United States Government Accountability Office
Report to Congressional Addressees

May 2021

AREAS WITH HIGH POVERTY

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

A Century of Non-Partisan Fact-Based Work

GAO-21-470

GAO@100 Highlights

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

Why GAO Did This Study

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

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

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

What GAO Recommends

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

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

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

What GAO Found

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

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

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

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

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Abbreviations

ACS	American Community Survey
BEA	Bank Enterprise Award
CDFI	Community Development Financial Institution
Commerce	Department of Commerce
EDA	Economic Development Administration
EPA	Environmental Protection Agency
ERS	Economic Research Service
NACA	Native American CDFI Assistance
SAIPE	Small Area Income and Poverty Estimates
Treasury	Department of the Treasury
USDA	United States Department of Agriculture

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
A Century of Non-Partisan Fact-Based Work
441 G St. N.W.
Washington, DC 20548

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Congressional Addressees

Research has suggested that geographic areas with poverty rates of 20 percent or higher can develop systemic problems that can cause poverty to become entrenched. To help break the cycle of poverty, some policy interventions target communities with long-term high poverty. One example is the "10-20-30 formula." Federal agencies subject to the formula generally must allocate at least 10 percent of designated program funds to counties that had poverty rates of at least 20 percent over the past 30 years ("persistent-poverty counties"). We reported in 2020 that persistent-poverty counties are predominantly rural, largely located in the South, and on average had smaller populations and more residents belonging to racial or ethnic minority groups than other counties.[1]

The 10-20-30 formula was first enacted into law in 2009, at which time it applied to appropriations for certain Rural Development programs in the Department of Agriculture (USDA).[2] More recently the formula has been applied to appropriations for selected programs of the Department of Commerce (Commerce), Department of the Treasury (Treasury), and the Environmental Protection Agency (EPA).[3] Legislation was introduced in 2019 that would have expanded its implementation to more agencies and programs.[4]

In the Explanatory Statement related to the Consolidated Appropriations Act, 2020, and a separate letter from the Majority Whip of the House of Representatives, we were asked to review certain issues related to the

[1]GAO, *Targeting Federal Funds: Information on Funding to Areas with Persistent or High Poverty*, GAO-20-518 (Washington, D.C.: July 16, 2020).

[2]*See* American Recovery and Reinvestment Act of 2009, Pub. L. No. 111–5, div. A, tit. I, § 105, 123 Stat. 115, 127.

[3]The consolidated appropriations acts for fiscal years 2017–2021 applied the 10-20-30 formula to designated appropriations for all four agencies. *See, e.g.*, Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, div. A, tit. I, § 750, div. B, tit. I, § 539, div. E, tit. I, div. G, tit. II, 131 Stat. 135, 177-78, 228, 330-31, 468-74.

[4]In 2019, An Act Targeting Resources to Communities in Need, H.R. 2055, was introduced in the House of Representatives and referred to committee, but was not voted on by the full chamber. 116 Cong. (2019)

10-20-30 formula.[5] This report examines (1) the proportion of appropriated funds subject to the 10-20-30 formula that USDA, Commerce, and Treasury awarded to persistent-poverty counties in fiscal years 2017–2020, and the extent to which the requirement affected funding levels to these counties; and (2) how these three agencies identified persistent-poverty counties.[6] We did not include EPA in the scope of our review because we estimated that the agency's funds represent less than 1 percent of all funds subject to the formula.

To determine which appropriations were subject to the 10-20-30 formula, we examined appropriations acts for fiscal years 2017–2020 and related explanatory statements.[7] We also interviewed agency officials from USDA's Rural Development, Treasury's Community Development Financial Institutions (CDFI) Fund, and Commerce's Economic Development Administration (EDA) and reviewed agency documentation to understand how each agency interpreted and applied the statutory requirement in the context of its respective programs.

To determine the proportion of designated funds each agency awarded to persistent poverty counties in fiscal years 2017–2020, we analyzed agency data and, where applicable, compared agency budget data to the corresponding appropriations acts and explanatory statements. For USDA Rural Development and EDA, we calculated the percentage of designated funds each agency awarded to recipients in persistent-poverty counties. For the CDFI Fund, which makes awards to financial institutions to support their investments, we calculated the percentage of funds that award recipients invested in persistent-poverty counties. We assessed

[5]Pub. L. No. 116-93, 133 Stat. 2317 (2019). This report follows up on our initial report, GAO-20-518.

