

February 2006

RURAL ECONOMIC DEVELOPMENT

More Assurance Is Needed That Grant Funding Information Is Accurately Reported



G A O

Accountability ★ Integrity ★ Reliability



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.

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.

For more information, contact William B. Shear at (202) 512-4325 or shearw@gao.gov.

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.

Contents

Letter	1
Results in Brief	3
Background	5
Economic Development Programs Fund Activities Related to Job and Business Creation, Infrastructure, and Markets	7
We Identified Rural Areas Using a System Based on Population and Commuting Patterns with Census Tracts	9
The Amount of Economic Development Funding Rural Areas Received Varied across Programs, Agencies, States, and Regions	16
Data Submitted to Census Were Often Inaccurate and Incomplete	23
Conclusions	31
Recommendations	32
Agency Comments and Our Evaluation	32

Appendixes	
Appendix I: Scope and Methodology	35
Appendix II: Funding Data for Selected Federal Programs That Fund Economic Development Activities	39
Appendix III: Comments from the Department of Commerce	55
Appendix IV: GAO Contact and Staff Acknowledgments	56

Tables	
Table 1: Classification Systems for Differentiating Urban and Rural Areas	10
Table 2: Program Funding Not Reported to Census by Agencies for Fiscal Years 2002–2004 (in thousands)	26

Figures	
Figure 1: Rural and Urban Areas as Defined by Census	12
Figure 2: Rural and Urban Areas as Defined by RUCA and Dominant RUCA Codes	14
Figure 3: Rural and Urban Areas as Defined by Rural-Urban Continuum Codes	15
Figure 4: Economic Development Funds by Agency, Including Pass-Through Funding,(FY 2002-2004)	18
Figure 5: Economic Development Funds Tracked to Rural Areas (FY 2002–2004)	19

Figure 6: Rural Share of Economic Development Assistance by State (FY 2002–2004)	21
Figure 7: Rural Economic Development Funding Per Capita, by State (FY 2002–2004)	22

Abbreviations

Census	U.S. Census Bureau
CFDA	Catalog of Federal Domestic Assistance
CFFR	Consolidated Federal Funds Report
DOD	Department of Defense
DOL	Department of Labor
DOT	Department of Transportation
ERS	Economic Research Service
HHS	Department of Health and Human Services
FAADS	Federal Assistance Award Data System
HUD	Department of Housing and Urban Development
Interior	Department of the Interior
OMB	Office of Management and Budget
RUCA	Rural-Urban Commuting Area
USDA	U.S. Department of Agriculture

<p>This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.</p>



United States Government Accountability Office
Washington, D.C. 20548

February 24, 2006

The Honorable Norm Coleman
The Honorable Mike Crapo
United States Senate

In response to a congressional request, we issued a report in 1989 that sought to determine the portion of overall federal economic development funding that was being directed to rural areas to ensure that rural America is not left behind.¹ Our 1989 report sought to determine how much of \$29 billion in economic development funding from 88 programs in 1987 had gone to rural counties. In that report, we defined rural counties as those counties with urban populations of less than 20,000 (based on the 1980 Census)—a definition that was widely accepted at the time. We found that while about 16 percent of the population lived in rural counties, those counties received about 17 percent of the funding for the programs for which we were able to report data.

Since our report was issued, researchers have developed more exact methods of differentiating flows of federal funds between rural and urban areas. The new systems generally rely on census tracts, which are far more numerous than counties, and use software programs to “geocode,” or track, federal funding to that level.² Because of these developments and ongoing concerns about the amounts rural areas have been receiving compared with their urban counterparts, you asked us to update our 1989 report and examine the share of economic development funds that support rural areas today.

Examining this question requires defining and identifying what constitutes an economic development program, defining what constitutes a rural area, and obtaining and analyzing data on federal funding provided to these programs. As we reported in 1989 and again in 2000, there is a lack of agreement on the definition of “economic development.”³ As a result, we

¹GAO, *Rural Development: Federal Programs That Focus on Rural America and Its Economic Development* (GAO/RCED-89-56BR, January 19, 1989)

²Geocoding is the process that assigns a latitude-longitude coordinate to an address. Once a latitude-longitude coordinate is assigned, the address can be displayed on a map or used in a spatial search.

³GAO/RCED-89-56BR; *Economic Development: Multiple Federal Programs Fund Similar Economic Development Activities* (GAO/RCED/GGD-00-220, Sept. 29, 2000).

agreed to (1) develop a way to identify federal economic development programs, (2) determine which system of classifying geographical areas as rural or urban best suits the purposes of this report, (3) use the economic development framework and classification system to identify rural areas and report the amount and share of economic development funding these areas have received, and (4) examine issues related to reporting requirements for federal agencies that disburse economic development funds.

We identified economic development programs using the same list of economic development activities that we used for our 2000 report, supplemented by activities we identified through other research studies and information provided by federal program officials and external rural development groups.⁴ Using this list as our criteria, we identified about 135 programs from the Catalog of Federal Domestic Assistance (CFDA) that appeared to fit our framework.⁵ We discussed these programs and our reasons for choosing them with the administering federal agencies, regional commissions, and regional authorities. Based on those discussions and a more detailed review of the programs, we modified our framework somewhat and reduced the number of programs to 86. We then attempted to obtain obligation data for each of the programs from the Federal Assistance Award Data System (FAADS), which is maintained by the U.S. Census Bureau (Census) for the Office of Management and Budget (OMB) and used to prepare the annual Consolidated Federal Funds Report (CFFR).⁶ If we found that agencies were reporting inaccurate or incomplete data to FAADS, in most cases we obtained the corrected data directly from the federal agencies and regional commissions and authorities. Following a recommendation we made in 2004 on defining rural areas, we used a classification system that is based on characteristics at the census tract level and geocoded the data to differentiate between

⁴[GAO/RCED/GGD-00-220](#).

⁵The CFDA is a governmentwide compendium of federal programs and activities that is coordinated by the OMB and compiled by the General Services Administration. It contains both financial and nonfinancial information about programs administered by federal departments and agencies. As of September 2005, the catalog lists 1,622 programs that are administered by 59 federal agencies. Unlike federal agencies, the regional commissions and authorities were established to help particular areas of the United States with unique infrastructure and business development issues. For purposes of this report, we use the term commissions to cover both commissions and authorities.

⁶Federal agencies are required to submit to FAADS quarterly records on financial assistance awards, including obligations made to all types of recipients for each of their programs.

rural and urban areas.⁷ We compared our findings using both this new system and the system that we used in our 1989 report. Appendix I contains a full description of our scope and methodology.

We conducted our review from January 2005 through December 2005 in accordance with generally accepted government auditing standards.

Results in Brief

Because federal agencies do not have a standard definition of what constitutes economic development, we used a list of activities as criteria for identifying economic development programs that are generally accepted as being directly related to economic development by federal agencies and external rural development groups. Our list includes economic development activities we developed in our 2000 report on economic development issues and others we chose specifically for this report. These activities range from constructing and repairing roads, airports, and water systems to establishing business incubators and developing and improving tourist areas. In general, we included activities that provide direct assistance, primarily through job creation or retention, rather than activities that relate directly to individual quality-of-life issues, such as housing, education, and health care.

We determined that, for purposes of this report, the best system for differentiating rural from urban areas would be based on census tracts rather than on counties. Because the number of census tracts in the nation (about 62,000) is so much larger than the number of counties (about 3,000), classification systems based on census measures offer a more precise means of identifying rural areas than the older county-based systems. Further, such a system would allow us to track federal funding to the subcounty level. However, because data limitations meant that we could track only about 50 percent of the funding to the subcounty level, we chose to use a system developed in 2001 that uses the population and commuting patterns of census tracts to classify counties as rural or urban. With this system, we found that 19 percent of the U.S. population resided in rural areas—a figure comparable to the 20 percent figure cited in the 2000 Census. For purposes of comparison, we also analyzed the data using the classification system from our 1989 report.

⁷GAO, *Rural Housing: Changing the Definition of Rural Could Improve Eligibility Determinations* (GAO-05-110, Dec. 3, 2004).

The 86 economic development programs we identified provided about \$200 billion in economic development funding for fiscal years 2002 through 2004 to the 50 states and Washington, D.C. Using our classification system, we were able to track about \$150 billion to the county level or below. We found that the amount of funding rural areas received varied by program, agency, state, and region. For example, when we analyzed the funding by the agency providing it, we found that the amounts provided to rural areas ranged from about 7 percent for the Department of Labor (DOL) to more than 60 percent for the Appalachian Regional Commission. On a state-by-state basis, the percentages varied somewhat, but rural areas received a greater share of the economic development funding per capita than urban areas in most of the states. Detailed information about the share of federal economic development funding by program, agency, state, and county can be viewed at www.gao.gov/cgi-bin/getrpt?GAO-06-436sp.

In developing the funding information, we identified significant problems with agencies' reporting of their program obligation data to FAADS. For example, 44 of the 86 economic development programs we analyzed either did not report any funding data or reported incomplete or inaccurate data to FAADS during all or part of fiscal years 2002, 2003, and 2004. As a result, the obligations reported by these agencies for the 86 programs were off by more than \$11 billion during this time.⁸ Some 19 programs (22 percent) provided no information on obligations of about \$4.5 billion. Another 25 programs reported to FAADS amounts that varied significantly from the programs' annual obligations, and some programs had always reported expenditure data rather than obligation data, resulting in differences of millions of dollars. After working with agency officials to find the reasons behind the missing or incorrect data, we received corrected data from seven agencies and three regional commissions, and determined that these data were sufficiently reliable for our analysis. Although the quarterly FAADS reporting requirement has been in place since 1982, several factors have affected compliance with it, including Census' inability to assure that agencies were submitting the data, a lack of knowledge among program officials about the reporting requirements, and poor oversight and coordination at the agencies. After we discussed the problems with Census, they and OMB began jointly meeting with the agencies to improve reporting compliance for all federal programs.

⁸Obligations reflect the amount of orders placed, contracts awarded, services received and similar transactions during a given period that will require payments during the same or future period.

To help ensure that Census receives accurate funding information from federal agencies, this report makes recommendations to OMB for improving its oversight of compliance with FAADS reporting requirements.

Background

According to the National Academy of Public Administration, federal participation in economic development evolved during the 20th century. Economic development programs implemented during the 1930s characteristically involved direct federal action, bypassing state and local governments. During the 1940s and 1950s, these programs were intended to improve housing and commercial districts in central cities. In the 1960s, the federal government created programs to provide economic development assistance to economically distressed areas. These programs were expanded in the 1980s and 1990s to utilize new technologies to create new transit systems, clean up hazardous waste sites, and carry out other economic development activities in urban and rural areas.⁹ Most recently, economic development initiatives have included the revitalization of disaster areas, including lower Manhattan after the September 11, 2001, terrorist attacks and the Gulf Coast after the 2005 hurricane season.

A variety of federal programs and federally funded regional commissions and authorities have helped advance economic development in communities throughout the United States, including many communities that are considered rural. Most of the nationwide programs do not have specific rural economic development objectives, but the regional commissions and authorities target economic rural areas specifically. For this reason, a narrow definition of economic development programs that only included those focusing exclusively on rural areas would include few programs and limited dollars.

The nationwide programs also do not have a standard definition of economic development. Department of Commerce officials, for example, consider economic development programs as those that save or create jobs. U.S. Department of Agriculture (USDA) officials consider economic development broadly as activities that increase economic opportunities and improve residents' quality of life. Officials at other federal agencies, including the Department of Defense (DOD), the Department of Transportation (DOT), and the Department of Housing and Urban

⁹See National Academy of Public Administration *A Path to Smarter Economic Development: Reassessing the Federal Role* (Washington, D.C., Nov. 1996).

Development (HUD), said that they did not have definitions of economic development.

