatively large undercount rates.

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 \$58 million in federal

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<sup>6</sup> The Census Bureau only provided undercount rates for the non-group-quarters population. In order to evaluate the funding effects, we require an undercount estimate for the entire population. We assumed that the undercount rate for the group-quarters population equals the undercount rate for the non-group-quarters population. The alternative assumption of a perfect count of the group-quarters population would not materially affect our results.

<sup>7</sup> The Census Bureau excluded the group-quarters population (7.8 million persons) from its undercount estimates. Assuming that the group-quarters population is undercounted at the same rate as the non-group-quarters population implies a national undercount of 3.4 million persons and an overall national undercount rate of 1.18 percent. Source: *Report of the Executive Steering Committee for Accuracy and Coverage Evaluation Policy*, March 1, 2001 and Dr. Eugene Ericksen, *Estimates of State and County Undercount Rates*, May 1, 2001.

<sup>8</sup> Because of statutory provisions that 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.

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 \$193 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 expected to result in a *net* loss of \$478 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 Selected Counties***

The Census 2000 undercount also will affect counties receiving a portion of federal grants allotted to states. The net impact on county 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 counties is the sum of the between-state and within-state effects.

Over the 2002-2012 period, the federal funding loss to the 58 largest counties adversely affected by the undercount is estimated to reach \$3.6 billion, or \$2,913 per uncoun­ted person in these jurisdictions. Because counties with large populations generally experience undercount rates that are higher than the state average, we assume that 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.

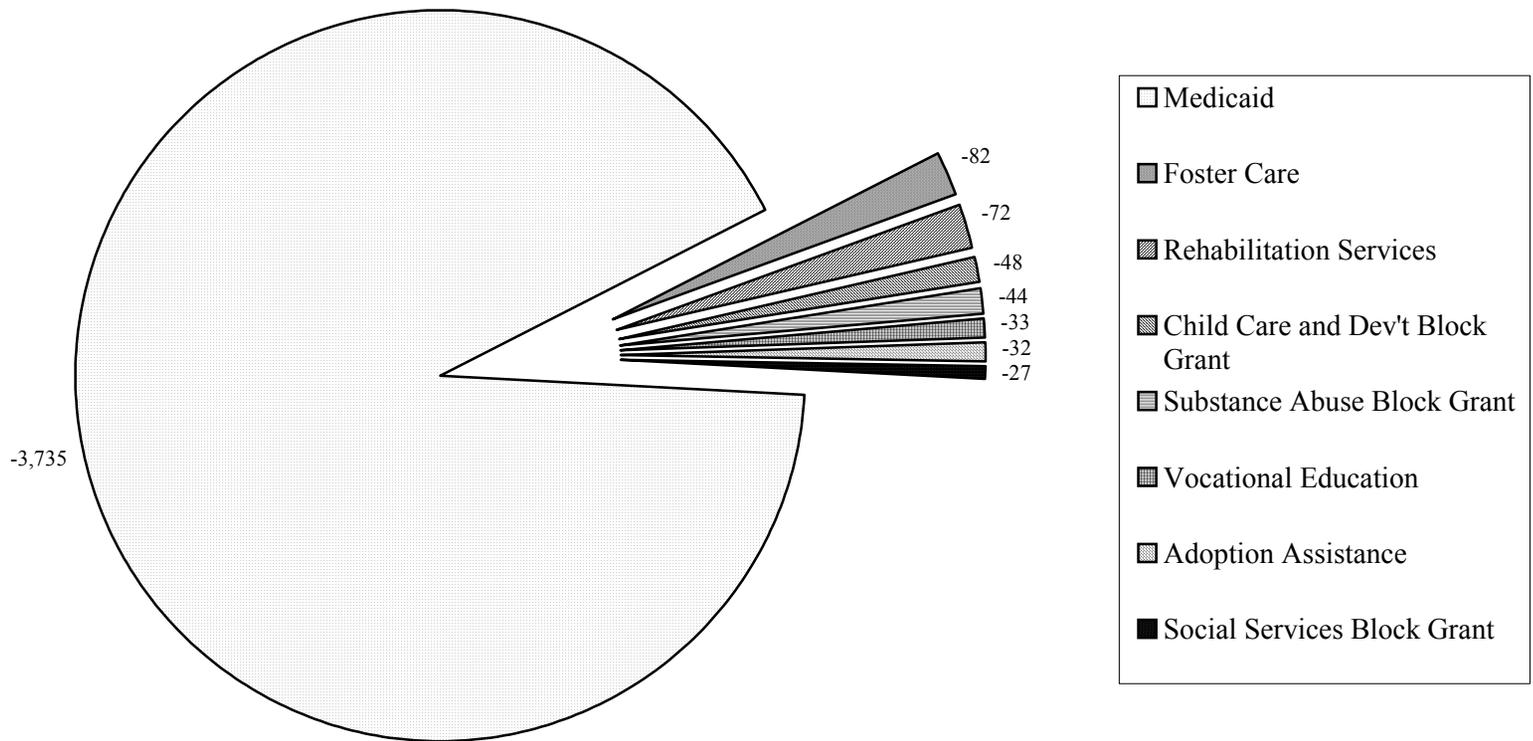
Eight counties are estimated to lose over \$100 million each in federal funds: Los Angeles County, CA; Bronx County, NY; Kings County, NY (which comprises the borough of Brooklyn, NY); Harris County, TX (which contains the city of Houston, TX); New York County, NY (which comprises the borough of Manhattan, NY); Cook County, IL (Chicago), Dallas County, TX, and Miami-Dade County, FL (see Figure C). In New York City, the funding loss across the five boroughs is estimated to reach \$847 million. 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.