[6]While this report describes the steps the agencies took in furtherance of their statutory requirement, it was not within the scope of this review to assess the agencies' compliance with appropriations laws. In addition, the exact wording of the statutory requirement varies by agency and terminology such as "allocate" may be subject to interpretation. Therefore, the report focuses on the amount each agency awarded to persistent poverty counties, which was comparable across agencies and facilitated our additional objective of determining the impact of the formula on funding in persistent-poverty counties. Throughout this report, we use the term "award" to refer to the agency's obligation of funds. For example, an agency incurs an obligation when it signs a contract, awards a grant, or takes other actions that require the government to make payments to the public.

[7]Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, 131 Stat. 135; Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, 132 Stat. 348; Consolidated Appropriations Act, 2019, Pub. L. No. 116-6, 133 Stat. 13; Consolidated Appropriations Act, 2020, Pub. L. No. 116-93, 133 Stat. 2317 (2019); Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, 133 Stat. 2534 (2019).

the reliability of the data by reviewing documentation and interviewing agency officials familiar with them. We found the data to be sufficiently reliable for identifying the location of agencies' awarded funds by county.

To determine the extent to which the requirement may have increased relative funding levels to these counties, for agencies that awarded at least 10 percent of designated funds to persistent-poverty counties in years with the requirement, we calculated the amounts awarded or invested in years without the requirement. We also interviewed officials from all three agencies and reviewed notices of funding availability, policies published in the Federal Register, program descriptions, and annual reports to determine steps the agencies took to target funds to persistent-poverty counties in response to the requirements. Finally, we interviewed officials at each agency about any challenges and costs they faced related to targeting funds to these counties.

To determine how agencies identified persistent-poverty counties, we reviewed agencies' lists of persistent-poverty counties and analysis of county-level poverty. We examined whether each agency identified persistent-poverty counties using the data sources specified in the relevant appropriations acts. We also interviewed agency officials about the methodology each used to identify the counties. We examined the effect of using different data sources and methodologies on the number of counties identified by comparing the agencies' lists to each other. We also examined the potential effect of using different lists of persistent-poverty counties on the proportion of funds that agencies awarded to those counties. Specifically, because EDA used a different methodology than USDA and CDFI Fund to identify persistent-poverty counties, we calculated the amount of funds that EDA would have awarded to persistent-poverty counties in fiscal year 2019 had it used a different methodology.

We conducted this performance audit from July 2020 to May 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Programs and Accounts Subject to the 10-20-30 Formula

In fiscal years 2017–2020, appropriations relating to four agencies—Rural Development, CDFI Fund, EDA, and EPA—were subject to the 10-20-30 formula (see table 1).[8] These appropriations averaged more than $10 billion per year in each of those fiscal years, with appropriations for Rural Development representing more than 90 percent of the total.

Table 1: Estimated Appropriations Subject to the 10-20-30 Formula, Fiscal Years 2017–2020

Dollars in Billions

Agency	2017	2018	2019	2020
Community Development Financial Institutions Fund[a]	0.25	0.25	0.25	0.26
Economic Development Administration	0.12	0.14	0.14	0.15
Rural Development[b]	7.8	10.7	11.8	10.5
Environmental Protection Agency	0.08	0.08	0.09	0.09
Annual total	**8.3**	**11.2**	**12.9**	**11**

Source: GAO analysis of consolidated appropriations acts and agency documentation. | GAO-21-470

[a]Figures include appropriations for the agency's administrative costs, which are not subject to the 10-20-30 requirement, according to the agency.

[b]Consolidated appropriations acts required Rural Development to apply the 10-20-30 formula to statutory program level funding estimates in the absence of budget authority. Accordingly, for certain loan programs, these figures reflect the principal amount of the loans rather than their net cost to the federal government. Also, the formula applied only to appropriations for grants and direct loans, not guaranteed loans. For fiscal year 2017, the formula applied only to new unobligated balances as of May 5, 2017.

CDFI Fund Programs

The CDFI Fund promotes economic development in distressed communities by providing resources to CDFIs, which are banks and other financial institutions that have received certification for promoting community development and met other eligibility requirements. According to the CDFI Fund, the agency has three programs funded through appropriations that are subject to the 10-20-30 formula:

[8]The formula also was applied to appropriations in some USDA Rural Development accounts in fiscal year 2009, and to appropriations for CDFI Fund programs available for obligation in fiscal years 2012 and 2013. The focus of our review is on fiscal years 2017–2020.

