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collected through the 1990 Census. For this effort, the Bureau interviewed a sample of households several months after the 1990 Census, and compared the results to census questionnaires to determine if each sampled person was correctly counted, missed, or double counted in the Census. The Bureau estimated that the net undercount, which it defined as those missed minus those double counted, came to about 4 million people.<sup>4</sup> To estimate the accuracy of the 2000 Census, the Bureau conducted the Accuracy and Coverage Evaluation (A.C.E.), which was an independent sample survey designed to estimate the number of people that were over- and undercounted in the census, a problem the Bureau refers to as coverage error. This evaluation found that in the 2000 Census there was a net overcount. For 2010 the Bureau plans a census coverage measurement program that will, among other things, produce estimates of components of census net and gross coverage error (the latter includes misses and erroneous enumerations) in order to assess accuracy.

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## Population Estimates May Affect Allocation of Federal Funds

The accuracy of state and local population estimates may have an effect, though modest, on the allocation of grant funds among the states. In our June 2006 report, we analyzed how sensitive two federal formula grants are to alternative population estimates, such as those derived by statistical methods.<sup>5</sup> In the June 2006 report, we recalculated certain federal assistance to the states using the A.C.E. population estimates from the 2000 Census, as well as the population estimates derived from the Post-Enumeration Survey, which was administered to evaluate the accuracy of the 1990 Census. This simulation was done for illustrative purposes only—to demonstrate the sensitivity of government programs to alternative population estimates. While only the actual census numbers should be used for official purposes, our simulation shows the extent to which alternative population counts would affect the distribution of selected federal grant funds and can help inform congressional decision making on the design of future censuses.

We selected the Social Services Block Grant (SSBG) as part of this simulation because the formula for this block grant program, which is based solely on population, and the resulting funding allocations are particularly sensitive to alternative population estimates. At a given level of appropriation, any changes in the state's population relative to other

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<sup>4</sup>GAO/HEHS-99-69.

<sup>5</sup>GAO-06-567.