Like the concept of economic development, the notion of what constitutes rural and urban areas has evolved over several decades, partly in response to changes in residential and commuting patterns. As the cities and suburbs have expanded and more remote areas have become accessible, distinctions between rural and urban areas have blurred. Federal agencies use different criteria as to what constitutes a rural area. Depending on the agency and the program, the criterion most often used to define rural areas is population, especially at USDA, which uses varying thresholds ranging from 2,500 or less to 50,000. Some agencies and programs that fund economic development activities do not focus on serving rural or urban areas but instead provide competitive or formula-based grants to eligible applicants from any location.¹⁰

FAADS is a centralized reporting system that OMB established in April 1980 to gather and disseminate information on the domestic financial assistance provided by federal agencies. Authorized by the Consolidated Federal Funds Report Act of 1982,¹¹ FAADS is a quarterly report of financial assistance awards made by each federal agency. OMB has designated Census as its executive agent to manage and operate the system, which the Congress and public officials use for policy and trend analyses, revenue forecasting, oversight, and legislative initiatives. Federal agencies and regional commissions and authorities that administer financial assistance programs are required to report quarterly to FAADS on the financial assistance awards they make.

¹⁰We did not evaluate whether or not agencies used specific rural definitions in distributing program funds.

¹¹Public Law 97-326.

Economic Development Programs Fund Activities Related to Job and Business Creation, Infrastructure, and Markets

Because federal agencies do not have a standard definition of what constitutes economic development, we developed a list of activities that were generally accepted as being directly related to economic development. As agreed with your office, we based our framework on our prior work, a review of other research studies, and discussions with federal officials and rural development groups.¹² We also held discussions with the administering federal agencies, regional commissions, and regional authorities to reach consensus on the activities and programs we selected.

Our framework includes nine economic development activities:

- planning and developing strategies for job creation and retention;
- constructing and renovating commercial buildings;
- establishing business incubators (facilities to help small businesses get started);
- constructing industrial parks;
- developing infrastructure by constructing and repairing roads, water and sewer systems, and airports;
- supporting entrepreneurial activities;
- promoting the development of new markets for existing products;
- developing telecommunications and broadband infrastructure and enabling technology transfer; and
- developing and improving areas for tourism.

¹²Among the research studies we examined were the following [GAO/RCED/GGD-00-220](#); National Council for Urban Economic Development, *What is Economic Development? A Primer*, (Washington, D.C.: Jan. 1996); Robert D. Atkinson, "Reversing Rural America's Economic Decline: The Case for a National Balanced Growth Strategy," PPI Policy Report (Washington, D.C.: Progressive Policy Institute, Feb. 2004); Robert Rich, "The Cattaraugus Partnership—Solving the Economic Development Puzzle," *Innovations in Community and Rural Development* (Ithaca, N.Y.: Cornell Community and Rural Development Institute (Sept. 1991); Matt Kane, "Public-Sector Economic Development: Concepts and Approaches," Northeast-Midwest Institute, The Center for Regional Policy (Washington, D.C., Nov. 2004). See appendix I for additional details of our methodology.

The first five activities listed above, with the exception of developing airports, are from our 2000 report.¹³ That list was developed based on a general consensus of officials from (1) the Department of Commerce's Economic Development Administration, whose mission is to help economically distressed areas, (2) other federal agencies involved with economic development, and (3) several national associations familiar with economic development. For this report, we confirmed the 2000 list with officials from the same federal agencies and organizations and also reached a general consensus on the four additional items. In general, we focused on activities that directly affected the overall development of an area, such as job creation, rather than on activities that improved individuals' quality of life, such as housing and education. However, we did include job training that had a direct impact on economic development by, for example, preparing employees for work in a specific industry or business in a particular area.

We identified 86 federal programs at 10 federal agencies and 3 regional commissions that included one or more of the activities in our economic development framework. Many of these programs were not labeled as economic development programs, but some of their activities suggested that they supported this goal. For example:

- The goal of USDA's Empowerment Zone and Enterprise Community program for rural areas is to stimulate the creation of new jobs, particularly for the disadvantaged and long-term unemployed, and to revitalize economically distressed rural areas.
- The Department of the Interior's (Interior) Bureau of Indian Affairs Facilities Operations and Maintenance program provides funding for basic services at noneducational facilities located on reservations.
- The Department of Commerce's Trade Adjustment Assistance program provides assistance to firms and industries adversely affected by increased imports.

¹³[GAO/RCED/GGD-00-220](#).

-
- The Appalachian Regional Commission, which oversees the Appalachian Development Highway System, aims to open up areas with development potential where commerce and communication have been inhibited by lack of adequate access.¹⁴

The number of programs each agency and commission administered that met one or more of the components of our economic development framework varied from one at the Denali Commission—established in 1998 to address the needs of rural Alaska—to 29 at USDA. We included only economic development programs that received funding during our review period (fiscal years 2002 to 2004). Thus, we did not include programs such as DOD’s base closing economic assistance programs because DOD reported no obligations for these programs during those years. Appendix II contains more detailed information on each of the 86 programs.

We Identified Rural Areas Using a System Based on Population and Commuting Patterns with Census Tracts

Since our 1989 report, which used county-level data to classify rural and urban areas, a variety of more sophisticated classification systems have been developed that use census tracts to differentiate between rural areas and urban areas. These classification systems provide a more precise way of differentiating between rural and urban areas than county-based systems. Further, computer software programs can now geocode federal funding data below the county level. Due to data limitations that only allowed us to identify subcounty level recipients for about half of the funding, we chose to use a system developed in 2001 which relies on both population and commuting patterns of census tracts to classify each county as rural or urban based on the counties dominant commuting patterns. Although this approach does not fully resolve all the classification problems inherent in county-based systems that are based on political boundaries rather than demographic characteristics, it allowed us to geocode most of the data and was most comparable to census population data.

We considered a number of county-based and subcounty systems for analyzing the data (table 1).

¹⁴Funding for the Appalachian Regional Commission’s highway program is provided through DOT’s federal aid highway program and is included under that program for our analysis.

Table 1: Classification Systems for Differentiating Urban and Rural Areas

Classification system	Developed by	Geographic unit	First developed
Rural-Urban Continuum Codes	USDA/Economic Research Service (ERS)	County	1975
Urban Influence Codes	USDA/ERS	County	1993
2000 Census-urbanized areas and urban clusters	Census	Census tracts	2001
Rural-Urban Commuting Area (RUCA)	Office of Rural Health Policy, Department of Health and Human Services (HHS) and USDA/ERS	Census tracts or zip codes	Late 1990s
Dominant RUCA	Washington Office of Community and Rural Health	County based on dominant census tracts	2001

Source: ERS, HHS, and the State of Washington's Office of Community and Rural Health

We found shortcomings with most of these systems. For example:

- Many studies that have evaluated the rural share of federal programs, including our 1989 report, have used the rural-urban continuum codes devised by the Economic Research Service (ERS) of the USDA.¹⁵ These codes distinguish counties by their degree of urbanization and proximity to a metropolitan area or areas. While using rural-urban continuum codes allows geocoding at the county level, the results are often skewed, particularly in the western states, where counties often are very large. For example, using this approach, more than 50 percent of the nation's rural population would live in counties that would be considered urban (based on the 2000 Census).
- Urban influence codes, which were developed by ERS in 1993 as a way to measure rurality by quantifying the influence of urban areas on rural areas, use only county-level data and are based solely on urban factors. As a result, the classifications are heavily skewed toward urban.

Beginning in the 1990s, ERS and other organizations have developed subcounty classification systems that attempt to better capture differences between rural and urban areas. These subcounty classification systems include elements such as commuting zones and labor market areas that are

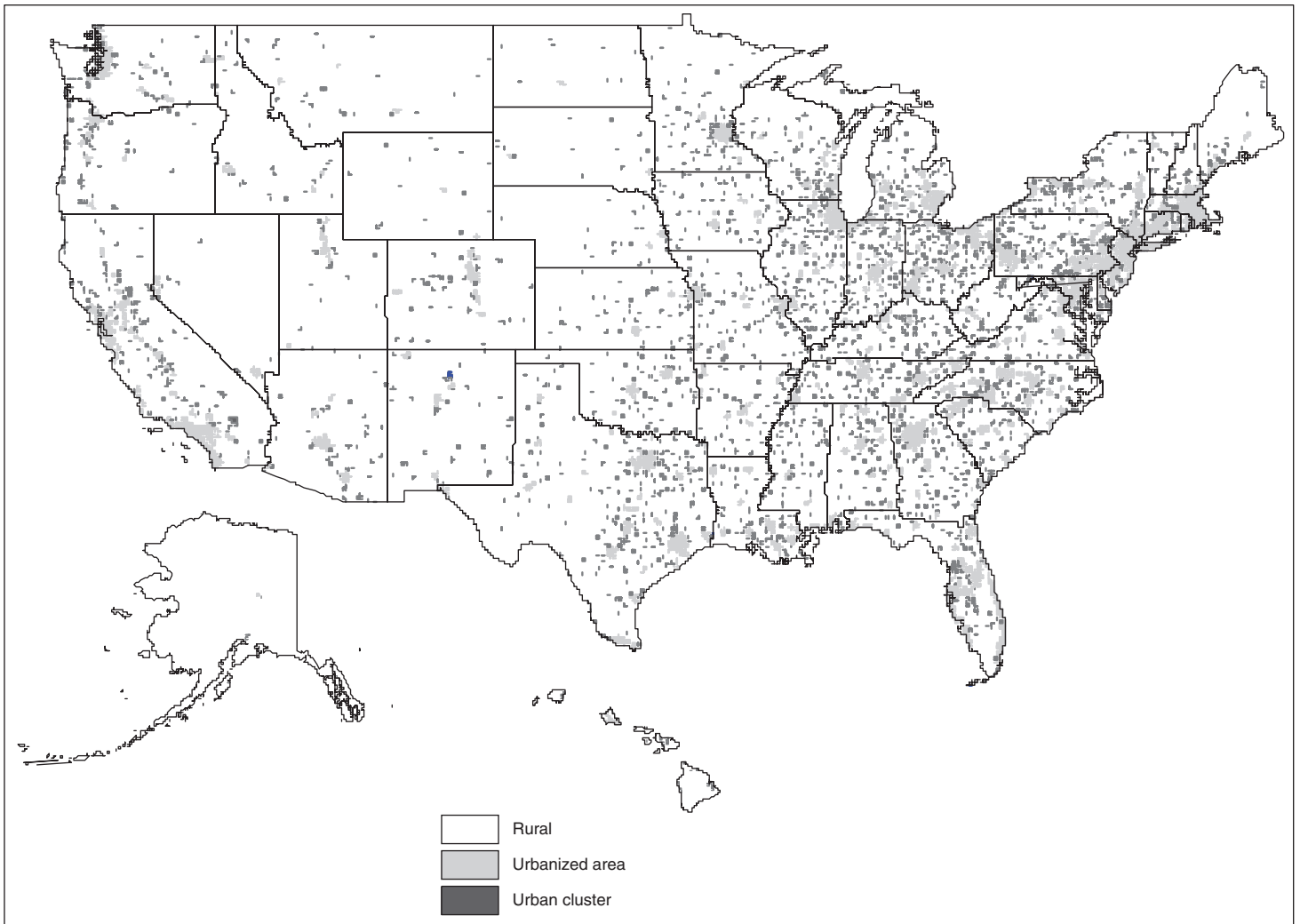
¹⁵[GAO/RCED-89-56BR](#).

more precise than the county level systems in order to capture the economic and social diversity of rural areas.¹⁶ Some use census tracts (about 62,000) or other geographic areas smaller than counties (about 3,000) that can better reflect rural-urban differences.

Census's urbanized areas and urban cluster system defines rural areas by exclusion—that is, it views as rural all areas that it has not already identified as urban. Census defines urbanized areas as continuously built up areas with a population of at least 50,000 and comprising one or more places and adjacent densely settled areas. Urban clusters are densely settled territories with at least 2,500 but fewer than 50,000 people. Collectively, urbanized areas and urban clusters are referred to as urban areas and essentially depict densely settled territory as it may appear from the air (see fig. 1).

