



Highlights of [GAO-03-178](#), a report to
Congressional Requesters

Why GAO Did This Study

In fiscal year 2000, about \$283 billion in federal grant money was distributed to state and local governments by formula, about half of it through four formula grant programs—Medicaid, Foster Care Title IV-E, Adoption Assistance, and the Social Services Block Grant (SSBG). States receive money based in part on factors such as annual population estimates derived from the previous decennial census, which is conducted by the Department of Commerce, Bureau of the Census. GAO was asked to measure the effect that using the 2000 census data has on redistributing funding for federal formula grant programs. To do this, GAO analyzed the change in the U.S. and state populations between 1999 and 2000 that was the result of correcting prior population estimates and estimated for the four programs the extent of any redistribution of federal funding among states.

www.gao.gov/cgi-bin/getrpt?GAO-03-178.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Kathryn G. Allen at (202) 512-7114.

FORMULA GRANTS

2000 Census Redistributes Federal Funding Among States

What GAO Found

The 2000 census count of 281.4 million people exceeded the 1999 population estimate by 8.7 million people, or 3.2 percent. Three-quarters of this 1-year population increase, 6.8 million people, was the result of correcting errors in population estimates over the preceding decade; the remaining portion of the increase, 1.9 million people, was the result of population growth from 1999 to 2000. Every state's population had been underestimated during the 1990s, but the extent varied, from the smallest correction in West Virginia—0.3 percent—to the largest in the District of Columbia—10.2 percent. Twenty-eight states had a correction below the national average of 2.5 percent, and 23 states had a correction above the national average.

Correcting population estimates for the 2000 census redistributes among states about \$380 million in federal grant funding for Medicaid, Foster Care, Adoption Assistance, and SSBG. Funding for the 28 states that had below-average corrections to their populations decreases by an estimated \$380.3 million; funding for the 23 states that had above-average corrections increases by an estimated \$388.8 million. Most of the change in funding is concentrated in states with larger populations. However, changes in funding are smaller in several large states because the matching rates for Medicaid, Foster Care, and Adoption Assistance are limited by statute—matching rates cannot fall below 50 percent. Some higher-income states would receive matching rates below 50 percent if not for this limitation. Most of the shift in funding occurs in fiscal year 2003 when federal matching rates for the Medicaid, Foster Care, and Adoption Assistance programs are based on population estimates derived from the 2000 census. A small portion of the shift occurred in fiscal year 2002 because that is when the SSBG began using the 2000 census counts.

The Department of Commerce provided technical comments on a draft of this report.