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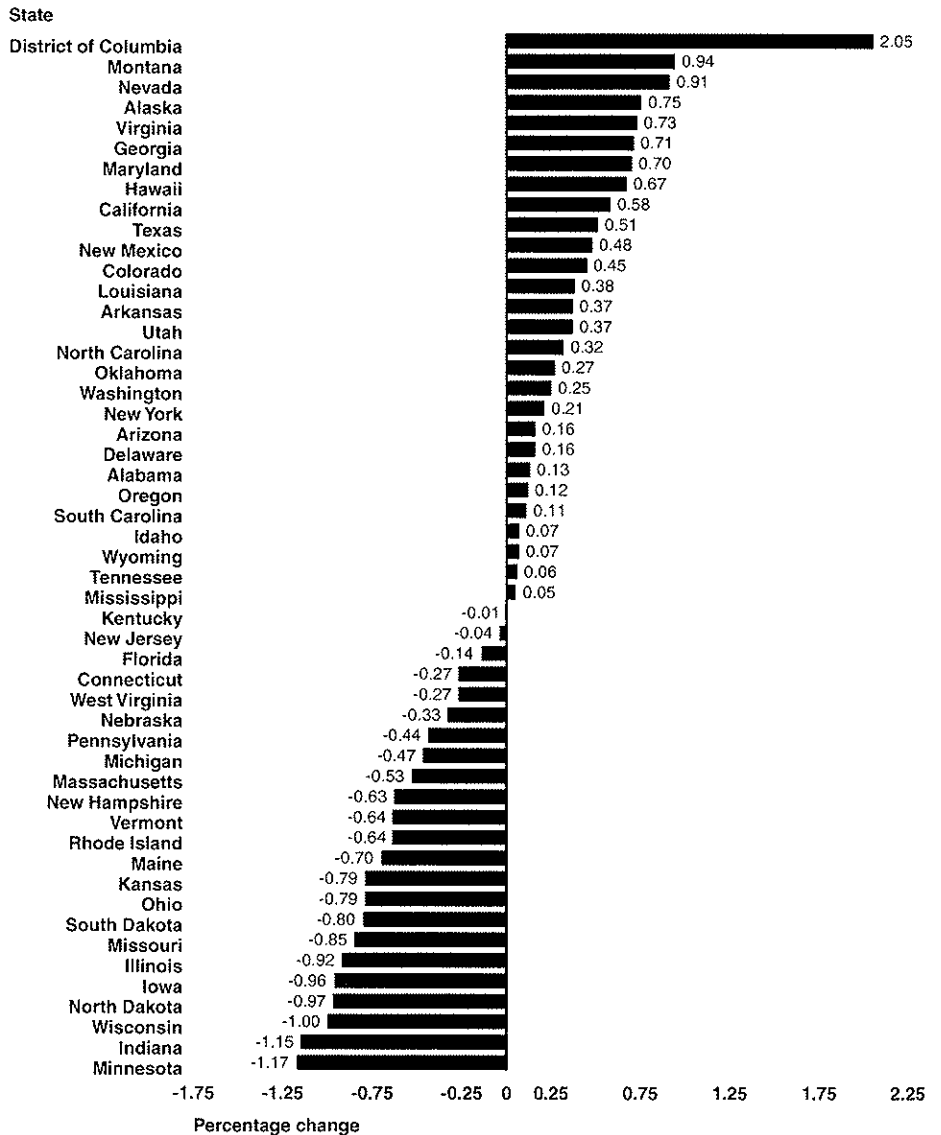
states' changes would have a proportional impact on the allocation of funds to the state. In fiscal year 2004, the federal government allocated \$1.7 billion to states in block grant funds under the program. Recalculating these allocations using statistical population estimates from the 2000 A.C.E., only \$4.2 million—or 0.25 percent—of \$1.7 billion in block grant funds would have shifted. The total \$1.7 billion SSBG allocation would not have changed because SSBG receives a fixed annual appropriation. In other words, those states receiving additional funds would have reduced the funds of other states.

In short, 27 states and the District of Columbia would have gained \$4.2 million and 23 states would have lost a total of \$4.2 million. Based on our simulation of the funding formula for this block grant program, the largest percentage changes were for Washington, D.C., which would have gained 2.05 percent (or \$67,000) in grant funding and Minnesota which would have lost 1.17 percent (or \$344,000). For the programs we examined, less than half of a percent of total funding would be redistributed by using the revised population counts. Figure 2 shows how much (as a percentage) and where SSBG funding in 2004 would have shifted as a result of using statistical population estimates for recalculating formula grant funding by state. We previously reported that using 1990 adjusted data as the basis for allocations had little relative effect on the distribution of annual funding to states.<sup>6</sup> More recently, we reported that statistical population estimates from the 2000 Census would have shifted a smaller percentage of funding compared to those from the 1990 Census because the difference between the actual and estimated population counts was smaller in 2000. For example, using statistical estimates of the population following the 1990 Census, a total of 0.37 percent of SSBG funds would have shifted among the states in fiscal year 1998.

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<sup>6</sup>GAO, *Formula Programs: Adjusted Census Data Would Redistribute Small Percentage of Funds to States*, GAO/GGD-92-12 (Washington, D.C.: Nov. 7, 1991).

**Figure 2: Estimated Social Services Block Grant Percentage Change in Grant Funding Using Statistical Population Estimates for States**



Source: GAO analysis of data from the Department of Commerce and the Department of Health and Human Services.