¹⁶John B. Cromartie and Linda L. Swanson, "Census Tracts More Precisely Define Rural Populations and Areas," *Rural Development Perspectives*, vol. 11, no. 3 (Washington, D.C.: June 1996)

Figure 1: Rural and Urban Areas as Defined by Census



Source: GAO's mapping of 2003 MSAs, urbanized areas, and urban clusters.

On the basis of these definitions, data from the 2000 Census suggest that 59 million Americans (20 percent of the population) reside in rural areas. As we reported in our 2004 report, using urbanized areas and urban clusters is an effective way to make consistent eligibility determinations for individual rural economic development programs when data is available at the census

tract level.¹⁷ However, we found that our ability to track funds to the local level varied significantly across agencies. For example, while rural housing and most other USDA program data could be geocoded to the local level, most DOT spending could be tracked only to the counties. Thus, while geocoding data using urbanized areas and urban clusters would effectively show rural and urban differences, limitations with the data would only allow us to geocode about half of the data under this classification system.

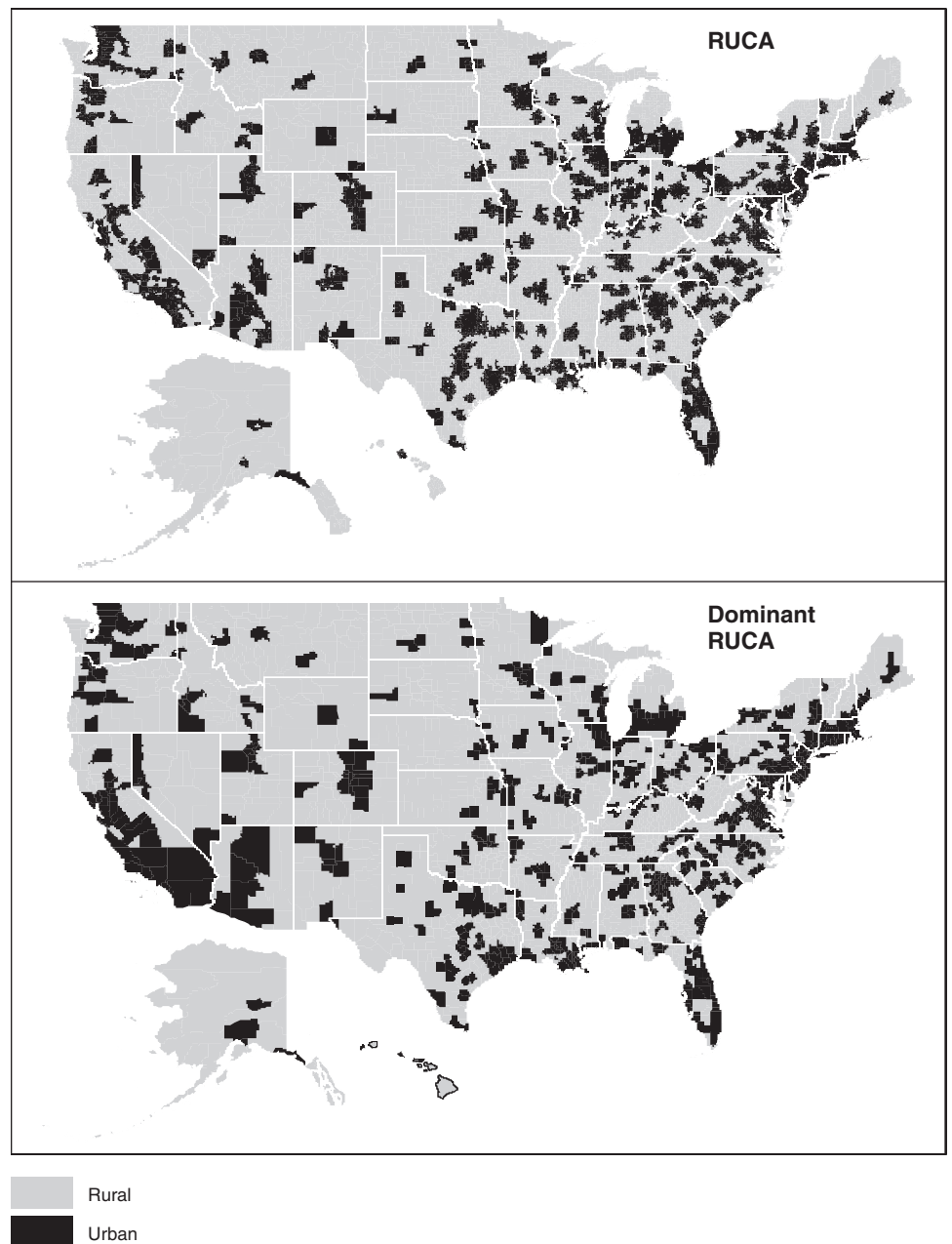
Ultimately, we chose the dominant RUCA system, developed by the Washington State Office of Community and Rural Health in 2001, because it uses both census tracts and county codes to determine which areas are rural. Using this system we were able to code 99 percent of the economic development funding.¹⁸ The dominant RUCA system is based on the 10-tiered subcounty RUCA system developed by ERS in conjunction with the Department of Health and Human Services (HHS) in the late 1990s. RUCA reflects both where people live and work by using both population and commuting relationships to classify census tracts. The dominant RUCA system classifies each county as rural or urban based on the dominant commuting patterns.

Figure 2 shows a map of the rural and urban areas as defined by both the census tracts on which the RUCA codes are based and by the dominant RUCA system that we used due to the data limitations.

¹⁷GAO-05-110.

¹⁸Washington State Department of Health, "Guidelines for Using Rural-Urban Classification Systems for Public Health Assessment," 2001.

Figure 2: Rural and Urban Areas as Defined by RUCA and Dominant RUCA Codes

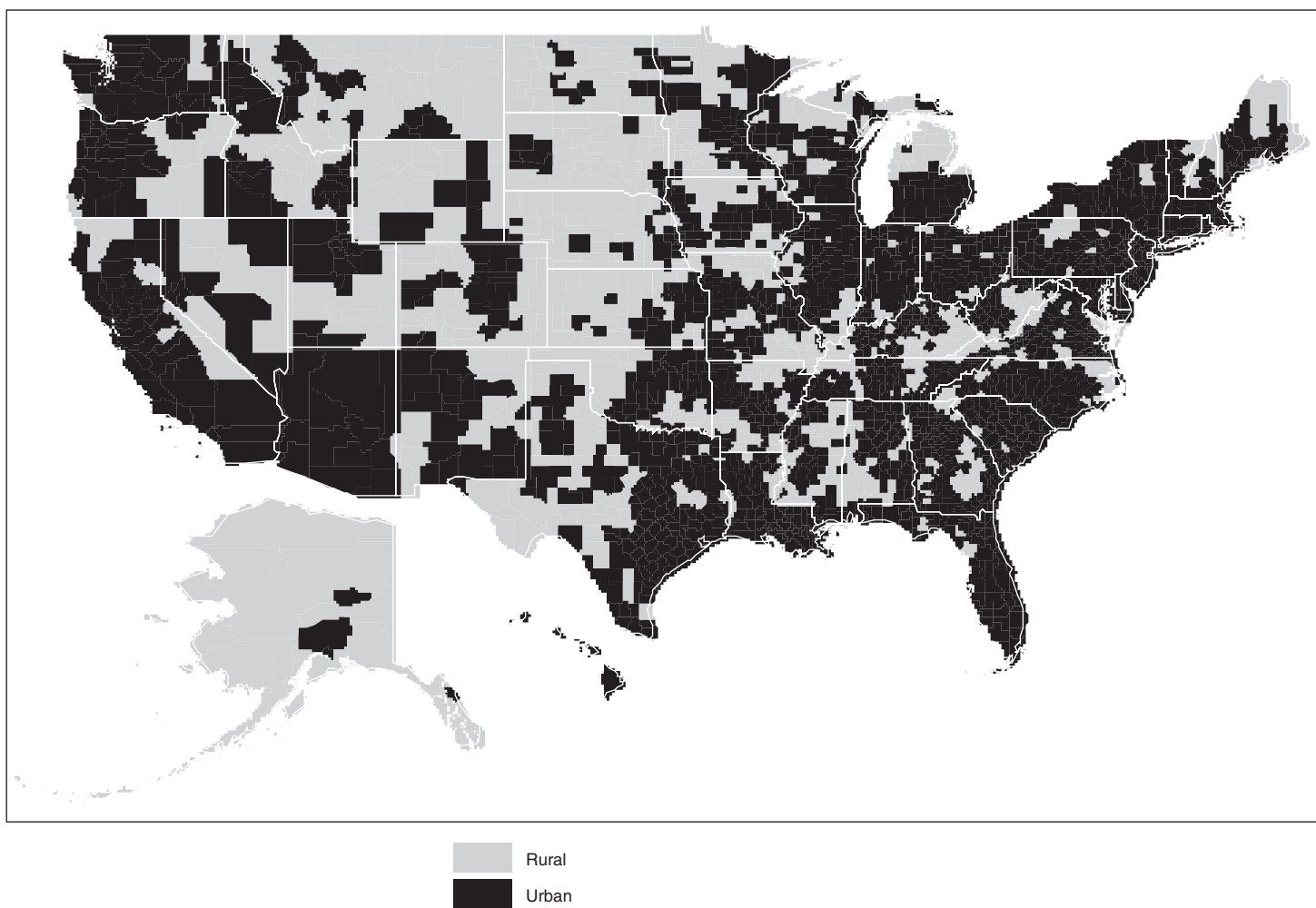


Source: GAO analysis of ERS data.

Although the census tract RUCA code map better reflects where people live and work, using the dominant RUCA system we determined that 19 percent of the U.S. population resided in rural areas. This figure is comparable to the 20 percent figure cited in the 2000 Census.

The rural-urban continuum classification system does not explicitly define rural. However, the rural-urban continuum codes can be combined to create rural and urban designations. (See fig. 3.)

Figure 3: Rural and Urban Areas as Defined by Rural-Urban Continuum Codes



Source: GAO analysis of ERS data.

For example, in our 1989 report we defined as rural any county whose urban population was less than 20,000 people. Using this definition, slightly more than 10 percent of the U.S. population resides in rural areas, or only half the 20 percent rural figure cited in the 2000 Census.

The Amount of Economic Development Funding Rural Areas Received Varied across Programs, Agencies, States, and Regions

The 86 economic development programs we identified that met one or more of the criteria from our list of economic development activities provided about \$200 billion in funding to the 50 states and Washington, D.C. for fiscal years 2002 through 2004.¹⁹ We were able to use geocoding to track about \$150 billion of those dollars to the county level or below. We could not track beyond the state level another \$50 billion that was passed through state capitals to county and local jurisdictions because we could not identify final recipients. If we had geocoded the funding for pass-through programs at the state capitals, the share of spending associated with urban areas—where state capitals are typically located—would have been overstated. For the approximately \$150 billion that we could geocode to the county level or below, our analysis showed that during fiscal years 2002 through 2004, rural areas received more economic development program assistance dollars per capita than their urban counterparts. The overall shares of funding varied by the administering program and agency, and by the state and region receiving the money, with rural areas receiving a greater share of the funding in some cases and urban areas in others.

When we analyzed economic development funding by program, we found wide variations in the percentage of funding that went to rural areas. The funding ranged from a high of 100 percent for the Interior's Improvement and Repair of Indian Detention Facilities Program down to about 1 percent for DOT's Transit Planning and Research Program and HUD's Brownfields Economic Development Initiative. The programs with the highest percentage of rural funding tended to be from USDA, whose funding decisions are primarily based on specific definitions of rural, and from Interior and the commissions and authorities whose programs serve rural areas. In contrast, HUD, the Environmental Protection Agency (EPA), and DOL were among the agencies with the lowest percentage of funding reaching rural areas who also had significant pass-through dollar amounts.

