June 2006

FEDERAL ASSISTANCE

Illustrative Simulations of Using Statistical Population Estimates for Reallocating Certain Federal Funding

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Highlights

Highlights of GAO-06-567, a report to congressional requesters

Why GAO Did This Study

Decennial census data need to be as accurate as possible because the population counts are used for, among other purposes, allocating federal grants to states and local governments. The U.S. Census Bureau (Bureau) used statistical methods to estimate the accuracy of 1990 and 2000 Census data. Because the Bureau considered the estimates unreliable due to methodological uncertainties, they were not used to adjust the census results. Still, a key question is how sensitive are federal formula grants to alternative population estimates, such as those derived from statistical methods?

GAO was asked to identify (1) the top 20 formula grant programs based on the amount of funds targeted by any means, and (2) the amount of money allocated for Medicaid and Social Services Block Grant (SSBG), and the prospective impact of estimated population counts from the 1990 and 2000 Censuses on state allocations for these two programs. Importantly, as agreed, GAO's analysis only simulates the formula grant reallocations. We used fiscal year 2004 Medicaid state expenditure and 2005 SSBG state allocation data, the most recent data available.

What GAO Recommends

GAO is not making any recommendations in this report.

www.gao.gov/cgi-bin/getrpt?GAO-06-567.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Brenda S. Farrell at (202) 512-6806 or farrellb@gao.gov.

What GAO Found

In fiscal year 2004, the top 20 formula grant programs together had $308 billion in obligations, or 67 percent of the total $460.2 billion obligated by the 1,172 federal grant programs. Medicaid was the largest formula grant program, with obligations of $183.2 billion, or nearly 40 percent of all grant obligations. The federal government allocated $159.7 billion to states in Medicaid funds (not including administrative costs such as processing and making payments to service providers) and $1.7 billion in SSBG funds. Recalculating these allocations using statistical population estimates from the Accuracy and Coverage Evaluation and the Post Enumeration Survey—independent sample surveys designed to estimate the number of people that were over- and undercounted in the 2000 and 1990 Censuses—would have produced the following results:

- A total of 0.23 percent ($368 million) of federal Medicaid funds would have been shifted overall among the states in fiscal year 2004 and 0.25 percent ($4.2 million) of SSBG funds would have shifted among the states in fiscal year 2005 as a result of the simulations using statistical population estimates from the 2000 Census.
- With respect to Medicaid, 22 states would have received additional funding, 17 states would have received less funding, and 11 states and the District of Columbia would have received the same amount of funding using statistical population estimates from the 2000 Census. Based on a fiscal year 2004 federal Medicaid allocation to the states of $159.7 billion, Nevada would have been the largest percentage gainer, with an additional 1.47 percent in funding, and Wisconsin would have lost the greatest percentage–1.46 percent.
- With respect to SSBG, 27 states and the District of Columbia would have gained funding, and 23 states would have lost funding using statistical population estimates from the 2000 Census. Based on a fiscal year 2005 SSBG allocation of $1.7 billion, Washington, D.C. would have been the biggest percentage gainer, receiving an additional 2.05 percent in funding, while Minnesota would have lost the greatest percentage funding—1.17 percent.
- Statistical population estimates from the 2000 Census would have shifted a smaller percentage of funding compared to those using the 1990 Census because the difference between the actual and estimated population counts was smaller in 2000 compared to 1990.