

FUNDING IMPLICATIONS OF THE 2020 CENSUS UNDERCOUNT IN TEXAS BY ISSUE AREAS

Dr. Francisco A. Castellanos-Sosa ^A

Texas Census Institute, Senior Research Associate

Sean Moulton

Project on Government Oversight, Senior Policy Analyst

September 2024 | RB24-003

Keywords:

Census Undercount; Federal Funds; Texas

Please find companion material at texascensus.org.

The Funding Implications Series

The Texas Census Institute created the Funding Implications Series to measure the effects of the 2020 Census undercount in Texas and inform stakeholders of the financial relevance of accurate counting in the 2030 Census. This is the first product of the series, and it estimates the potential losses of federal funds for Texas at a rate similar to that of its undercounting, expanding its analysis through salient federal program categories. The second product of the series will study the undercount's economic impact at the NAICS 2-digit industry level. The third part of this series will study the impact of undercounting at the county and regional level in Texas. Together, the parts of this series will offer valuable insights and recommendations for addressing the U.S. Census undercount and empowering stakeholders with the knowledge for effective decision-making and action.

Our Contribution

Texas received \$150.3 billion in Fiscal Year 2020 through federal programs that relied on census data to allocate resources geographically. At the same time, Texas experienced the second-largest undercount in the 2020 Census (547,968 people were not part of the census count). In this study, we classify 338 federal programs into seven categories and approximate the funds not allocated to Texas for those programs by applying a reduction of 1.92% in federal funds, which is the

undercount rate of the state according to the U.S. Census Bureau.

Main Findings

- Texas will not receive an estimated \$25.1 billion in federal funds during this decade due to the 1.92% undercount.
- Federal programs related to Health, and those related to Education, Infrastructure, and Housing will experience the biggest loss of federal funds.
- We estimate more than \$3.2 billion will not be allocated to Texas for Education, Infrastructure, and Housing during the decade.

Introduction

The Decennial Census is the foundation of our national statistical system, and census data are widely used in the public and private sectors. One of the most important uses of census data is in federal and state funding formulas that distribute trillions of dollars to communities nationwide.^{1,2} For instance, the Project on Government Oversight (POGO) recently found that census-derived data were instrumental in distributing \$150.3 billion in federal funding to Texas in Fiscal Year 2020.

The U.S. Census Bureau has estimated that the 2020 Census enumeration for Texas had a net undercount of approximately 547,968 people.³ Although census data is used to distribute federal funds geographically, few studies have examined the funding implications of the 2020 Census undercount. This analysis helps inform the role of census data in federal funding for states.

This research brief builds upon the recent work of Dudley Poston and Rogelio Saenz, as Covered by Lesley Henton in Texas A&M Today.⁴ The authors estimated the federal funding losses for Texas due to the 2020 Census undercount in mid-2022. However, more detailed and updated data on federal funding was recently published by the U.S. Census Bureau and POGO.^{1,2}

We see our study as noteworthy for two reasons. First, data analysts and researchers, particularly those with local knowledge, can use these estimates to provide a deeper understanding of the funding implications of the

2020 Census undercount. Second, a better understanding of the impact on funding of an undercount will help key stakeholders better engage officials about the importance of promoting preparation and outreach for the 2030 Census.

Data and Methodology

This brief uses POGO's list of federal programs that rely on census data to allocate resources to Texas, the 2020 Census Post-Enumeration Survey Results, and the Texas' Issue Saliency classification from the Texas Census Institute.^{1,3,5}

Measuring Funding Implications

Given the range and complexity of federal assistance programs that rely on census data, it is extremely difficult to accurately estimate the funding implications of the undercount. Such estimates depend on the characteristics of those who were missed, and the role of the population count in each of the programs under consideration in the analysis. Despite these challenges, using the Texas net undercount rate as a base point to estimate a potential funding shortfall provides a useful way to assess the funding loss for various programs.

The U.S. Census Bureau's Post-Enumeration Survey (PES) estimated that Texas had an undercount of 547,968 people (1.92% of the 28,540,000 household population used in the PES), putting its original 2020 population of 29,145,505 at 29,693,473. Then, using POGO's estimates of census-derived funding for federal programs, we approximate how much money would not be distributed for each program by applying a reduction equal to the Texas net undercount rate.