¹⁹For a limited number of programs in our analysis, not all the funding went directly for economic development activities. However, it was not practical to evaluate every individual program grant to determine whether all of the funding went to activities that met our criteria for economic development.














Most program funding by these agencies to eligible applicants is done using a formula or on a competitive basis without differentiating between rural and urban areas.



USDA had the most programs providing economic development funding for rural areas, but DOT provided the largest amount of economic development funding overall (fig.4).²⁰ DOT also accounted for the largest overall amount of pass-through dollars (\$37.9 billion), but higher percentages of funds from EPA, DOL, and HUD were sent to state capitals. We were unable to track 88 percent of EPA's funding, 79 percent of DOLs, or 75 percent of HUD's below the state level, and excluded those dollars from our analysis. Examples of programs that we could not track below the state level are DOL's Employment Service program and EPA's capitalization grants for clean water and drinking water.²¹

²⁰We included DOT's Highway Planning and Construction program because it assists in developing infrastructure by constructing and repairing roads, which is one of the elements included in the framework we used to identify federal economic development programs. Based on our definition of rural, this program provided over \$18 billion directly to rural areas during fiscal years 2002 through 2004.

²¹According to an EPA staff person, while EPA can not geocode grants provided by the Clean Water State Revolving Fund down to the community level, nearly \$3 billion has been provided during fiscal years 2002 through 2004 to communities of fewer than 10,000 people.

Figure 4: Economic Development Funds by Agency, Including Pass-Through Funding,(FY 2002-2004)

		Number of programs	Economic development funding (dollars in millions)	
Federal agency	Department of Transportation	9		\$111,797
	Small Business Administration	5		43,910
	Department of Agriculture	29		27,364
	Environmental Protection Agency	6		6,237
	Department of Housing and Urban Development	7		4,830
	Department of Labor	1		2,395
	Department of Commerce	7		1,274
	Department of Health and Human Services	5		1,149
	Department of the Interior	9		677
	Department of Defense	2		52
Regional commission or authority	Appalachian Regional Commission	4		200
	Delta Regional Authority	1		37
	Denali Commission	1		7
		86		\$199,930

 Pass-through dollars
 All other dollars

Source: GAO.

Figure 5 shows the approximately \$150 billion in economic development funding that we could track below the state level by agency under both the dominant RUCA and rural-urban continuum models during fiscal years 2002–2004. Under both models, the amount of federal agency, regional

commission, or authority funding to rural areas varied widely. For example, using the dominant RUCA model we found that the amounts provided to rural areas ranged from 7 percent or less for the portion of DOL and EPA funding we could track to about 58 percent for USDA and 77 percent for the Delta Regional Authority.

Figure 5: Economic Development Funds Tracked to Rural Areas (FY 2002–2004)

		Economic development funding tracked (dollars in millions)	Percentage to rural areas by system		
Federal agency	Department of Transportation	<div><div></div></div> \$73,891	Dominant RUCA	<div><div></div></div>	27%
			Rural Continuum	<div><div></div></div>	16
	Small Business Administration	<div><div></div></div> 43,910	Dominant RUCA	<div><div></div></div>	11
			Rural Continuum	<div><div></div></div>	6
	Department of Agriculture	<div><div></div></div> 25,982	Dominant RUCA	<div><div></div></div>	58
			Rural Continuum	<div><div></div></div>	36
	Department of Commerce	<div><div></div></div> 1,274	Dominant RUCA	<div><div></div></div>	34
			Rural Continuum	<div><div></div></div>	20
	Department of Housing and Urban Development	<div><div></div></div> 1,212	Dominant RUCA	<div><div></div></div>	12
			Rural Continuum	<div><div></div></div>	6
Department of Health and Human Services	<div><div></div></div> 1,110	Dominant RUCA	<div><div></div></div>	16	
		Rural Continuum	<div><div></div></div>	10	
Environmental Protection Agency	<div><div></div></div> 764	Dominant RUCA	<div><div></div></div>	5	
		Rural Continuum	<div><div></div></div>	3	
Department of the Interior	<div><div></div></div> 641	Dominant RUCA	<div><div></div></div>	45	
		Rural Continuum	<div><div></div></div>	32	
Department of Labor	<div><div></div></div> 506	Dominant RUCA	<div><div></div></div>	7	
		Rural Continuum	<div><div></div></div>	0	
Department of Defense	<div><div></div></div> 52	Dominant RUCA	<div><div></div></div>	12	
		Rural Continuum	<div><div></div></div>	2	
Regional commission or authority	Appalachian Regional Commission	<div><div></div></div> 200	Dominant RUCA	<div><div></div></div>	61
			Rural Continuum	<div><div></div></div>	42
	Delta Regional Authority	<div><div></div></div> 37	Dominant RUCA	<div><div></div></div>	77
		Rural Continuum	<div><div></div></div>	49	
Denali Commission	<div><div></div></div> 7	Dominant RUCA	<div><div></div></div>	51	
		Rural Continuum	<div><div></div></div>	40	
		Total: \$149,585			

Source: GAO.

The share of economic development funding that rural areas received also varied by state. Under the dominant RUCA model, the shares varied from 85 percent of the total funding in Wyoming to 3 percent in Massachusetts. Figure 6 shows the percentage of economic development funding in each state that went to rural areas.

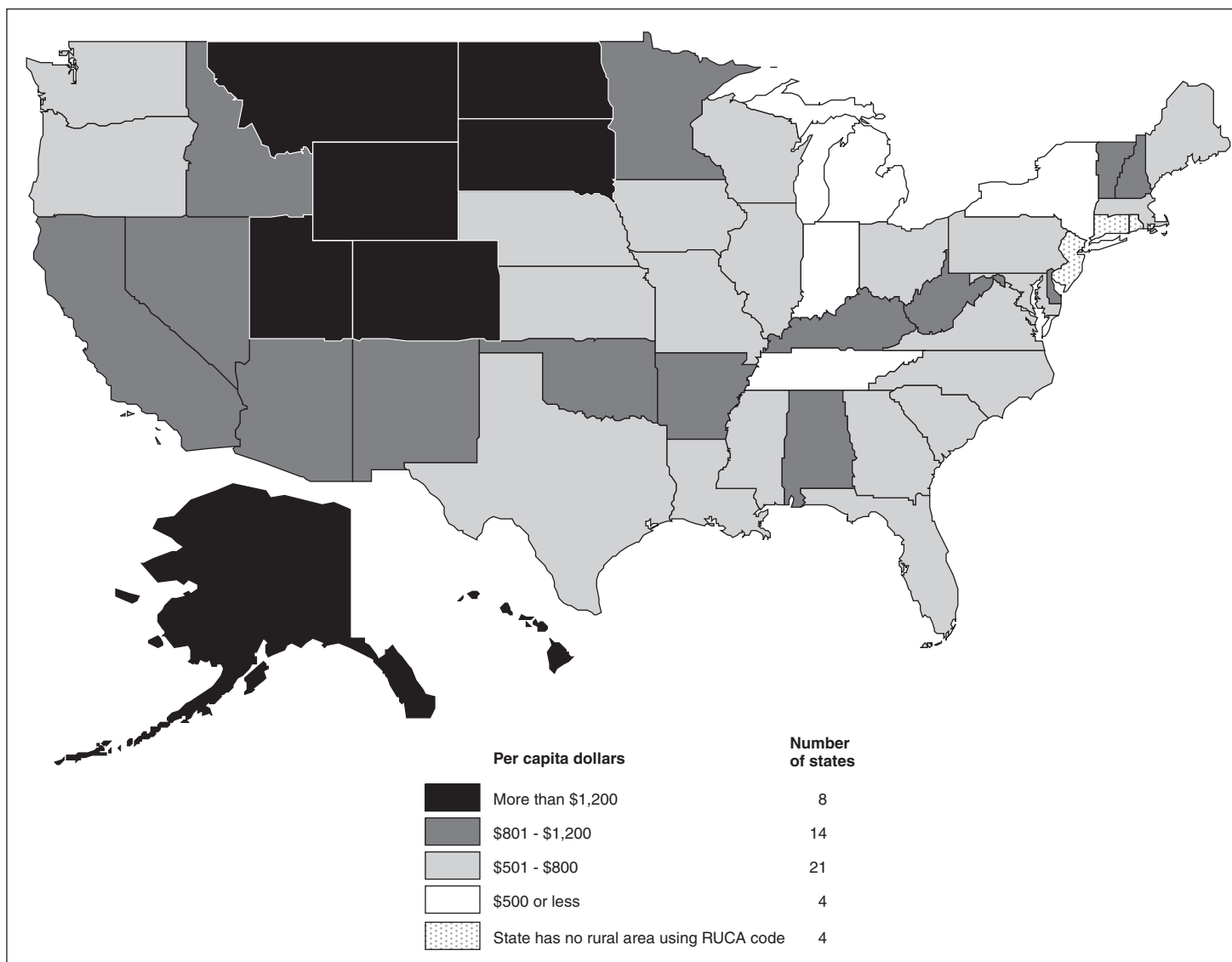
Share of dollars to rural area

More than 75%	2
51% to 75%	13
26% to 50%	17
25% or less	15
State has no rural areas using RUCA codes	4

The amounts also varied by region of the country. As shown in figure 7, rural residents in the western states generally received more economic development funding per capita than residents in the mid-Atlantic and midwest states. For example, Alaska and North Dakota residents received

more than \$1,200 a year during fiscal years 2002 through 2004, while residents of all states east of the Mississippi River received \$800 or less per year during the same time period.

Figure 7: Rural Economic Development Funding Per Capita, by State (FY 2002–2004)



Source: GAO analysis of agency program data.

Detailed information on the share of federal economic development funding that rural areas received, listed by program, agency, state, and county under both the dominant RUCA and rural-urban continuum classification systems, can be viewed at www.gao.gov/cgi-bin/getrpt?GAO-06-436sp.

Data Submitted to Census Were Often Inaccurate and Incomplete

OMB requires that all federal agencies submit financial assistance award data to Census for their programs on a quarterly basis, but our review showed that the data submitted were often inaccurate and that some data were missing altogether. We worked with Census officials to find the reasons for the incorrect and missing data, and ultimately we received corrected information from seven agencies and three commissions. With these corrections, we determined that the data were sufficiently reliable for our analysis. The agencies involved took a number of significant actions in order to provide corrected data for the programs we reviewed, and these actions should improve FAADS reporting in the future.

During our review, which covered fiscal years 2002 through 2004, we looked at the quarterly files of standardized records that FAADS maintains on financial assistance awards made by federal agencies. For those programs for which information had been submitted to FAADS, we checked the amounts against agency obligation data provided by the agency or the CFDA record. When we found significant discrepancies, we contacted the agencies to determine the reasons for these differences. If the FAADS data were deemed incorrect, in most cases we obtained corrected information from the agencies and replaced the FAADS information with that data for our analysis. In cases where the discrepancy could not be resolved, we used the agency obligations data provided to us by the agency.

We found that for 44 of the 86 economic development programs included in our analysis, the administering agencies either did not report any funding data or reported incomplete or inaccurate data to FAADS during all or part of fiscal years 2002 through 2004. Total obligations that were reported to Census during those years for these programs were off by more than \$11 billion, including obligations of about \$4.5 billion for 19 programs (22 percent) that had not been reported at all, and a total of about \$7 billion for 25 programs that was either over- or underreported. The programs we reviewed accounted for less than 10 percent of the federal programs that should be providing obligation information to FAADS. Since the FAADS reporting requirements are the same for all federal agencies and

commissions that administer financial assistance programs—not just those involved in economic development—the amount of unreported and misreported funding is likely far greater than the \$11 billion we identified during our review.