- The CDFI Program provides financial assistance awards to support CDFI lending and other development activities. Financial assistance awards are balance-sheet capital for the recipient and can be used to provide loans, equity investments, and other financial products and services. All financial assistance awards must be matched with non-federal funds. The CDFI Program also provides technical assistance awards to CDFIs and other institutions to support capacity building.
- The Native American CDFI Assistance (NACA) Program has similar criteria and offers the same types of awards as the CDFI Program, except that it provides awards exclusively to CDFIs that specialize in serving Native American, Alaska Native, and Native Hawaiian communities.
- The Bank Enterprise Award (BEA) Program provides grants to federally insured banks and thrifts that demonstrate increased support of CDFIs or increased lending, investment, and service activities in economically distressed communities. Recipients must use grant funds for these same types of activities.

Economic Development Administration Programs

EDA supports regional economic development in distressed communities. Its programs provide grants to local and state governments, institutions of higher education, and other entities to help them build the capacity for economic development based on local needs and business conditions. According to EDA, appropriations for two of its programs are subject to the 10-20-30 formula:

- The Public Works Program provides grants to help distressed communities develop, expand, and upgrade physical infrastructure to enable them to attract new industry, encourage business expansion, and generate or retain jobs and investment. Projects include water and sewer system improvements, and development of industrial parks and other manufacturing facilities.
- The Build to Scale Program, formerly the Regional Innovation Strategies Program, provides grants to organizations developing and supporting regional innovation initiatives. The goals of these initiatives include strengthening industry competitiveness through adoption of new technologies and increasing full-time employment opportunities.[9]

USDA Rural Development

Rural Development is a mission area in USDA that provides grants, loans, and other assistance to support essential public facilities and

[9] *See* Stevenson-Wydler Technology Innovation Act of 1980, § 27, 15 U.S.C. § 3722.

services and support economic development in rural areas. According to USDA, appropriations that are subject to the 10-20-30 formula are administered by three agencies in Rural Development:[10]

- The Rural Housing Service implements programs that (1) work to ensure that rural families have access to affordable, safe, and well-built homes; and (2) support infrastructure projects that will make rural communities more attractive to small business owners. The programs provide loans, grants, and other assistance to low and very low-income rural residents for housing needs and provide funding to support rural infrastructure and community services development.
- The Rural Business-Cooperative Service implements programs that provide loans, grants, and other assistance to support enterprises that can compete in the mainstream economy, such as competitive and energy-efficient businesses and sustainable cooperatives. The programs partner with community-based organizations and the private sector to fund projects to create or preserve quality jobs and provide business planning services.
- The Rural Utilities Service implements programs that provide loans, grants, and other assistance for electric, telecommunications (such as broadband, distance learning, and telemedicine), and water and environment projects. Projects then leverage federal funds with private capital to expand investment in rural infrastructure, technology, and development of human resources.

In recent years, legislation has been introduced in Congress that, if enacted, would expand the 10-20-30 formula to additional agencies and programs.[11] In 2020, we reported that this legislation could expand the use of the formula to approximately 247 programs across 14 agencies.[12]

Identification of Persistent-Poverty Counties

Appropriations acts within the scope of our review specify which Census Bureau data agencies should use to identify persistent-poverty counties. Specifically, the laws cite datasets with measurements of county-level poverty over approximately 30 years, which agencies should use to

[10]According to Rural Development documentation, the 10-20-30 formula applies to 46 grant and direct loan programs in 10 accounts in the three Rural Development agencies. Some of those accounts fund multiple programs. See appendix I for a detailed list of Rural Development accounts and programs subject to the formula.

[11]*See* H.R. 2055, 116th Cong. (2019).

[12]GAO-20-518.

identify counties with at least a 20 percent poverty rate.[13] For those years before 2010—the most recent decennial census—agencies are required to use the decennial censuses.

For those years after 2010, agencies are required to use data from the American Community Survey (ACS) 5-year average or Small Area Income and Poverty Estimates (SAIPE), each of which the Census Bureau publishes annually.

- ACS is an annual survey that collects information on the U.S. population, including social, economic, housing, and demographic characteristics. For areas with populations of less than 65,000 people, the Census Bureau does not sample enough households to publish single-year estimates. Instead, it pools 5 years of data to calculate estimates, including estimates of poverty rates, which have a higher level of statistical reliability than the single-year estimates.
- SAIPE provides model-based estimates of income and poverty for school districts, counties, and states. SAIPE uses variables from several data sources to construct its models, including income and poverty estimates from the single-year ACS, the Annual Social and Economic Supplement to ACS, and the decennial census. It also includes income information from federal tax returns, income estimates from the Bureau of Economic Analysis, participation data from the Supplemental Nutrition Assistance and Supplemental Security Income programs, and population estimates.