Using the Texas Census Institute's Issue Saliency classification, it is possible to estimate the funding implications surrounding seven key categories: Economic Development, Education, Environment, Health, Housing, Infrastructure, and Public Safety.⁵

Programs like Medicare and Medicaid are entitled to a relatively high share of resources, but there are many important distinctions between these two programs. Thus, putting them into the same category for this study would be inappropriate. Similarly, health-related and COVID-related federal programs should not be put

together. Therefore, all the federal programs related to health are classified into three non-overlapping categories. The first includes Medicare Parts A, B, D, Medicaid, Medicaid Part D-Clawback, and the Supplemental Nutrition Assistance Program (SNAP). The second includes the COVID-related programs (Coronavirus Relief Fund, Education Stabilization Fund, Provider Relief Fund, and COVID-19 Testing for Rural Health Clinics). The third considers all remaining 85 programs; we call this third health category *Health**. Due to the magnitude of funds in the first group of programs, we consider *Health** as a major category for comparison purposes. Moreover, to establish a consistent analysis and consider it applicable to the years between decennial censuses, COVID-related programs are excluded from the main results analysis and explained separately.

Limitations of this Analysis

A proportionate reduction in funds to resemble the 1.92% less population in the 2020 Census count is helpful to find out how much the census undercount hurts funding levels. However, it does not consider different undercount levels among subpopulations affected by the allocation of federal dollars. Moreover, population is but one component of various funding formulas and may factor in differently for each of the several hundred programs that are affected by inaccurate census counts. A conservative approach is then used here, in that 1.92% is applied irrespective of these considerations. In doing this, we aim to raise awareness of the relevance of having an accurate 2030 census and to serve as a stepping stone for further research and analysis.

Results

Overall Funding Implications

Considering the 338 programs, our estimates suggest Texas would not receive more than \$2.8 billion in annual federal funds based on a proportional reduction of FY 2020 funds consistent with the overall undercount rate. This figure would be \$2.5 billion per year, excluding COVID-related programs. Since the data is only accurate for 2020, we estimate the 10-year implications without COVID programs (until a new decennial census is implemented). This adds up to an estimated \$25.1 billion

in lost federal funding for programs in Texas during the decade after the 2020 Census.

Funding Implications by Category

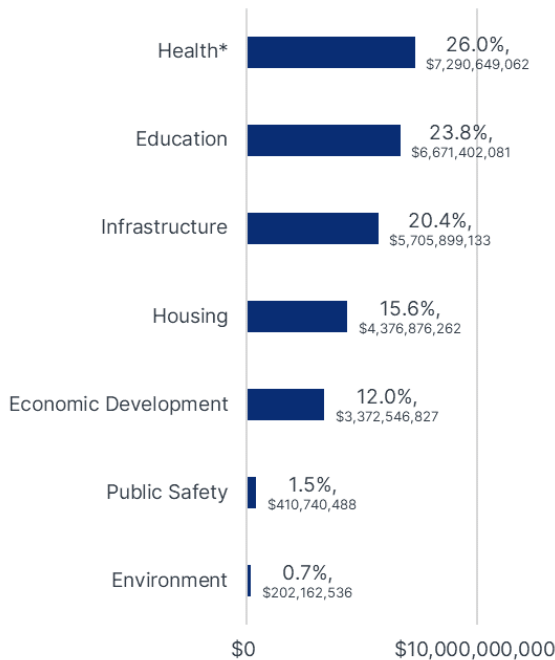
Figure 1 shows the allocation of federal funds to Texas in Fiscal Year 2020 according to seven of the eight program categories. Medicare Parts A, B, D, Medicaid, Medicaid Part D-Clawback, and SNAP are NOT included for a clearer comparison across program categories.

*Health**, Education, and Infrastructure are the primary categories to which more federal funds were allocated in FY 2020 through federal programs using census data to allocate resources. Almost three-quarters of the resources were allocated to them (70.2%). These three categories would experience federal fund reductions estimated at \$140, \$128, and \$110 million yearly, respectively. Altogether, these categories would receive an estimated \$3.8 billion less over the decade.

Even the two categories with the smallest shortfalls — Environment and Public Safety—would still experience a combined federal funding reduction of \$11.8 million in FY 2020 and an estimated \$118 million over the decade.

Figure 1

Distribution of Federal Funds Directed to Texas by Selected Category, FY2020.



Note: The Health* category does not include Medicare A, B, D, Medicaid, Medicaid Part D-Clawback, or SNAP. The percentage value is the share over the total amount of the displayed categories.

Medicare Parts A, B, D, Medicaid, Medicaid Part D-Clawback, and SNAP subsume 68.4% of all the FY 2020 federal funds allocated to Texas using census data. The reduction in federal funds for these programs is estimated to be about \$2 billion yearly and \$19.7 billion over the decade. Medicare Parts A, B, D, Medicaid, Medicaid Part D-Clawback, and SNAP received a combined amount of \$102.7 billion in FY 2020. Table 1 describes the potential federal funding reductions for the eight program categories, including those related to the delivery of health services, assuming a federal fund decrease of 1.92%.