Even though the FAADS reporting requirement has been in place since 1982, for the agencies we reviewed, several factors affected the extent of compliance with the FAADS requirements. These factors included:

- a lack of controls and resources at Census to determine whether agencies were actually submitting the data,
- a lack of knowledge among program officials about the FAADS reporting requirements, and
- poor oversight and coordination at the agencies responsible for ensuring both compliance with the reporting requirement and the accuracy of the data submitted.

A Census official noted that, over the years, Census has worked with agencies to increase reporting compliance, but with limited success. Because we identified so many programs for which data had not been reported to FAADS, we worked with agency officials to identify the agencies' reasons for not submitting the information. The agencies were either unaware of the requirements, did not have computer databases containing the necessary information, or were using expenditure instead of obligation data. Several program officials subsequently instituted corrective actions to improve FAADS reporting, and these improvements should eventually be reflected in the annual CFFR.

Census Cannot Assure Compliance with FAADS Reporting Requirements

Our review showed that Census could not ensure that federal agencies were complying with the FAADS reporting requirements. According to our *Standards for Internal Control in the Federal Government* and related documents, an agency's system of internal control should include appropriate measures that will ensure the validity, accuracy, and completeness of the data in agency systems and capture erroneous data

that can then be reported, investigated, and promptly corrected.²² However, according to a Census official, a lack of resources had kept the bureau from establishing an effective system to monitor whether agencies were submitting the required information. Further, Census does not have an adequate process for determining whether an agency has failed to report particular program data in a given year.

Although Census prepares quarterly compliance reports showing whether agencies are meeting their reporting requirements, the reports we reviewed did not capture the extent of the misreporting we found. While Census officials told us that they had attempted to “persuade” agencies to submit data in the past, it became apparent from our findings that the effect of these efforts had been limited. During the course of our review, we talked with Census officials about the significant lack of compliance with FAADS reporting requirements, and officials from Census and OMB held several discussions about the problem. The culmination of these discussions was a meeting held in April 2005 between OMB, Census, and most of the agencies responsible for reporting information to FAADS. The purpose of the meeting was to allow OMB and Census to explain to the agencies the importance of submitting their obligation information on all programs on a quarterly basis as required. In addition, in June 2005, officials from the two agencies met with representatives of HUD to emphasize the need for compliance and accurate reporting, and in November 2005 Census and OMB held a second multiagency meeting.

Even after this renewed emphasis on compliance and accurate reporting, Census officials told us that some agencies had continued to submit improper data that were not necessarily reliable, forcing Census to devote staff resources to cleaning up the information. For example, the officials said that even though they had frequently pointed out data problems to HUD, the same errors kept occurring with each submission. HUD officials told Census and OMB staff at a June 2005 meeting that they would try to improve their reporting accuracy. According to a HUD official, the agency was commended by OMB at the November 2005 multiagency meeting for reducing its error rate by half. However, Census officials told us that while

²²GAO, *Standards for Internal Control in the Federal Government*, [GAO-AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999) provides guidance to agencies to help them assess, evaluate, and implement effective internal controls that can improve their operational processes; GAO, *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C., Aug. 2001) helps agencies maintain or implement effective internal controls and, when needed, helps them determine what, where, and how improvements can be made.

HUD's progress is commendable, HUD's error rate remains higher than that of most agencies.

Federal Agency Staff Lacked Knowledge about FAADS Reporting Requirements

A number of federal program officials who had not submitted FAADS information to Census were not aware that they were required to do so. In fact, a number of federal agency and regional commission officials told us that they had never heard of FAADS. As shown in table 2, CFDA program funding not reported to Census for fiscal years 2002, 2003, or 2004, accounted for about \$4.5 billion.

Table 2: Program Funding Not Reported to Census by Agencies for Fiscal Years 2002–2004 (in thousands)^a

CFDA program number	CFDA program name	Agency	FY 2002	FY 2003	FY 2004	Total
10.353	National Rural Development Partnership	USDA	2,283	2,802	2,664	7,749
10.665	Schools and Roads/Grants to States	USDA	357,009	713,639	739,998	1,810,646
10.666	Schools and Roads/Grants to Counties	USDA	4,905	4,956	6,834	16,694
10.673	Wood In Transportation	USDA	0	0	392	392
10.674	Forest Products Lab: Technology Marketing Unit	USDA	0	548	0	548
10.855	Distance Learning and Telemedicine Loans and Grants	USDA	118,707	138,815	685,905	943,427
10.859	Assistance to High Energy Cost/Rural Communities	USDA	0	18,500	31,104	49,604
12.002	Procurement Technical Assistance For Business Firms	DOD	17,410	22,324	13,220	52,954
14.246	Community Development Block Grants Brownfields Economic Development Initiative	HUD	25,314	0	0	25,314
14.248	Community Development Block Grants (CDBG)/Section 108 Loan Guarantees	HUD	310,974	333,683	289,082	933,739
14.250	Rural Housing and Economic Development	HUD	25,000	0	0	25,000
15.048	Bureau of Indian Affairs Facilities/Operations and Maintenance	Interior	56,773	44,664	35,400	136,837

(Continued From Previous Page)

CFDA program number	CFDA program name	Agency	FY 2002	FY 2003	FY 2004	Total
15.063	Improvement and Repair of Indian Detention Facilities	Interior	0	0	569	569
15.124	Indian Loans/Economic Development	Interior	4,500	4,717	3,143	12,360
20.907	Minority Institutions	DOT	442	442	200	1,084
20.930	Payments For Small Community Air Service Development	DOT	20,000	19,863	21,803 ^b	61,666
90.100	Denali Commission	Denali Commission	91,594	93,961	120,074	305,630
90.201	Delta Area Economic Development	Delta Regional Authority	26,570	7,203	3,595	37,368
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People With Disabilities	HHS	21,228	19,727	17,945	58,900
Total			1,082,709	1,425,844	1,971,928	4,480,481

Source: GAO analysis of agency data.

^aPossible minor differences between actual funding and the amounts and the totals in the schedule are due to rounding

^bThis amount includes \$1,929,901 that was reallocated from fiscal years 2002 and 2003

In the following examples of nonreporting that we found during our review, the agency officials involved were not familiar with FAADS:

- Staff at two of the three regional commissions and authorities we included in our analysis had never heard of FAADS or the CFFR and were not aware of the reporting requirements. We provided information to these officials about FAADS and the Census's involvement in collecting the data. Between the two organizations, more than \$340 million had not been reported to FAADS during our 3-year review period. As a result of our discussions about FAADS, officials at both commissions said that they would contact Census and begin reporting the information.
- Two different HUD program officials noted that they were not familiar with FAADS or the requirements to submit quarterly data. As a result, for fiscal year 2002 more than \$50 million dollars in funding provided by the Brownfields Economic Development Initiative and the Rural Housing and Economic Development program was not reported to FAADS.

-
- A DOD program official was not familiar with FAADS and was only vaguely familiar with his program's CFDA number. As a result, \$53 million in program obligations was not reported in fiscal years 2002 through 2004. Initially, the FAADS data we received directly from DOD indicated that the program had received no funding for the 3 years we included in our review. However, subsequent discussions with the DOD official revealed that this particular program had about \$53 million in obligations for fiscal years 2002 through 2004 that was not reported to FAADS and reflected in the CFFR.

A Lack of Oversight and Coordination at Federal Agencies Caused Inaccurate Reporting to FAADS

While other program managers were aware of the FAADS reporting requirements, the information they submitted to Census was either incomplete or inaccurate, resulting in the misreporting of another approximately about \$7 billion dollars from various agencies during fiscal years 2002 through 2004. Several factors affected the quality of the reporting. First, in some cases data from several programs were combined. Second, program officials sometimes did not capture all the necessary information. And finally, agencies lacked the controls needed to ensure that all of the programs and the correct data were submitted, resulting in significant over- and underreporting of obligations.

The following examples show some of the different scenarios that affected the completeness and accuracy of agencies' submissions to FAADS:

- Although the Appalachian Regional Commission had four separate CFDA program numbers, for many years the agency had submitted all of its information under one program. As a result, three CFDA program accounts showed no funding, even though each represented a distinct program. We also determined that the amount of funding data submitted to FAADS appeared to be more than \$30 million higher than the Appalachian Regional Commission's annual appropriation in fiscal year 2002 and more than \$4 million higher than the Commission's fiscal year 2003 appropriation. The Appalachian Regional Commission subsequently determined that it had counted a portion of its FAADS submission twice and agreed to submit revised data that would reapportion its data correctly among the four CFDA program accounts and correct for the over-counting. These changes should lower its fiscal year 2002 total by more than \$31 million, and its fiscal year 2003 total by \$4.5 million. Also, the Appalachian Regional Commission told us that it has instituted internal controls to prevent duplicate submissions to

FAADS and to prevent the reporting of all investments under one CFDA number.

- Interior had not updated its “cross-walk” of internal data codes that is intended to keep current with changes in the CFDA. As a result, Interior had underreported its FAADS data by nearly \$56 million for fiscal years 2002 and 2003. The staff member in charge of reporting to FAADS told us that he had learned that some of his data codes were out of date only after we questioned some inaccuracies in the data. Interior has since rerun its data with the new codes and planned to resubmit corrected information to Census for fiscal year 2004.
- Also, Interior’s Outdoor Recreation, Acquisition, Development and Planning program reported to FAADS obligations amounting to about \$64 million. Data we subsequently obtained from the agency showed obligations totaling more than \$290 million. An agency official explained that until recently, there had been no monitoring of the information submitted to FAADS.
- HUD has consistently submitted to FAADS expenditure rather than obligation data.²³ When questioned about this practice, a HUD official told us that the agency’s systems were set up to capture expenditure data. We found significant differences between expenditures and obligations in the funding information for two of the six HUD programs we evaluated. HUD met with Census and OMB in June 2005 about the issue and was considering ways to change its system to supply the required obligations data. Subsequently, another HUD official told us that a new system that would collect and report program obligation data rather than expenditure data to Census would be operational some time during 2006.
- We questioned a FAADS submission by HHS for the department’s Native American programs for fiscal year 2002 because the more than \$82 million in obligations reported for that year totaled more than three times the \$26.2 million budget for this program. For fiscal year 2003, the \$37 million reported to FAADS was about \$16 million more than the

²³Obligations reflect the amounts of orders placed, contracts awarded, services received and similar transactions during a given period that will require payments during the same or future period. Expenditures, or outlays, reflect the issuance of checks, disbursements of cash, or electronic transfers of funds made to liquidate a federal obligation.

\$20.8 million actual obligation amount provided to us by HHS. For fiscal year 2004, the \$37 million reported to FAADS was about \$13 million more than the \$23.9 million reported to us by HHS. An HHS official said that she could not explain the discrepancies.

- For HHS's Health Care and Other Facilities program, the FAADS submission for Fiscal Year 2002 totaled \$620 million—more than \$300 million more than what HHS's internal system showed. An HHS official agreed that the appropriate figure for the year was about \$314 million and said that HHS planned to review its data system to correct the discrepancy.
- We also questioned the figure of \$1.3 billion that HHS reported for its Community Services Block Grant Discretionary Awards program for fiscal year 2002, because the department's internal grant-tracking system showed a figure of about \$55 million. After looking into the discrepancy, an HHS official indicated that the department had for several years mistakenly combined the Community Services Block Grant program and the Discretionary Awards program under the Discretionary Awards CFDA program number. However, the \$1.3 billion total reported to FAADS also appeared to be incorrect, as the total obligations for the two programs combined in fiscal year 2002 was about \$700 million—about \$600 million less than what was reported to Census. HHS has agreed to correct the discrepancy, beginning with its fiscal year 2006 submission.
- The Small Business Administration (SBA) did not include in its FAADS submission the funding for a special loan program under its Small Business Loan program that was set up to assist the World Trade Center area after the September 11, 2001, terrorist attacks. As a result, the agency's obligations were underreported by about \$828 million for fiscal year 2003 and about \$3.1 billion for fiscal year 2004. According to an SBA official, the agency will review the data that it provides to FAADS more closely in order to avoid such discrepancies in the future.

