



Highlights of [GAO-06-294](#), a report to congressional requesters

## Why GAO Did This Study

GAO was asked to update its 1989 report on the distribution of economic development funding using newer tools now available for measuring the distribution of federal funds to rural areas. GAO agreed to (1) identify federal economic development programs, (2) determine the best way to identify rural areas for this report, (3) determine the amount and share of economic development funding that rural areas receive, and (4) discuss the way federal agencies report data on economic development funding.

## What GAO Recommends

GAO recommends that the Office of Management and Budget (OMB) (1) regularly reach out to individual agencies on Federal Assistance Award Data System (FAADS) reporting requirements and on ways to improve the quality of data provided to the U. S. Census Bureau (Census), (2) amend its guidance to require agency officials to certify the accuracy and completeness of their FAADS data reported to Census and (3) provide support to Census with its work in notifying agencies not in compliance with reporting requirements. OMB and the Department of Commerce provided comments on a draft of this report and generally agreed with the recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-294](http://www.gao.gov/cgi-bin/getrpt?GAO-06-294).

To view the full product, including the scope and methodology, click on the link above. To view the database on federal economic development funding, click on the following link: [www.gao.gov/cgi-bin/getrpt?GAO-06-436sp](http://www.gao.gov/cgi-bin/getrpt?GAO-06-436sp).

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# RURAL ECONOMIC DEVELOPMENT

## More Assurance Is Needed That Grant Funding Information Is Accurately Reported

### What GAO Found

Based on prior GAO reports, other research studies, and information provided by federal program officials and external rural development groups, GAO developed a list of activities as criteria to identify economic development programs. This list included job creation, infrastructure development, and other activities that are generally acknowledged to directly affect overall economic growth. Using this list, GAO identified 86 federal programs in 10 federal agencies and 3 regional commissions and authorities that provide economic development funding.

Because federal agencies use different criteria as to what constitutes rural, determining how much funding has targeted rural areas required determining which method of defining rural was the best for tracking funding. Classification systems that can track funding data at the census tract level or below can better differentiate between rural and urban areas because they better reflect the economic and social diversity than do county-based systems that are based on political boundaries. Because limitations in the data did not allow tracking all the funding data to local levels, GAO used a system that used population and commuting relationships to classify census tracts and then classify each county as rural or urban based on the county's dominant commuting pattern.

The 86 programs in 2002-2004 provided approximately \$200 billion in total economic development funding, about \$150 billion of which could be tracked to the county level or below. However, the amount of funding provided to rural areas varied widely by program, agency, state, and region. These calculations were complicated by significant problems with the data from the programs that federal agencies were reporting to Census. Although all federal agencies are required to submit obligations data for their programs quarterly, 44 of the programs GAO analyzed did not report any data or reported incomplete or inaccurate data for all or part of fiscal years 2002, 2003, or 2004. As a result, the reported obligations were off by more than \$11 billion. Further, some 19 programs provided no information on obligations of about \$4.5 billion, and another 25 programs reported amounts that varied significantly from actual obligations. The FAADS reporting requirement has been in place since 1982. But a lack of knowledge among program officials about the requirement and poor oversight has affected compliance with it.