### ***Conclusion***

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. We estimate that unadjusted Census 2000 population estimates will result in a loss of \$4.1

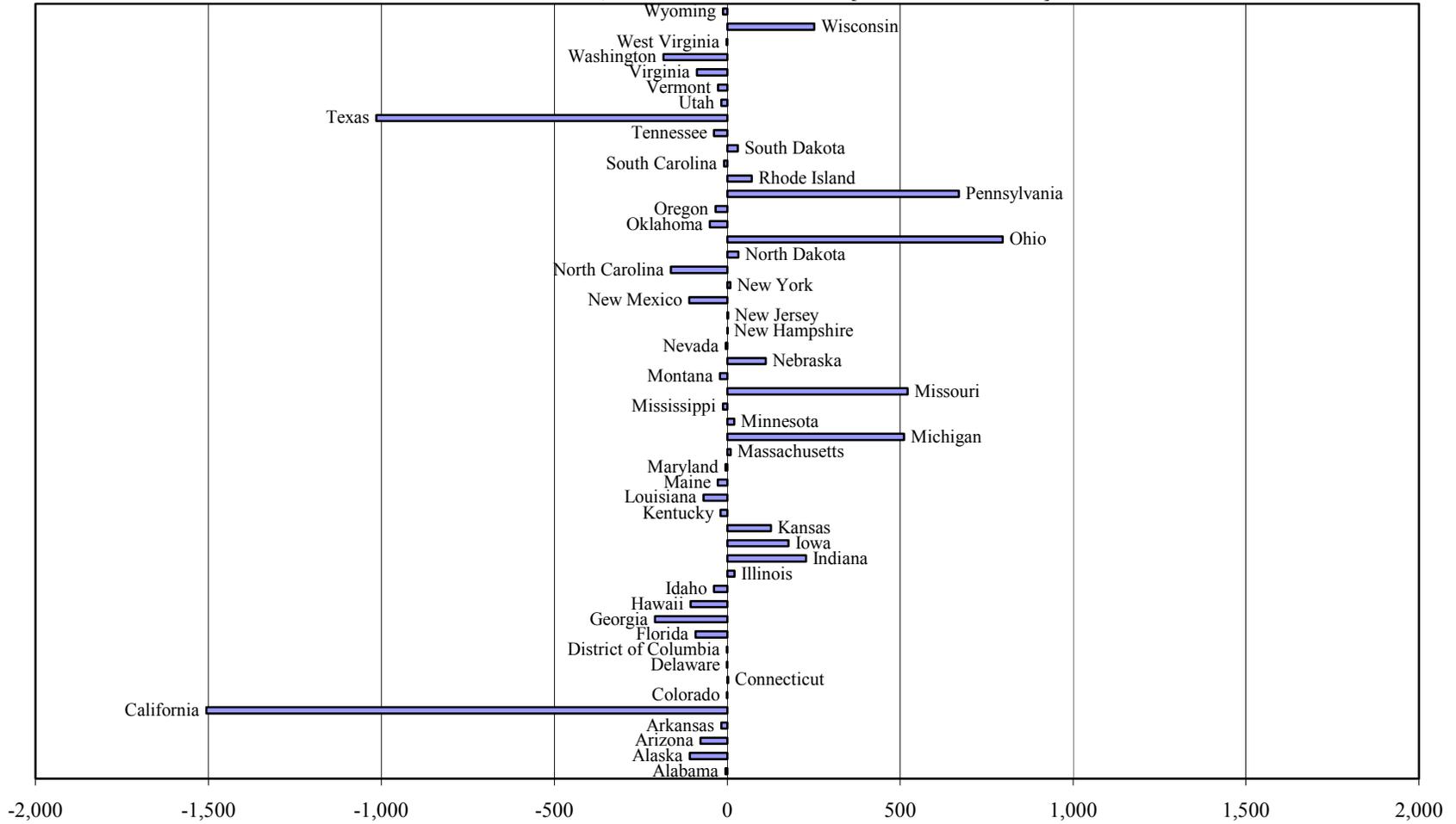
billion in federal funding in the District of Columbia and the 31 states adversely affected over the FY 2002-2012 period. Many state-funded grant programs to localities also rely on census counts, compounding the misallocation of grant money. For those jurisdictions that are counted relatively poorly by the census, this translates into fewer services for families with the greatest needs.

