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Potential Impact of Using Adjusted Census  
Counts for Federal Formula Programs

Statement of  
L. Nye Stevens, Director  
Government Business Operations Issues  
General Government Division

Before the  
Subcommittee on Government Information and  
Regulation  
Committee on Governmental Affairs  
United States Senate



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POTENTIAL IMPACT OF USING ADJUSTED CENSUS  
COUNTS FOR FEDERAL FORMULA PROGRAMS

SUMMARY OF STATEMENT BY  
L. NYE STEVENS  
DIRECTOR, GOVERNMENT BUSINESS  
OPERATIONS ISSUES

GAO's report being released today, Formula Programs: Adjusted Census Data Would Redistribute Small Percentage of Funds to States (GAO/GGD-92-12, Nov. 7, 1991), shows that a total of 100 federal programs providing grants at the state and local levels use population-related data in formulas that allocate all or a portion of program grant money. These programs had total estimated obligations of about \$116 billion in fiscal year 1991. However, the amount of funding influenced by population data was less than \$116 billion because some programs allocated only a portion of their total grants through formulas that included population data elements. Although most programs use data from current population estimates between censuses, 30 of the 100 programs use data elements in their formulas for which the decennial census is the only source of information.

While difficult to predict precisely, the general effect of using adjusted 1990 census population data for federal funding purposes would likely be small as a percentage of total funding. The effect would be small because the level of funding is influenced by many factors, including the type of population data used, whether nonpopulation data (such as miles of road) are used, and whether other formula provisions set minimum or maximum allocations. In addition, adjusted population data at the state level used by most funding formulas would vary relatively little from the unadjusted data.

Using 1990 adjusted population data in place of the decennial census figures, GAO simulated allocations for three major federal programs--Social Services Block Grant, certain Federal-Aid Highway Programs in which population is a factor, and Medicaid. Results for these three programs showed that using adjusted data as the basis for allocations would redistribute less than half of a percent of total funding. However, by using the adjusted data, some individual states would incur estimated changes of over \$1 million in their allocations. The effect of such differences becomes more substantial when applied over the course of an entire decade.

Because of the time involved to complete the necessary methodological research, the Bureau of the Census believes that any intercensal population estimates incorporating a correction for census undercoverage could not be made available before mid-1992 or early 1993.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the potential impact of using adjusted census counts for federal funding allocations. My comments are based on the report we are releasing today.<sup>1</sup> This report responds to your request for information on (1) the use of population-related data in federal grant programs and (2) the potential implications of the proposed use of 1990 census adjusted population data by the federal government in direct allocations to states and local governments.

FEDERAL PROGRAMS USING POPULATION-RELATED DATA TO DISTRIBUTE FUNDS

A total of 100 federal programs providing grants at the state and local levels use population-related data in formulas that allocate all or a portion of program grant money. These programs had total estimated obligations of about \$116 billion in fiscal year 1991. However, the amount of funding influenced by population data was less than \$116 billion because some programs allocated only a portion of their total grants through formulas that included population data elements.

Most programs use data from current population estimates between censuses. However, 30 of the 100 programs use data elements in their formulas for which the decennial census is the only source of information, for example the number of persons living in households under the poverty level. These 30 programs had estimated fiscal year 1991 obligations of \$33.4 billion. They require state- and substate-level data on populations that are not estimated between censuses. Another four programs, distributing almost \$2.1 billion, are required by statute to use decennial census data, even though more current data are available through intercensal estimates.

EFFECT ON FUNDING LEVELS OF USING ADJUSTED POPULATION ESTIMATES

While difficult to predict precisely, the general effect of using adjusted 1990 census population data for federal funding purposes would likely be small as a percentage of total funding. The effect would be small because the level of funding is influenced by many factors, including the type of population data used, whether nonpopulation data (such as miles of road) are used, and whether other formula provisions set minimum or maximum allocations. In addition, adjusted population data at the state

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<sup>1</sup>Formula Programs: Adjusted Census Data Would Redistribute Small Percentage of Funds to States (GAO/GGD-92-12, Nov. 7, 1991).

level used by most funding formulas would vary relatively little from the unadjusted data. However, if state governments used adjusted population data to reallocate federal funds to jurisdictions within the state, this could have more of a relative impact than the redistribution of federal funds among states. Such an impact could occur because variations in net census undercount estimates are more pronounced among cities, counties, and other substate levels.

To examine the potential effect of using 1990 adjusted population data in place of the decennial census figures, we simulated allocations for three major federal programs--Social Services Block Grant, certain Federal-Aid Highway Programs in which population is a factor, and Medicaid. The programs we selected for our case studies are of sufficient variety and size to indicate the relative magnitude of possible changes in federal allocations to states. They are three of the five largest federal programs using population data in funding formulas and account for 60 percent of all funds allocated by such programs. They also represent the different ways in which population data are used in funding formulas.

The simulation results showed that using adjusted data as the basis for allocations would have little relative effect on the distribution of annual funding to states. For the three programs we examined, less than half of a percent of total funding would be redistributed if the revised population counts were used. However, by using the adjusted data, some individual states would incur estimated changes of over \$1 million in their allocations. The effect of such differences becomes more substantial when applied over the course of an entire decade.

The simulation results also indicated that gains in population through an adjustment do not necessarily translate into gains in federal funding. In fact, our report shows that using adjusted population data would reduce total federal spending for two of the three programs (Federal-Aid Highway Programs and Medicaid). This reduction would occur because of the combined effects of various formula and program provisions.

#### STATUS OF CENSUS BUREAU EFFORTS TO INTEGRATE DATA ON CENSUS UNDERCOUNTS INTO POPULATION ESTIMATES

While the Secretary of Commerce's decision not to adjust the census applies directly to matters of representational apportionment, he requested that the Bureau of the Census incorporate, as appropriate, information from the Post Enumeration Survey (PES) into its intercensal estimates of the population. Similar to the questions that confronted the Secretary on adjusting the census, a key technical issue needing resolution is whether using PES data for intercensal estimates

would bring these estimates closer to the true population than would using unadjusted data. Therefore, according to Bureau officials, any use of the PES data would have to pass methodological reviews at the Bureau and the Department of Commerce before being incorporated into the intercensal estimation process.

There are two primary reasons why the Bureau might be able to adjust the intercensal population estimates for undercoverage, even though the Secretary decided against adjusting the census. First, more time is available to perfect the methodology for adjustment. Second, estimates are not produced for very small geographic areas, like census blocks, but only for larger levels of geography, such as states, counties, cities, and metropolitan statistical areas. Therefore, precision at lower geographic levels is not as critical for intercensal estimates as for the census itself.

Because of the time involved to complete the necessary methodological research, the Bureau believes that any intercensal population estimates incorporating a correction for census undercoverage could not be made available before mid-1992 or early 1993.

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In summary, Mr. Chairman, it appears that the impact of using adjusted census data for redistributing federal funds to the states would be small as a percentage of total funding. However, even a small percentage change in federal formula funding could translate into millions of dollars in gains or losses to individual states. The use of adjusted census data to make intercensal estimates raises technical issues that the Bureau is working to address.

This concludes my prepared statement. My colleagues and I will be pleased to answer any questions.

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