Agency Funding Data

Each of the three agencies collected data on the counties where funds they awarded were used, and monitored the percentage of these funds going to persistent-poverty counties. The agencies monitor their funding levels in persistent-poverty counties with internal tracking documents. The relevant statutory provisions do not specify a reporting requirement for 10-20-30 funding allocations.[14]

For Rural Development and EDA programs, applicants for grant or loan funds submit the location of the property or project for which the funds will

[13]The datasets prescribed for USDA in fiscal year 2020 measured poverty over approximately 20 years. *See* Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, div. B, tit. III, § 740, 133 Stat. 2534, 2651 (2019).

[14]*See, e.g.,* Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, div. A, tit. I, § 750, div. B, tit. I, § 539, div. E, tit. I, 131 Stat. 135, 177-78, 228, 330-31.

be used. Agency staff verify the accuracy of the location information. Rural Development and EDA staff conduct manual checks of all approved applications to determine if properties and projects are located in persistent-poverty counties.

The CDFI Fund generally collects location data on investments made by award recipients, rather than tracking the recipients' location.[15] Because the CDFI Fund makes awards to financial institutions that then use the funds to make loans or other investments, collecting data on the award recipients' location (the financial institutions' addresses) would not necessarily provide information on where funds ultimately were invested. Moreover, the CDFI Fund said that some awarded funds cannot be distinguished from recipients' other capital, and therefore the location where awarded funds are invested cannot be isolated. In these cases, the CDFI Fund collects information on the locations of all investments made by award recipients, although the total amount invested may be substantially more than the amounts awarded. Because recipients invest funds after the awards are made, CDFI Fund data are not available as quickly as for the other agencies in our review.

In some cases, projects may serve multiple counties and it is not possible for agencies to determine the exact amount of funds that will be used in each. When this is the case, agencies provide estimates of the amount of funds awarded in persistent-poverty counties. For example, for the Build to Scale Program, which is regional in nature, EDA collects information on all counties in a project's intended service area. For approved projects, the agency identifies the proportion of persistent-poverty counties in the service area and estimates the amount of funding awarded to those counties by multiplying the award amount by that proportion.

[15]For technical assistance grants, the CDFI Fund collects data on the counties where award recipients are located and monitors the amount of funds awarded in persistent-poverty counties.

Agencies’ Awards to Persistent-Poverty Counties Varied, and Formula Did Not Always Increase the Funding Level to These Areas

Two Agencies Awarded at Least 10 Percent of Funds to Persistent-Poverty Counties, but Had Generally Done So Before the Formula Was Applied

Our review found that EDA and the CDFI Fund consistently awarded at least 10 percent of designated funds to persistent-poverty counties in fiscal years 2017-2020. However, the 10-20-30 formula largely does not appear to have increased the proportion of program funding that went to those counties, and officials of both agencies said the formula created an administrative burden.

EDA and CDFI Fund Consistently Awarded At Least 10 Percent

According to EDA and CDFI Fund data, both agencies awarded at least 10 percent of designated funds to persistent-poverty counties in each of the fiscal years for which data were available (see table 2). Across the 4 years, EDA awarded an average of 15 percent of funds to these counties through its Public Works Program and an average of 14 percent through its Build to Scale program. The CDFI Fund awarded at least 10 percent of designated funds specifically for investments in persistent-poverty counties, and recipients of CDFI and NACA Program awards invested 18 percent of their total funds in persistent-poverty counties in fiscal years 2017–2019.[16] Recipients of awards through the BEA Program invested approximately 45 percent of their total funds in persistent poverty counties in fiscal years 2017–2018.[17]

[16]The CDFI Fund monitors investments made by CDFI Program recipients and NACA Program recipients in the same database without distinction, so investment data from these programs’ recipients are combined.

[17]Investment data from Bank Enterprise Award Program recipients for fiscal years 2019–2020 and from CDFI and NACA Program recipients for fiscal year 2020 were not available at the time of our analysis.

Table 2: Percentage of Designated EDA and CDFI Funds Awarded to or Invested in Persistent-Poverty Counties, Fiscal Years (FY) 2017–2020

Agency	Program	FY 2017	FY 2018	FY 2019	FY 2020
Economic Development Administration (EDA)	Public Works	21	21	10	11
EDA	Build to Scale	13	14	12	15
Community Development Financial Institutions (CDFI) Fund	CDFI and Native American CDFI Assistance[a]	20	16	19	Not available (N/A)
CDFI Fund	Bank Enterprise Award[a]	46	45	N/A	N/A

Source: GAO analysis of data from the Departments of Treasury and Commerce. | GAO-21-470

[a]These programs provide balance sheet capital to financial institutions; thus, the awarded funds cannot be isolated from other investments. These figures describe the funds that award recipients invested in persistent-poverty counties as a percentage of their total funds invested, which may include non-federal funds.

