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Highlights

Highlights of GAO-21-470, a report to congressional addressees

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AREAS WITH HIGH POVERTY

Changing How the 10-20-30 Funding Formula Is Applied Could Increase Impact in Persistent-Poverty Counties

Why GAO Did This Study

Since 2009, the 10-20-30 formula has been applied to appropriations for certain federal programs and accounts. This includes programs and accounts administered by USDA's Rural Development, Treasury's CDFI Fund, and Commerce's EDA that averaged more than $10 billion in each fiscal year from 2017 to 2020.

GAO was asked to review certain issues related to the 10-20-30 formula. This report examines (1) the proportion of funds subject to the 10-20-30 formula that these agencies awarded in persistent-poverty counties in 2017–2020 and the effects on funding levels to these areas, and (2) how agencies identify persistent-poverty counties.

GAO analyzed agency budget and administrative data for fiscal years 2017—2020. GAO also reviewed documentation, such as program descriptions and funding notices, and interviewed agency officials.

What GAO Recommends

Should Congress choose to continue to use the 10-20-30 formula, it should consider (1) tailoring the formula to programs for which it would meaningfully increase the proportion of funding awarded to persistent poverty counties, and (2) directing agencies to use a uniform list of such counties.

View GAO-21-470. For more information, contact William Shear at (202) 512-8678 or shearw@gao.gov.

What GAO Found

Some federal agencies have been statutorily required to use the "10-20-30 formula" when allocating funding for certain programs. That is, agencies must allocate at least 10 percent of designated funds to counties with poverty rates of at least 20 percent over the last 30 years (persistent-poverty counties). However, GAO found the formula has not always increased the proportion of funding awarded to those counties.

- The Department of Commerce's Economic Development Administration (EDA) and Department of the Treasury's Community Development Financial Institutions (CDFI) Fund both awarded at least 10 percent of designated funds to persistent-poverty counties in fiscal years 2017–2020, but generally had done so before 2017. Most of their programs subject to the formula already were required to target funds to economically distressed areas.
- The Department of Agriculture's (USDA) Rural Development awarded less than 10 percent of designated funds to persistent-poverty counties in at least one fiscal year for six out of 10 appropriations accounts. Rural Development set aside 10 percent of designated funds for use in those counties, which officials said met the statutory requirement to allocate these funds. Officials said some programs had not received a sufficient number of applications from these counties to meet the threshold because the programs are not well-suited to areas with severe poverty. For example, it may not be financially prudent for local governments in persistent-poverty counties to participate in a loan program to finance community facilities if the governments cannot service the debt.

The purpose of the 10-20-30 formula—to increase the proportion of funding awarded to persistent-poverty counties—could be better achieved by focusing its application on programs that do not already target such areas and which can provide meaningful assistance to economically distressed communities.

The three agencies GAO reviewed used different datasets and methodologies to identify persistent-poverty counties for the 10-20-30 formula. Appropriations laws for 2017–2020 required the agencies to use data from different years and sources, some outdated, to identify the counties. EDA also used a methodology that identified more than 100 additional persistent-poverty counties, than the other two agencies. Requiring each agency to identify persistent-poverty counties in this way is inefficient, and the inconsistency limits the ability to compare targeted funding across agencies. Using a uniform list of persistent-poverty counties, updated each year, would reduce administrative costs and facilitate assessments of the formula's impact across agencies. Such a measure also could help ensure more consistent investment in areas with current poverty rates of at least 20 percent. USDA's Economic Research Service has the technical capabilities to produce such a list and officials said that doing so each year would not be resource intensive because the agency already publishes other related work using the same data.