According to the Census official who oversees the FAADS program, most of the agency staffs who submitted the data to Census had very little involvement with program operations, adding that the individual program managers who were most knowledgeable about the data's accuracy and completeness generally did not get involved. OMB has required since fiscal year 1982 that agency officials review and sign off on a compliance form when submitting quarterly data. The form contains a series of statements,

including one that reads, “All agency financial assistance award programs are covered in agency’s FAADS sources.” However, the official we spoke with who oversaw the program and had been involved with it since 1996 said that he had never seen a compliance form accompanying a quarterly report. It appeared that neither Census nor OMB was enforcing the requirement. Both Census and OMB staff told us that OMB had previously considered amending its guidance (Circular A-89) on reporting financial assistance data to specifically require that each agency appoint an official responsible for certifying that the FAADS data were accurately reported to Census. However, at the time of our review, the guidance had not been amended.

Officials in a number of agencies commented about the lack of controls for submissions of data to FAADS and told us that requiring data certification would likely improve data quality. For example, one FAADS coordinator noted that the agency had no internal control checks in place to determine which programs should report cost information in any particular quarter or whether program personnel were submitting the required cost information. Other agency officials indicated that their agencies had no controls over FAADS data, including having individuals responsible for certifying that the data submitted was correct. Finally, one USDA official noted that USDA had been recording some FAADS information manually rather than through an electronic system but added that the agency is expected to automate the data collection system in 2006.

Conclusions

The federal government funds a wide variety of programs that provide rural areas with economic development money. These programs provide assistance that directly supports communities’ economic well-being through such activities as creating and helping to retain jobs; constructing and repairing roads, airports, and water systems; establishing business incubators; and developing and improving tourist areas. Exactly how much assistance rural areas receive from the various economic development programs depends on how “rural” is defined, a definition which is constantly changing as advances in transportation, computer technology, and telecommunications—along with the spread of suburbia—continue to blur many of the distinctions between rural and urban life. We found that the amount of economic development funding provided to rural areas varied widely by program, agency, state, and region.

However, both the Congress and the public are at a disadvantage in trying to assess the exact levels of funds rural areas receive because agencies

have not provided accurate funding data for economic development programs. Our review showed that the data were often inaccurate or had not been reported at all. As a result, the information published by Census in reports issued to the Congress and the general public for the programs we examined was off by billions of dollars. We reviewed fewer than 10 percent of the programs that are required by OMB to provide obligation information to Census. Because the reporting requirements do not differ for the remaining 90 percent or more of the programs that are required to report to FAADS, the accuracy of the remaining program data are likely questionable. OMB has recently begun to meet with agency officials to improve agency reporting, and several agencies have agreed to implement changes that should ensure more accurate and complete compliance. Such efforts should improve the data submitted to FAADS. But the types of errors we identified will persist unless OMB emphasizes the importance of establishing improved controls at the agencies and at Census, including requirements that agencies certify their FAADS submissions and that Census notify agencies when significant errors occur.

Recommendations

To better ensure that Census receives accurate funding information from federal agencies, OMB should consider improving its oversight of compliance with FAADS reporting requirements. We recommend that the Director of the Office of Management and Budget:

- regularly reach out to individual agencies on FAADS reporting requirements and on ways to improve the quality of the data provided to Census, and
- amend its guidance to require agency officials to certify the accuracy and completeness of their FAADS data reported to Census, and
- provide support to Census with its work in notifying agencies that do not report or significantly misreport their FAADS data.

Agency Comments and Our Evaluation

We provided Commerce and OMB with a draft of this report for review and comment. The Deputy Secretary of Commerce provided written comments that are provided in appendix III. OMB provided oral comments, stating that it agreed that improvements are needed in the FAADS reporting process. OMB officials said that they would continue to regularly reach out to individual agencies on FAADS reporting requirements, and when

requested by Census, will provide support in notifying agencies that do not report or significantly misreport their FAADS data. They also said that they would discuss the need for having higher-level agency officials certify FAADS data submitted to Census at their next agencywide outreach meeting in April 2006.

The Deputy Secretary of Commerce wrote that the Census generally agrees with the report's conclusions and recommendations and that the difficulties GAO encountered with FAADS provide insights into the breadth and depth of the complexities involved for its staff in collecting, analyzing, and tabulating this large governmentwide data set. He wrote that the department will work with OMB and the individual reporting agencies to identify additional resources and streamlined methodologies to make future data more complete and accurate.

The Census official who oversees FAADS provided us with oral comments that expanded on the Deputy Secretary's comments, stating that he agreed with the need for OMB to regularly outreach to individual agencies and to require agency officials to certify the accuracy and completeness of data reported to FAADS. He also agreed that there is a need to identify and notify agencies that do not report or significantly misreport their FAADS obligation data, and noted that his office has been routinely reporting problems to agencies. However, he said that his office needs more support from OMB to succeed in this area. For example, he said that Census contacted 12 federal agencies in mid-September 2005 informing them about significant data problems with their fiscal year 2004 FAADS data submissions, including many of the items we reported as missing in this report. However, he said that 7 of the 12 agencies did not respond in any way as to how they planned to correct the types of discrepancies in the future. In light of this new information, we revised our recommendation to acknowledge that OMB should provide additional support to Census in notifying agencies that do not report or significantly misreport their FAADS obligation data.

In addition to the comments we obtained from OMB and Commerce, we also obtained technical comments from most of the other agencies and commissions included in our review. We incorporated the comments in the report as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from its

issuance date. At that time we will send copies of the report to interested members of Congress and congressional committees. We will also send copies of this report to the Secretary of the Department of Commerce and the Director of the Office of Management and Budget and we will make copies available to others upon request. In addition, detailed information about the share of federal economic development funding by program, agency, state, and county will be available at no charge on the GAO website at www.gao.gov/cgi-bin/getrpt?GAO-06-436sp.

If you or your staff have any questions concerning this report, please contact me at (202) 512-4325 or at shearw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in Appendix IV.



William B. Shear
Director, Financial Markets and
Community Investment

Scope and Methodology

To examine the share of federal economic development funds that support rural areas today, we (1) developed a framework for identifying federal economic development funding; (2) determined the most informative classification system for differentiating between rural and urban areas; (3) used the economic development framework and classification system to identify rural areas and report the amount and share of economic development funding these areas have received; and (4) examined federal agencies' reporting of economic development funds. We interviewed officials from the U.S. Departments of Agriculture (USDA), Commerce (Commerce), Defense (DOD), Housing and Urban Development (HUD), Labor (DOL), Health and Human Services (HHS), Interior (Interior), and Transportation (DOT). We also interviewed officials from the Small Business Administration (SBA), Environmental Protection Agency (EPA), Appalachian Regional Commission, Denali Commission, and Delta Regional Authority.

Because there is no commonly accepted definition of what constitutes federal economic development, we developed a framework for discussing economic development using our prior reports and research studies by the National Council for Urban Economic Development, the Progressive Policy Institute, the Cornell Community and Rural Development Institute, and the Northeast-Midwest Institute's Center for Regional Policy. We also used information provided by federal program officials and external rural development groups, including the Aspen Institute Community Strategies Group, the Sonoran Institute, the Southern Rural Development Initiative, and the Progressive Policy Institute. We then used the framework to define activities that were generally accepted as being related to economic development and reviewed program descriptions from the Catalog of Federal Domestic Assistance (CFDA) to assess which programs fostered or assisted with economic development. We originally identified about 135 programs and held discussions with the administering agencies, regional commissions, and authorities on our framework and the programs selected. Based on those discussions we modified our framework and eliminated programs that did not meet the modified framework. In some cases we obtained more detailed information on programs beyond that in the CFDA program descriptions. We settled on 86 programs to include in our analysis.

In finalizing the framework, we focused on economic development activities that directly affect the overall development of an area—particularly saving or creating jobs—rather than on activities that improve individuals' quality of life, such as housing or general education. For

example, we did include job training that had a direct impact on economic development in an area by, for example, preparing employees for a specific industry or business located in a particular area. However, we did not include general educational programs, housing loan programs, research and development programs, or other programs that do not directly impact the economic development of an area.

To examine federal agencies' reporting of economic development funds, we reviewed the extent to which agencies reported information to the Federal Assistance Award Data System (FAADS) for the 86 programs we selected for review during fiscal years 2002 through 2004. FAADS produces a quarterly file of standardized records on financial assistance awards made by federal agencies. Each transaction record identifies, by CFDA program code number, the type and amount of financial assistance, the type and location of the recipient, and the geographic place of performance. We assessed the reliability of the FAADS data by (1) performing electronic testing of the required data elements for obvious errors in accuracy and completeness, (2) comparing program totals by fiscal year to similar data from the Consolidated Federal Funds Report (CFFR) database, (3) reviewing related documentation, and (4) interviewing the Census Bureau official knowledgeable about the data.

For those programs for which information had been submitted to FAADS, we checked the amounts against agency obligation data provided by the agency or the CFDA record. When there were significant discrepancies, we contacted the agencies to determine the reasons for the discrepancies. If the FAADS data were deemed incorrect, in most cases we obtained the corrected information from the agencies and replaced the FAADS information for our analysis. In cases where the discrepancy could not be resolved, we used the agency obligations data provided to us by the agency. Because HUD had submitted expenditure data instead of obligation information as required by FAADS, we obtained obligation information from HUD on each of the programs included in our analysis. In addition to the more than 20 programs for which we identified discrepancies, we also identified another 20 programs for which the agencies had not submitted any information to FAADS for one or more of fiscal years 2002 through 2004. For each of these programs, we contacted agency staff to determine why no information had been submitted to FAADS and what the obligation information amounts were for each of the fiscal years. Also, because the FAADS data provides detailed information on program recipients, such as zip codes, we requested that each agency provide us with similar

information on program recipients so that we could geocode the information.

Once we created the final database of spending for the 86 programs, we used the information in the file to identify the locality that received the funds. However, for approximately 50 percent of the funding, we could not identify a recipient below the county level. Based on this finding and consultations with USDA's Economic Research Service, we decided to analyze the dollars flowing to rural areas using the dominant Rural-Urban Commuting Area (RUCA) approach. RUCA data is based on census tracts, but the State of Washington's Office of Community and Rural Health has developed a system to classify counties based on their dominant RUCA code if census tract data is not available. In order to produce county-level RUCA estimates, we applied this approach to the entire country by assigning dominant RUCA categories to every county. These analyses allowed us to classify every county as urban or rural. Using the county-level RUCA file, we were able to assign a dominant RUCA code to over 99 percent of the program dollars. We also classified every county as urban or rural using ERS's rural-urban continuum system, including those counties considered completely rural or that contained urban populations of less than 20,000 as rural counties, and other counties as urban counties.

Another data issue involved pass-through programs, or programs for which the data showed the recipient to be the state government. For most of these programs, state governments subsequently passed these funds through to counties or local governments. However, we could not identify the subsequent recipients. Using the CFDA program descriptions, we determined that 12 of 86 programs appeared to meet this criterion, along with the portion of the highway spending program that went to state governments. For example, both DOT's Formula Grants Program for Other than Urbanized Areas and HUD's Community Development Block Grant/State's program showed no funding going to rural areas. Both these programs pass through funding to rural areas, but the data only coded the funding to the state capitals. If we had geocoded funding for such pass-through programs, the share of spending associated with urban areas, where state capitals are typically located, would have been overstated. Excluding the pass-through funding reduced the total spending we analyzed from about \$200 billion to about \$150 billion.