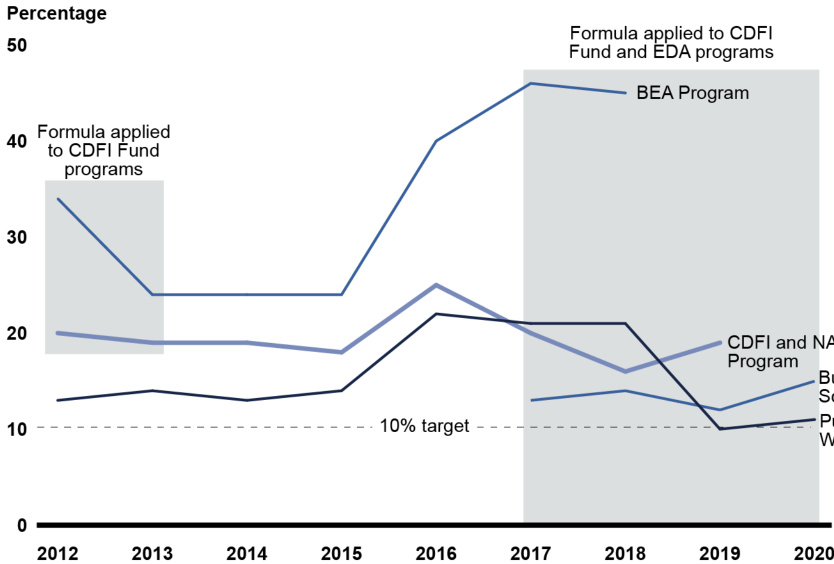
The CDFI Fund and EDA had administrative procedures to ensure they awarded at least 10 percent of designated funds to persistent-poverty counties. For its BEA Program, the CDFI Fund required recipients to commit to investing funds in persistent-poverty counties and officials said they monitored these commitments to ensure that at least 10 percent of designated funds went to those areas. For the CDFI and NACA Programs, the CDFI Fund set aside at least 10 percent of total awards for “supplemental awards” designated for applicants serving persistent-poverty counties. To be eligible for these supplemental awards, applicants must demonstrate that their institution successfully served populations living in persistent-poverty counties in the past or has a viable plan to serve persistent poverty counties during the performance period. Award recipients must directly invest the amount of the award in persistent-poverty counties within 3 years. EDA officials said they did not set aside funds in this way, but considered project location when selecting which applicants would receive funding and monitored the proportion of funds awarded in persistent-poverty counties. They said in some cases they gave preference to Build to Scale projects located in persistent-poverty counties to meet the 10-20-30 formula requirement.

Effect of Formula on EDA and CDFI Funding Appears Limited

The 10-20-30 formula may have had a limited effect on the percentage of CDFI Fund and EDA funds awarded or invested in persistent-poverty counties. Our analysis found that, for programs with available data, more than 10 percent of designated funds already had been awarded or invested in persistent-poverty counties in years without the requirement.

Moreover, the percentage of funds awarded or invested in persistent-poverty counties did not substantially increase after the introduction of the requirements in fiscal year 2017 (see fig. 1).[18]

Figure 1: Percentage of Designated Funds Awarded or Invested in Persistent-Poverty Counties, Fiscal Years 2012–2020



BEA: Bank Enterprise Award
CDFI: Community Development Financial Institutions
EDA: Economic Development Administration
NACA: Native American CDFI Assistance

Source: GAO analysis of data from the Departments of Treasury and Commerce. | GAO-21-470

Notes: Consolidated appropriations acts applied the 10-20-30 formula to CDFI Fund appropriations available for obligation in fiscal years 2012 and 2013, and then again starting in fiscal year 2017. EDA did not collect county information for Build to Scale projects prior to fiscal year 2017. This graphic shows the percentage of designated funds that were awarded or invested in persistent-poverty counties. The list of counties differs by agency because they use different methodologies to determine them. Therefore, this graphic compares the percentage of funds invested over time, and should not be used to compare investment levels among agencies.