Table 1

Direct Funding Implications for Texas by Category, FY 2020.

Category	Total
Environment	\$3,881,521
Public Safety	\$7,886,217
Economic Development	\$64,752,899
Housing	\$84,036,024
Infrastructure	\$109,553,263
Education	\$128,090,920
<i>Health*</i>	\$139,980,462
Medicare A, B, D, Medicaid, Medicaid Part D-Clawback, and SNAP	\$1,972,175,615

Note: The health-related categories coincide with the categories in Figure 1.

On top of the \$2 billion estimated loss in Medicare Parts A, B, D, Medicaid, Medicaid Part D-Clawback, and SNAP, in 2020, *Health** was the category most impacted by the 2020 Census undercount. *Health** programs lost about \$140 million in 2020, which could mean a decade-long reduction of about \$1.4 billion. *Health** programs received \$7.3 billion.

Funding Implications for COVID-related Programs

COVID-related programs received \$19.5 billion (13.0% of all the FY 2020 federal funds allocated to Texas), with a reduction of \$374.8 million of federal funds that is proportional to the undercount rate. No estimates are provided for COVID-related programs during the posterior years due to its changing dynamic in 2021-2023.

Concluding Remarks

The findings of this research brief shed light on the critical funding implications resulting from the 2020 Census undercount in Texas. The implications are profound, impacting the allocation of federal funds across various program categories and regions within the state. The Texas Census Institute's Funding Implications series has initiated a comprehensive analysis, serving as a valuable resource for informed decision-making, advocacy, and action, especially as we approach the 2030 Census.

A reduction in federal funds for Texas has a significant impact on the quality of life of its residents. We estimate that Texans miss out on more than \$2.5 billion in federal funds each year because of the 2020 Census undercount. Over the next decade, this would add up to an estimated loss of \$25.1 billion in federal dollars.

Along with the funding implications, the census undercount also brings category-specific implications. Health, Education, and Infrastructure were the most affected by the undercount. These categories saw the biggest reductions in federal funds, impacting crucial aspects of public well-being and development for an entire generation.

The funding implications underscore the critical importance of an accurate Census count. Inaccurate data can misallocate resources, potentially hindering effective planning and risking the waste of taxpayer dollars.

Furthermore, the comprehensive analysis of funding implications by program categories highlights how the loss of funds impacts the provision of specific services and populations in need. The engagement of stakeholders and policymakers is crucial to address these funding disparities as a means of promoting a more accurate Census in 2030.

To address the funding implications of the 2020 Census undercount, we offer the following recommendations:

Census Data Quality: Promote initiatives to improve the quality of the census count, especially at the sub-state level. Encourage cooperation between the U.S. Census Bureau and external stakeholders to ensure a more comprehensive data collection.

Stakeholder Engagement: Engage relevant stakeholders, including industry experts, local governments, and advocacy groups, to raise awareness of the undercount's impact and work collaboratively to develop strategies for better data collection in the future.

Continued Research and Analysis: Encourage researchers and data analysts to delve deeper into specific funding implications in various categories and geographic regions, using the findings from this study as a foundation for further research and detailed analysis.

In conclusion, the undercount in the 2020 Census has had substantial funding implications for Texas, affecting our ability to deal with critical issues in a variety of topics. The Funding Implications Series of the Texas Census Institute has provided a foundational analysis that will aid policymakers, researchers, and advocates in addressing these challenges, ensuring a more accurate Census count in 2030, so that Texas receives its fair share of federal resources in the future.

^A Castellanos-Sosa (Corresponding Author): Texas Census Institute, francisco@texascensus.org.

Acknowledgments: The author appreciates the insightful support provided by Joseph J. Salvo.

References

1. Project on Government Oversight. *Dollars and Demographics: How Census Data Shapes Federal Funding Distribution*. (2023).
2. Villa Ross, C. *Uses of Decennial Census Programs Data in Federal Funds Distribution: Fiscal Year 2021*. (2023).
3. U.S. Census Bureau. *2020 Census Post-Enumeration Survey Results Available for 50 States and DC in May*. (2022).
4. Henton, L. Texas Will Lose Over \$19 Billion In Federal Funding And 1 US House Seat Due To Census Undercount. *Texas A&M Today: Culture & Society* (2022).
5. Castellanos-Sosa, F. A. *Regional Issue Saliency in Texas: An overview for 2023–2024*. (2023).