Significant noncompliance by a number of agencies that had failed to submit obligation information for one or more programs, restricted our ability to use the CFFR database to identify how all economic development

program funds were dispersed. While the reliability of the databases used by Census to prepare the CFFR has been tested, we did not know the extent to which agency data we obtained and analyzed directly from the agencies were reliable. As a result, we contacted agency officials to determine the controls used to ensure that the data they provided to us were reliable and accurate. Specifically, we requested information concerning the accuracy and completeness of the data, the use of the data in developing financial statements about the programs, and any reviews or audits of the quality of the data. The respondents indicated that the data were correct and told us why they believed the information was accurate. In addition, we questioned whether agency staff was aware of the FAADS reporting requirements and in some cases requested data directly from agencies. While the data we received directly from agencies were generally not as comprehensive as the CFFR requires, we found that the information was sufficient for our purposes.

We conducted our review from January 2005 through December 2005 in accordance with generally accepted government auditing standards.

Funding Data for Selected Federal Programs That Fund Economic Development Activities

The following table lists each agency program by CFDA number and program objective, the source we used to obtain fiscal year 2002-2004 funding data, and whether or not missing or corrected data was obtained from the agency.

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
USDA					
10.064	Forestry Incentives	To bring private non-industrial forest land under intensified management; to increase timber production; to assure adequate supplies of timber; and to enhance other forest resources through a combination of public and private investments on the most productive sites on eligible individual or consolidated ownership of efficient size and operation.	CFFR	X	
10.212	Small Business Innovation Research	To stimulate technological innovation in the private sector, strengthen the role of small businesses in meeting Federal research and development needs, increase private sector commercialization of innovations derived from USDA supported research and development efforts, and foster and encourage participation, by women-owned and socially disadvantaged small business firms in technological innovation.	CFFR	X	
10.353	National Rural Development Partnership	To improve the quality of life in rural America by supporting and maintaining a network of State Rural Development Councils that create and facilitate cross-program collaborations.	Agency		X
10.411	Rural Housing Site Loans and Self-Help Housing Land Development Loans	To assist public or private nonprofit organizations interested in providing sites for housing; to acquire and develop land in rural areas to be subdivided as adequate building sites and sold on a cost-development basis to families eligible for low- and very-low-income loans, cooperatives, and broadly based nonprofit rural rental housing applicants.	CFFR	X	

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
10.446	Rural Community Development Initiative	To develop the capacity and ability of private, nonprofit community-based housing and community development organizations, and low income rural communities to improve housing, community facilities, community and economic development projects in rural areas.	CFFR	X	
10.603	Emerging Markets	A foreign market access program that provides funding for generic technical assistance activities which take place abroad. The program provides cost-share assistance to small- and medium-sized U.S. agriculture and agribusiness organizations that desire to promote, enhance or expand the exports of U.S. agricultural commodities and products into eligible low-and middle-income foreign countries.	CFFR	X	
10.664	Cooperative Forestry Assistance	With respect to nonfederal forest and other rural lands, to assist in the advancement of forest resources management; the encouragement of the production of timber; the control of insects and diseases affecting trees and forests; the control of rural fires; the efficient utilization of wood and wood residues, including the recycling of wood fiber; the improvement and maintenance of fish and wildlife habitat; and the planning and conduct of urban and community forestry programs.	CFFR	X	
10.665	Schools and Roads/Grants to States	To share receipts from the national forests with the states in which the national forests are located.	Agency		X
10.666	Schools and Roads/Grants to Counties	To share receipts from national grasslands and land utilization projects with the counties in which the national grasslands and land utilization projects are located.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
10.670	National Forest/Dependent Rural Communities	Provide accelerated assistance to rural communities faced with acute economic problems associated with federal, state, or private sector resource management decisions and policies that are located in or near a national forest and are economically dependent upon forest resources. Aid is extended to these rural communities to help them develop strategic action plans to diversify their economic base and to improve the economic, social, and environmental well-being of rural areas.	CFFR	X	
10.672	Rural Development, Forestry, and Communities	To help rural areas analyze and assess forest resource opportunities, maximize local economic potential through market development and expansion, and diversify communities' economic base.	CFFR	X	
10.673	Wood In Transportation	To provide funds, on a cost-share basis, for the construction of demonstration modern timber bridges and modern timber bridge technology transfer projects. Primary focus is to assist in the development and commercialization of new technologies that incorporate underutilize timber and related resources to the extent that is economically feasible.	Agency		X
10.674	Forest Products Lab: Technology Marketing Unit	To assist small forest products businesses, community leaders, entrepreneurs, non-profits, and others turn small diameter and underutilized wood species into marketable forest products, including biomass energy. Programs may include: (1) technical assistance for processing and manufacturing of small diameter or low value hardwoods and softwoods; (2) prototype development of potential new products; (3) demonstration projects that showcase innovative uses for small diameter and low-value hardwoods and softwoods; (4) economic feasibility assessments related to using small diameter and low-valued hardwoods and softwoods; and (5) market assessments for using small diameter and low-valued hardwoods and softwoods.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
10.760	Water and Waste Disposal Systems for Rural Communities	To provide basic human amenities, alleviate health hazards, and promote the orderly growth of the rural areas of the nation by meeting the need for new and improved rural water and waste disposal facilities.	CFFR	X	
10.763	Emergency Community Water Assistance Grants	Through the Emergency Community Water Assistance Grant program, the Rural Utility Service (RUS) is authorized to help rural residents who have experienced a significant decline in quantity or quality of water to obtain adequate quantities of water that meet the standards of the Safe Drinking Water Act.	CFFR	X	
10.766	Community Facilities Loans and Grants	To construct, enlarge, extend, or otherwise improve community facilities providing essential services to rural residents.	CFFR	X	
10.767	Intermediary Re-lending	To finance business facilities and community development.	CFFR	X	
10.768	Business and Industry Loans	To assist public, private, or cooperative organizations (profit or nonprofit), Indian tribes or individuals in rural areas to obtain quality loans for the purpose of improving, developing or financing business, industry, and employment and improving the economic and environmental climate in rural communities including pollution abatement and control.	CFFR	X	
10.769	Rural Business Enterprise Grants	To facilitate the development of small and emerging private business, industry, and related employment for improving the economy in rural communities.	CFFR	X	
10.770	Water and Waste Disposal Loans and Grants (Section 306C)	To provide water and waste disposal facilities and services to low-income rural communities whose residents face significant health risks.	CFFR	X	
10.771	Rural Cooperative Development Grants	To establish and operate centers for rural cooperative development to improve economic conditions in rural areas by promoting the development of new cooperatives and/or the improvement of existing cooperatives.	CFFR	X	

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
10.772	Empowerment Zones	To provide for the establishment of empowerment zones and enterprise communities in rural areas to stimulate the creation of new jobs, particularly for the disadvantaged and long-term unemployed, and to promote the revitalization of economically distressed areas.	CFFR	X	
10.773	Rural Business Opportunity Grants	To promote sustainable economic development in rural communities with exceptional needs.	CFFR	X	
10.850	Rural Electrification Loans and Loan Guarantees	To assure that people in eligible rural areas have access to electric services comparable in reliability and quality to the rest of the nation.	CFFR	X	
10.851	Rural Telephone Loans and Loan Guarantees	To assure that people in eligible rural areas have access to telecommunications services comparable in reliability and quality to the rest of the nation.	Agency		X
10.852	Rural Telephone Bank Loans	To provide supplemental financing to extend and improve telecommunications services in rural areas.	Agency		X
10.854	Rural Economic Development Loans and Grants	To promote rural economic development and job creation projects, including funding for project feasibility studies, start-up costs, incubator projects, and other reasonable expenses for the purpose of fostering rural development.	CFFR	X	
10.855	Distance Learning and Telemedicine Loans and Grants	To encourage and improve the use of telemedicine, telecommunications, computer networks, and related advanced technologies to provide educational and medical benefits through distance learning and telemedicine projects to people living in rural areas and to improve rural opportunities.	Agency		X
10.859	Assistance to High Energy Cost/Rural Communities	To provide assistance to rural communities with extremely high energy costs.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
Department of Commerce					
11.300	Grants for Public Works and Economic Development Facilities	To promote long-term economic development in areas experiencing substantial economic distress and investments to support the construction of rehabilitation of essential public infrastructure and develop facilities necessary to generate high-skill, higher-wage jobs and private investment.	CFFR	X	
11.302	Economic Development/Support for Planning Organizations	To help states, sub-state planning units, Indian Tribes, and/or local governments strengthen economic development planning capability and formulate and establish comprehensive economic development, process and strategies designed to reduce unemployment and increase incomes.	CFFR	X	
11.303	Economic Development/Technical Assistance	To promote economic development and alleviate underemployment and unemployment in distressed areas by (1) enlisting the resources of designated university centers in promoting economic development, (2) supporting innovative economic development projects, (3) disseminating information and studies of economic development issues of national significance, and (4) financing feasibility studies and other projects leading to local economic development.	CFFR	X	

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
11.307	Economic Adjustment Assistance	To assist state and local interests design and implement strategies to adjust or bring about change to an economy. Program focuses on areas that have experienced or are under threat of serious structural damage to the underlying economic base. Such economic change may occur suddenly or over time, and generally results from industrial or corporate restructuring, new federal laws or requirements, reduction in defense expenditures, depletion of natural resources, or natural disaster. Aids the long-range economic development of areas with severe unemployment and low-family-income problems; aids in the development of public facilities and private enterprises to help create new, permanent jobs.	CFFR	X	
11.313	Trade Adjustment Assistance	To provide trade adjustment assistance for firms and industries adversely affected by increased imports.	CFFR	X	
11.611	Manufacturing Extension Partnership	To establish, maintain, and support manufacturing extension centers and services that improve the competitiveness of firms by accelerating the usage of appropriate manufacturing technology by smaller U.S.-based manufacturing companies. To also partner with states to develop such technical assistance programs and services.	CFFR	X	
11.617	Congressionally-Identified Projects	To assist various organizations identified by Congress to achieve objectives specified by Congress.	CFFR	X	
Department of Defense					
12.002	Procurement Technical Assistance For Business Firms	To increase assistance by the DOD for eligible entities by furnishing Procurement Technical Assistance to business entities, and to assist eligible entities in the payment of the costs of establishing and carrying out new programs and maintaining existing programs.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
12.607	Community Economic Adjustment Planning Assistance	To assist local governments or states, on behalf of local governments, to undertake community economic adjustment-planning activities to respond to military base closures and realignments.	Agency		X
Department Housing and Urban Development					
14.219	Community Development Block Grants/Small Cities	To develop viable urban communities by providing decent housing; a suitable living environment; and expanding economic opportunities, principally for persons of low and moderate income.	Agency		X
14.228	Community Development Block Grants/State's	To develop viable urban communities by providing decent housing; a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.	Agency		X
14.244	Empowerment Zones	To provide for the establishment of Empowerment Zones, Enterprise Communities and Renewal Communities in urban and rural areas, to stimulate the creation of new jobs empowering low-income persons and families receiving public assistance to become economically self-sufficient, particularly for the disadvantaged and long-term unemployed and to promote revitalization of economically distressed areas.	Agency		X
14.246	Community Development Block Grants /Brownfields Economic Development Initiative	To return brownfields to productive use by assisting public entities eligible under the Section 108 Loan Guarantees program to carry out qualified economic development projects. Grant assistance must enhance the security of loans guaranteed under the Section 108 program or improve the viability of projects financed with loans guaranteed under the Section 108 program.	Agency		X
14.248	Community Development Block Grants/Section 108 Loan Guarantees	To provide communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects.	Agency		X
14.250	Rural Housing and Economic Development	To expand the supply of affordable housing and access to economic opportunities in rural areas.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
14.862	Indian Community Development Block Grant	To assist Indian tribes and Alaska Native villages in the development of viable Indian communities.	Agency		X
Department of the Interior					
15.033	Road Maintenance/Indian Roads	To provide limited routine maintenance on paved, gravel, earth, and unimproved roads, bridges, and airstrips.	Agency		X
15.038	Minerals and Mining on Indian Lands	To assist and support the inventory and prudent development of energy and mineral resources on Indian lands.	Agency		X
15.039	Fish, Wildlife, and Parks Programs on Indian Lands	To promote conserving, developing, and using fish, wildlife, and recreational resources for the sustenance, cultural enrichment, economic support, and maximum benefit of Indians.	Agency		X
15.048	Bureau of Indian Affairs Facilities/Operations and Maintenance	To provide funds for basic operating and maintenance services of non-education facilities that are owned or operated by the Bureau of Indian Affairs and located on reservations.	Agency		X
15.063	Improvement and Repair of Indian Detention Facilities	To provide safe, functional, code-and-standards compliant, economical, and energy-efficient adult and/or juvenile detention facilities.	Agency		X
15.124	Indian Loans/Economic Development	To assist federally recognized Indian tribal governments, Native American organizations, and individual American Indians in obtaining financing from private sources to promote business development initiatives on or near federally recognized Indian reservations.	Agency		X
15.225	Recreation Resource Management	To manage recreational resource values on the public lands administered by the Bureau of Land Management and to increase public awareness and appreciation of those values.	CFFR	X	