Specifically,

- EDA awarded an average of 15 percent of designated funds in persistent-poverty counties through its Public Works Program in the 5 years before the implementation of the 10-20-30 formula (fiscal years

[18]EDA did not collect county data for Build to Scale awards' service areas prior to fiscal year 2017, when the 10-20-30 formula requirements were introduced.

2012–2016), compared with an average of 17 percent after the formula was applied.

- CDFI and NACA Program recipients invested an average of 21 percent of funds in persistent-poverty counties in fiscal years 2014–2016 (years not subject to the formula), compared with an average of 18 percent in fiscal years 2012, 2013, and 2017–2019 (years subject to the formula).
- Recipients of the CDFI Fund's BEA Program invested an average of 30 percent and 40 percent of funds in persistent-poverty counties in years without and with the requirement, respectively.[19]

Four of the five programs already had provisions to target economically distressed areas that helped them exceed the requirements under the 10-20-30 formula (see table 3). For example, applicants to the BEA Program must demonstrate they have successfully increased investments in or support to CDFIs, or alternatively, increased lending, investment, and service-related activities in areas where at least 30 percent of residents are impoverished and the unemployment rate is at least 1.5 times the national rate. Similarly, Public Works projects must be in or directly benefit economically distressed areas. CDFI Fund and EDA officials said that there is enough overlap between distressed areas and persistent-poverty counties to meet the 10-20-30 formula's 10 percent threshold for these programs without adjusting how they award funds.

[19]Investment data for fiscal year 2019 were not available at the time of this analysis.

Table 3: Program Requirements to Serve Distressed Areas

Agency	Program	Requirements to serve distressed areas[a]
Economic Development Administration (EDA)	Public Works	Projects must be located in or benefit areas with either an unemployment rate that is at least 1 percent greater than the national average, per capita income of 80 percent or less of the national average, or a special need arising from severe unemployment or economic adjustment problems resulting from severe changes in economic conditions.
EDA	Build to Scale	None.
Community Development Financial Institutions (CDFI) Fund	CDFI	Recipients must serve areas with at least 20 percent poverty, 1.5 times the national unemployment rate, 5-10 percent population decline, or median family income at or below 80 percent of applicable area income measures.
CDFI Fund	Native American CDFI Assistance	Recipients must meet CDFI Program criteria and specialize in serving Native American, Alaska Native, or Native Hawaiian communities which meet the same criteria as the CDFI Program.
CDFI Fund	Bank Enterprise Award	Recipients must demonstrate increased support of CDFIs or increased lending, investment or services in areas with at least 30 percent poverty and 1.5 times the national unemployment rate.

Source: GAO analysis of program regulations and agency documentation. | GAO-21-470

[a]Other program and agency requirements also apply, and what constitutes a geographic “area” varies by program.

In contrast, the 10-20-30 formula may have increased the percentage of funding that EDA directed to persistent-poverty counties through its Build to Scale Program, because that program was not already required to target distressed areas. We could not determine the proportion of Build to Scale funds awarded to persistent-poverty counties in fiscal year 2017 because EDA did not collect data on all counties in an award’s service area before that time. EDA officials told us that in fiscal year 2017 they met the 10 percent threshold by funding certain less-competitive projects. They noted that Build to Scale projects require significant regional institutional capacity, such as support from a major university, that is not always available in persistent-poverty counties.[20] However, officials said they received more competitive applications for projects serving persistent-poverty counties in subsequent years, in part due to their outreach efforts, which allowed them to meet formula requirements without adjustment.

[20]For each fiscal year, EDA ranks applications for the Build to Scale program based on expected project outcomes, such as new jobs created. EDA generally selects the highest-ranked applications for funding, based on the amount of funds appropriated for the program.

EDA and CDFI Fund Cited Administrative Burden

EDA and CDFI Fund officials told us that verifying that funding allocations met the multiple targeting standards for distressed areas added to administrative burden. EDA officials said they believed that managing and monitoring multiple requirements to target funds to areas with similar characteristics was inefficient and did not increase the proportion of funds awarded to persistent-poverty counties. They noted that complying with the 10-20-30 formula involved time-consuming tasks of matching their county-level data for awarded funds to lists of persistent-poverty counties. CDFI Fund officials cited the burden of reviewing compliance by recipients of supplemental awards with the requirement to invest in persistent-poverty counties, and developing data systems to track investments in persistent-poverty counties.