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



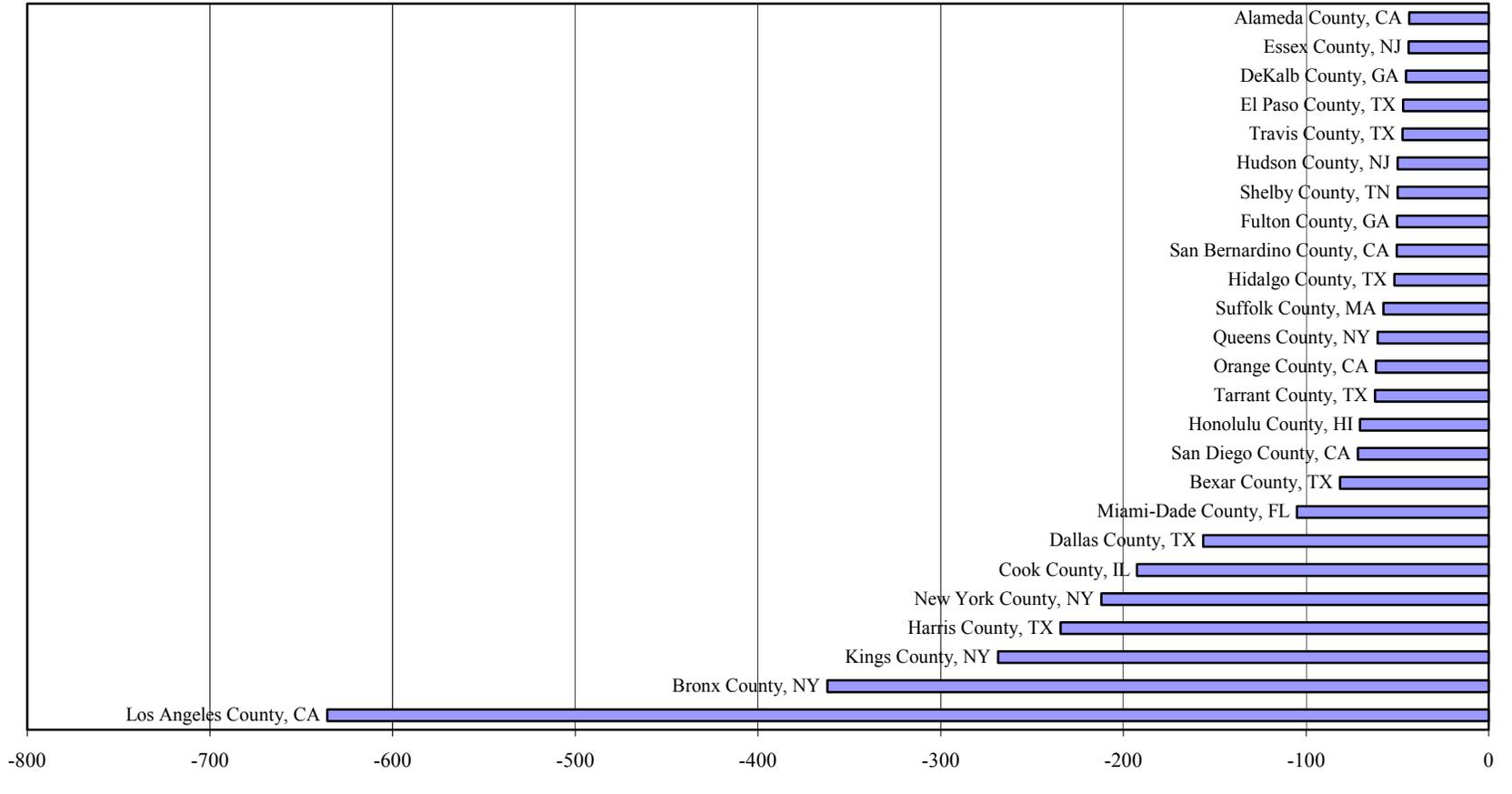
Source: PricewaterhouseCoopers calculations.

**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 Selected Counties with Largest Funding Loss, Fiscal Years 2002-2012 [Millions of Dollars]**



Source: PricewaterhouseCoopers calculations.