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
15.228	National Fire Plan - Wildland Urban Interface Community Fire Assistance	To implement the National Fire Plan and assist communities at risk from catastrophic wildland fires by providing assistance in the following areas: provide community programs that develop local capability including: assessment and planning, mitigation activities, and community and homeowner education and action; plan and implement hazardous fuels reduction activities on federal land or on adjacent nonfederal land that mitigate the threat of catastrophic fire to communities and natural resources in high risk area; enhance local and small business employment opportunities for rural communities; enhance the knowledge and fire protection capability of rural fire districts by providing assistance in education and training, protective clothing and equipment purchase, and mitigation methods on a cost -hare basis.	CFFR	X	
15.916	Outdoor Recreation/Acquisition, Development, and Planning	To provide financial assistance to the states and their political subdivisions for the preparation of Statewide Comprehensive Outdoor Recreation Plans and acquisition and development of outdoor recreation areas and facilities for the general public, to meet current and future needs.	Agency		X
Department of Labor					
17.207	Employment Service	To assist persons to secure employment and labor market information by providing a variety of job search assistance and labor market information services without charge to job seekers and to employers seeking qualified individuals to fill job openings.	CFFR	X	
Department of Transportation					
20.106	Airport Improvement	To assist sponsors, owners, or operators of public-use airports in developing a nationwide system of airports adequate to meet the needs of civil aeronautics.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
20.205	Highway Planning and Construction	To assist state transportation agencies in planning and developing an integrated, interconnected transportation system by constructing and rehabilitating the National Highway System, including the Interstate System; and for transportation improvements to all public roads except those functionally classified as local; to provide aid for the repair of federal-aid roads following disasters; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes.	CFFR	X	
20.219	Recreational Trails	To provide funds to the States to develop and maintain recreational trails and trail-related facilities for both non-motorized and motorized recreational trail use.	Agency		X
20.509	Formula Grants for Other than Urbanized Areas	To improve, initiate, or continue public transportation service in non-urbanized areas and to provide technical assistance for rural transportation providers.	Agency		X
20.514	Transit Planning and Research	To foster innovation in public transit systems, through local demonstrations of promising, but risky, new technologies and service or operational concepts; to address economic and social issues resulting from human impacts on the environment and develop risk assessment methodologies, integrated assessments, and other analytical tools for effective policy formulation; to develop practical know-how for solving fundamental industry-wide problems, such as how to accommodate the travel needs of persons with disabilities, how to finance transit infrastructure construction, and how to meet the requirements of the Clean Air Act; and to support developing information and technical assistance to convey the results of research, technology development, and innovative demonstrations for adaptation and local implementation.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
20.516	Job Access/Reverse Commute	To provide competitive grants to local governments, nonprofit organizations, and designated recipients of Federal transit funding to develop transportation services to connect welfare recipients and low-income persons to employment and support services. Job Access grants will be for capital projects to finance operating costs of equipment, facilities and associated support costs related to providing access to jobs. The Reverse Commute grants will assist in funding the costs associated with adding reverse commute bus, train, carpool or service from urban areas, urbanized areas, and other than urbanized areas to suburban work places.	Agency		X
20.901	Payments for Essential Air Services	To assure that air transportation is provided to eligible communities by subsidizing air carriers when necessary to provide service.	Agency		X
20.907	Minority Institutions	To increase the participation of minority institutions in federally funded programs. Also, to use the resources of minority institutions to develop training and technical assistance programs to enhance small women-owned and disadvantaged business enterprises to successfully compete for Department of Transportation contracts and projects. The program is also geared to attracting young talent to transportation-related careers.	Agency		X
20.930	Payments For Small Community Air Service Development	To help smaller communities enhance air service and increase access to the national transportation system.	Agency		X
Appalachian Regional Commission					
23.002	Appalachian Area Development	To create opportunities for self-sustaining economic development and improved quality of life in the Appalachian region.	Agency		X
23.003	Appalachian Development Highway System	To provide a highway system which, in conjunction with other federally-aided highways, will open up areas with development potential within Appalachia where access to commerce and communication have been inhibited.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
23.009	Appalachian Local Development District Assistance	To provide planning and development resources in multi-county areas, to help develop the technical competence essential to sound development assistance, and to meet the objectives stated under the Appalachian Regional Development program.	Agency		X
23.011	Appalachian State Research, Technical Assistance, and Demonstration Projects	To assist the Appalachian Regional Commission in accomplishing its objectives by expanding the knowledge of the region through state-sponsored research.	Agency		X
Small Business Administration					
59.007	7(j) Technical Assistance	To provide business development assistance to socially and economically disadvantaged businesses by contracting with qualified service providers who have the capacity to provide business development assistance to these businesses or individuals.	CFFR	X	
59.011	Small Business Investment Companies	To establish privately owned and managed investment companies to provide equity capital and long term loans to small businesses, and to provide advisory services to small businesses.	CFFR	X	
59.012	Small Business Loans	To provide guaranteed loans for small businesses that are unable to obtain financing in the private credit marketplace but can demonstrate an ability to repay loans.	CFFR	X	
59.041	Certified Development Company Loans (504 Loans)	To assist small businesses by providing long-term, fixed-rate financing for fixed assets through the sale of debentures to private investors.	CFFR	X	
59.046	Microloan program	To assist women, low-income, and minority entrepreneurs, business owners, and other individuals possessing the capability to operate successful business concerns and to assist small businesses in areas experiencing lack of credit due to economic downturns.	CFFR	X	

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
Environmental Protection Agency					
66.458	Capitalization Grants for Clean Water State Revolving Funds	To create state revolving funds that will provide a long-term source of financing for constructing wastewater treatment facilities and implementing other water quality management activities.	CFFR	X	
66.468	Capitalization Grants for Drinking Water State Revolving Funds	To create state revolving funds that will provide a long-term source of financing for the costs of infrastructure needed to achieve or maintain compliance with requirements of the Safe Drinking Water Act and to protect public health.	CFFR	X	
66.814	Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	To support Brownfields training, research, and technical assistance related to the following categories: (1) community involvement, (2) health impacts of Brownfields sites, (3) science and technology relating to Brownfields assessment, remediation, and site preparation, (4) integrated approaches to Brownfields cleanup and redevelopment, (5) economics of Brownfields cleanup and redevelopment, (6) results analysis, and (7) state, local and tribal government Brownfields programs.	CFFR	X	
66.815	Brownfields Job Training Cooperative Agreement	To provide training to facilitate assessment, remediation, or preparation of Brownfield sites.	CFFR	X	
66.817	State and Tribal Response Program Grants	To establish or enhance the capacity for state and tribal response programs and to capitalize revolving loan funds and support insurance mechanisms for Brownfields Cleanup.	CFFR	X	
66.818	Brownfields Assessment and cleanup Cooperative Agreements	To provide funding: (1) to inventory, characterize, assess, and conduct planning and community involvement related to Brownfield sites; (2) to capitalize a revolving loan fund (RLF) and provide sub-grants to carry out cleanup activities at Brownfield sites; and, (3) to carry out cleanup activities at Brownfield sites that are owned by the grant recipient.	CFFR	X	

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
Denali Commission					
90.100	Denali Commission	A Federal and State partnership designed to provide critical utilities and infrastructure throughout Alaska, particularly in distressed communities.	Agency		X
Delta Regional Authority					
90.201	Delta Area Economic Development	To (1) develop the transportation infrastructure of the region for the purpose of facilitating economic development in the region, (2) assist the region in obtaining the job training, employment related education, and business development (with an emphasis of entrepreneurship) that are needed to build and maintain strong local economies; (3) provide assistance to severely distressed and underdeveloped areas that lack financial resources for improving basic public services; and (4) provide assistance to severely distressed and underdeveloped areas that lack financial resources for equipping industrial parks and related facilities.	Agency		X
Department of Health and Human Services					
93.570	Community Services Block Grant/Discretionary Awards	To support program activities of national or regional significance to alleviate the causes of poverty in distressed communities.	Agency		X
93.593	Job Opportunities for Low-Income Individuals	To create new permanent employment opportunities for low-income individuals using four project designs priority areas: (1) expansion of existing businesses through technical and financial assistance; (2) self-employment/microenterprise; (3) new business ventures; and (4) non-traditional employment initiatives that lead to economic self-sufficiency for eligible participants.	Agency		X

Appendix II
Funding Data for Selected Federal Programs
That Fund Economic Development Activities

(Continued From Previous Page)

CFDA number	Agency program	Objectives	Source of funding data	Met Census reporting requirements	Provided missing or corrected data
93.612	Native American Programs	To provide financial assistance to Native American community organizations to develop and implement social and economic development strategies that promote self-sufficiency, improve social and economic conditions, and increase the effectiveness of Tribes and Native American Organizations in meeting social and economic goals.	Agency		X
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People With Disabilities	To support State efforts to enhance employment options for people with disabilities by building Medicaid infrastructure.	Agency		X
93.887	Health Care and Other Facilities	To construct, renovate, expand, equip, or modernize health care facilities and other health care related facilities.	Agency		X

Source: GAO and the Catalog of Federal Domestic Assistance

Comments from the Department of Commerce



THE DEPUTY SECRETARY OF COMMERCE
Washington, D.C. 20230

February 9, 2006

Mr. William B. Shear
Director, Financial Markets
and Community Investment
United States Government Accountability Office
Washington, DC 20548

Dear Mr. Shear:

Thank you for your letter regarding your draft report entitled *Rural Economic Development: More Assurance Is Needed That Grant Funding Information Is Accurately Reported (GAO-06-294)*.

The U.S. Census Bureau has reviewed this report and generally agrees with its conclusions and recommendations. The Government Accountability Office (GAO) review encompassed less than one-quarter of the federal agencies and less than 10 percent of the federal programs covered by the Federal Assistance Award Data System (FAADS) and Consolidated Federal Funds Report (CFFR). The difficulties GAO encountered provide insights into the breadth and depth of the complexities involved for our staff in collecting, analyzing, and tabulating this large Federal Government-wide data set. We will continue to work with the Office of Management and Budget, the program sponsor, and the FAADS/CFFR reporting agencies to identify additional resources and streamlined methodologies to make future data more complete and accurate.

If you have any further questions, please call me or Nat Wienecke, Acting Assistant Secretary for Legislative and Intergovernmental Affairs, at (202) 482-3663.

Sincerely,

A handwritten signature in black ink, appearing to read "David A. Sampson", is written over a horizontal line.

David A. Sampson

GAO Contact and Staff Acknowledgments

GAO Contact	William B. Shear, (202) 512-4325, shearw@gao.gov
Staff Acknowledgments	In addition to those named above, Andy Finkel, Assistant Director; Emily Chalmers; Mark Egger; John McGrail; Rich LaMore; John Mingus; Marc Molino; and Tom Taydus made key contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548