The 10-20-30 formula is designed to increase federal funding to persistent-poverty counties without increasing the government's overall spending.[21] However, in some cases, the formula may have increased administrative burden without increasing the amount of funding awarded to or invested in these counties because EDA and CDFI Fund had other requirements to target distressed areas and already exceeded the 10 percent threshold. As noted earlier, legislation has been introduced that could expand the applicability of the 10-20-30 formula to the appropriations of additional agencies and programs. Were Congress to enact legislation like this, focusing the application of the formula to those programs or accounts where it would meaningfully increase funding to persistent-poverty counties would help achieve its intended purpose and reduce administrative burdens on programs for which the formula has no material effect.

USDA Set Aside Funds for Persistent-Poverty Counties, but Did Not Always Award 10 Percent

We found that in fiscal years 2017–2020, USDA Rural Development agencies generally set aside 10 percent of designated funds for persistent-poverty counties, but did not always award 10 percent to recipients in those counties. As noted earlier, appropriations acts required USDA to allocate at least 10 percent of funds to persistent-poverty counties for programs funded through certain appropriations accounts. USDA officials told us they believed they had satisfied the statutory requirement by setting aside 10 percent of the designated funds, even if the full 10 percent was not ultimately awarded to persistent-poverty

[21] *See*, *e.g.*, 157 Cong. Rec. 2557-58 (2011), 159 Cong. Rec. 4077-78 (2013), 161 Cong. Rec. 1626-27 (2015), and 165 Cong. Rec. H4878-79 (daily ed. June 19, 2019) (statement of Rep. James E. Clyburn).

counties.[22] They said that, in cases in which a program receives more applications than the agency can fund, the set-aside funds provided an advantage to applicants in persistent-poverty counties because other applicants were not eligible for these funds.[23] Under USDA's policy, if the Rural Development agencies do not award the full 10 percent from an account by July of the fiscal year, then they make the funds available to applicants outside of persistent-poverty counties who are otherwise eligible.

USDA Rural Development agencies awarded less than 10 percent of designated funds to persistent-poverty counties through six of the 10 accounts subject to the 10-20-30 formula in at least one of the 4 fiscal years in the scope of our review (see table 4). USDA data show that in aggregate, Rural Development agencies awarded 12–35 percent of funds subject to the formula to persistent-poverty counties over these 4 fiscal years. However, USDA officials said that 10-20-30 formula requirements applied to appropriations accounts individually, rather than in aggregate, and that it was their goal to award at least 10 percent through each account subject to the formula.[24]

[22]As noted earlier, we did not assess agencies' compliance with appropriations laws.

[23]Applicants to Rural Development programs include low and very low-income rural residents, private-sector businesses, community-based organizations, and local governments.

[24]USDA did not apply the 10-20-30 formula to some amounts funded through the designated accounts, based on the agency's interpretation of the relevant statutory provisions. For example, the agency excluded a $300 million appropriation in fiscal year 2020 for a broadband pilot program funded through the Distance Learning, Telemedicine and Broadband Program account. *See* Further Consolidated Appropriations Act, 2020, div. B, tit. III, § 787, 133 Stat. 2534, 2657.

Table 4: Percentage of Funds Awarded to Persistent-Poverty Counties from Designated Department of Agriculture Accounts Subject to the 10-20-30 Formula, Fiscal Years (FY) 2017–2020

Account name	FY 2017	FY 2018	FY 2019	FY 2020
Rural Housing Insurance Fund Program Account	8.2	15.8	9.2	9.5
Rural Community Facilities Program Account	30.2	2.6	2.4	3.5
Rural Housing Assistance Grants	20.8	NA	10.3	10.1
Mutual Self-Help Housing Grants	9.2	7.9	4.2	15.9
Rural Electrification and Telecommunications Loans Program Account	21.8	13.8	45.3	47.5
Distance Learning, Telemedicine and Broadband Program	15.9	NA	16.4	14.1
Rural Water and Waste Disposal Program Account	27.9	12.3	9.7	17.4
Rural Business Program Account	5.0	23.6	28.6	27.1
Rural Economic Development Loans	13.1	18.1	11.0	14.5
Rural Cooperative Development Grant Account	4.4	19.1	6.6	30.9
All accounts	**23**	**12**	**31**	**35**

Source: GAO analysis of Department of Agriculture data. | GAO-21-470

USDA officials said that while Rural Development agencies have not always awarded 10 percent of designated funds to persistent-poverty counties, they have increased their efforts to target funds to those counties, and, as a result, fewer designated accounts were below the 10 percent threshold in fiscal year 2020 than in most previous years. Officials stated that Rural Development staff throughout the country regularly conducted outreach to notify rural residents and businesses of the availability of USDA funding. USDA also issued public announcements about funding available under Rural Development programs and the intent to target funds to persistent-poverty counties. In addition, USDA developed new data resources to help agency field offices plan for using the set-aside funds.