In addition to any impact that inaccuracies in the census count may have on allocation of federal funds, between decennials differences between the actual population and population estimates could affect fund

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allocation. To calculate grant amounts, formula grants generally rely on annual population estimates for each state developed by the Bureau. State populations are estimated by adding to the prior year's population estimate the number of births and immigrants and subtracting the number of deaths and emigrants. These estimates are subject to error, mainly because migration between states and between the United States and other countries is difficult to measure. By the end of the decade, when the census count is taken, a significant gap may have arisen between the population estimate and the census count. We found that by the time of the 2000 census count, the annual estimates of population differed from the 2000 count by about 2.5 percent. This "error of closure" was substantially larger than that for the 1990 census—0.6 percent. We found that correcting population estimates to reflect the 2000 census count redistributes among states about \$380 million in federal grant funding for Medicaid, Foster Care, Adoption Assistance, and SSBG. Most of the shift in funding occurred in fiscal year 2003 when federal matching rates for three of the programs were based on population estimates derived from the 2000 census. For the SSBG program, the shift occurred in 2002 when it began using the 2000 census count.

Complete and accurate data from the decennial census are central to our democratic system of government. These same data serve as a foundation for the allocation of billions of dollars in federal funds to states and local governments. Because of the importance of the once-a-decade count, it is essential to ensure that it is accurate. Though the overall undercount has generally declined since it has been measured, evaluating the accuracy of the census continues to be essential given the importance of the data, the need to know the nature of any errors, and the cost of the census overall. We continue to monitor the Bureau's progress in this important effort.

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Mr. Chairman, this concludes my remarks. I will be glad to answer any questions that you, Mr. Turner, or other subcommittee members may have.

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## Contacts and Acknowledgments

For further information regarding this statement, please contact Mathew Scire, Director, Strategic Issues, on (202) 512-6806 or at [sciremj@gao.gov](mailto:sciremj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony. Individuals making key contributions to this statement included Steven Lozano, Assistant Director; Betty Clark; Robert Dinkelmeyer; Greg Dybalski; Ron Fecso; Sonya Phillips; Michael Springer; and Cheri Truett.



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# Related GAO Products

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*Federal Assistance: Illustrative Simulations of Using Statistical Population Estimates for Reallocating Certain Federal Funding.* [GAO-06-567](#). Washington, D.C.: June 22, 2006.

*Data Quality: Improvements to Count Correction Efforts Could Produce More Accurate Census Data.* [GAO-05-463](#). Washington, D.C.: June 20, 2005.

*Census 2000: Design Choices Contributed to Inaccuracy of Coverage Evaluation Estimates.* [GAO-05-71](#). Washington, D.C.: November 12, 2004.

*2010 Census: Cost and Design Issues Need to Be Addressed Soon.* [GAO-04-37](#). Washington, D.C.: January 15, 2004.

*Formula Grants: 2000 Census Redistributes Federal Funding Among States.* [GAO-03-178](#). Washington, D.C.: February 24, 2003.

*2000 Census: Coverage Measurement Programs' Results, Costs, and Lessons Learned.* [GAO-03-287](#). Washington, D.C.: January 29, 2003.

*2000 Census: Complete Costs of Coverage Evaluation Programs Are Not Available.* [GAO-03-41](#). Washington, D.C.: October 31, 2002.

*The American Community Survey: Accuracy and Timeliness Issues.* [GAO-02-956R](#). Washington, D.C.: September 30, 2002.

*2000 Census: Refinements to Full Count Review Program Could Improve Future Data Quality.* [GAO-02-562](#). Washington, D.C.: July 3, 2002.

*2000 Census: Coverage Evaluation Matching Implemented as Planned, but Census Bureau Should Evaluate Lessons Learned.* [GAO-02-297](#). Washington, D.C.: March 14, 2002.

*Formula Grants: Effects of Adjusted Population Counts on Federal Funding to States.* [GAO/HEHS-99-69](#). Washington, D.C.: February 26, 1999.

*Formula Programs: Adjusted Census Data Would Redistribute Small Percentage of Funds to States.* [GAO/GGD-92-12](#). Washington, D.C.: November 7, 1991.

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