USDA officials also noted that the appropriations act for fiscal year 2020 required the agency to measure persistent poverty differently, thus expanding USDA's list of eligible counties. Officials also noted that fewer accounts would have been below the 10 percent threshold in previous years if USDA had been permitted to use the expanded list. For example, while the Rural Housing Insurance Fund Program account awarded less than 10 percent of funds to persistent-poverty counties in fiscal years 2017 and 2019, officials said this proportion would have exceeded 10 percent had the expanded list been used. Officials said they anticipate being able to award at least 10 percent of this account's funds to persistent-poverty counties if appropriations acts continue to define persistent poverty counties using the same data-sets.

However, USDA officials said that they were not able to award 10 percent of funds to persistent-poverty counties in some cases because a program was not well-suited to areas with severe poverty, and received an insufficient number of applications from those counties. They said potential applicants in persistent-poverty counties might not see some programs' services as desirable and cited the Rural Community Facilities Program account (which awarded less than 4 percent of funds to such counties in each of the last 3 fiscal years) as an example. That account funds the Community Facilities Direct Loan Program, through which local governments and community-based nonprofit corporations can borrow funds to finance community facilities.[25] Officials said that governments in persistent-poverty counties may not be able to service the debt, and applying for such a loan may not be financially prudent. Therefore, USDA officials said they were not able to meaningfully increase the proportion of funds awarded to persistent-poverty counties through this program, despite additional outreach. Similar to applying the formula to programs already awarding more than 10 percent of funds to persistent-counties, applying the 10-20-30 formula to programs that are not well-suited to such areas also may limit agencies' ability to achieve the formula's goal of increasing the proportion of funds awarded to these counties.

[25]The Rural Community Facilities Program account also funds other programs, including Direct Community Facilities Grants, for which USDA awarded more than 10 percent of funds to persistent-poverty counties, and Guaranteed Community Facilities Loans, which were not subject to the 10-20-30 formula requirements during fiscal years 2017–2020.

Agencies' Identification of Persistent-Poverty Counties Is Not Standardized, Which Creates Challenges and May Reduce the Formula's Impact

Appropriations acts have required agencies to use different data to identify persistent-poverty counties, and agencies have used different methods when doing so. As a result, agencies have identified different counties as having persistent poverty, and EDA has identified a substantially higher number. Requiring each agency to identify persistent-poverty counties increases administrative burden, and the lack of standardization makes it difficult to compare agencies' funding levels. Furthermore, agencies may not be targeting the same counties or counties with the greatest need.

Appropriations Acts Have Required Agencies to Use Different Datasets

Appropriations acts for fiscal years 2017–2020 required the three agencies in our review to use data from different years and different sources to identify persistent-poverty counties (see table 5). Among other differences, the most recent measurements of county-level poverty that agencies were required to use varied significantly.

Table 5: Sources for Identifying Persistent Poverty Counties under the 10-20-30 Formula, as Required by Appropriations Acts, Fiscal Years 2017–2020

Agency	FY 2017	FY 2018	FY 2019	FY 2020
EDA	1990 and 2000 decennial censuses; Most recent SAIPE[a]			
Rural Development	1980,1990, and 2000 decennial censuses; 2007–2011 ACS 5-year			1990 and 2000 decennial censuses; 2007–2011 ACS 5-year
CDFI Fund	1990 and 2000 decennial censuses; 2011–2015 ACS 5-year			

Legend: ACS = American Community Survey; CDFI = Community Development Financial Institutions; EDA = Economic Development Administration; FY = fiscal years; SAIPE = Small Area Income and Poverty Estimates

Source: GAO analysis of consolidated appropriations acts. | GAO-21-470

Notes: The 10-20-30 formula requires federal agencies to allocate at least 10 percent of designated program funds to counties that had poverty rates of at least 20 percent over the past 30 years. In fiscal year 2020, the relevant appropriations act prescribed additional Census Bureau data for the CDFI Fund to use when measuring persistent poverty in U.S. territories and possessions.

[a]The Census Bureau typically releases SAIPE data in the first quarter of the fiscal year two years later than the year the data cover. For example, SAIPE data for 2019 were released in the first quarter of fiscal year 2021.

Differences in the source of data used to measure county-level poverty rates can result in different lists of persistent-poverty counties. The Congressional Research Service found that from 2011 to 2017, using

SAIPE data rather than ACS 5-year data resulted in identifying an average of roughly 28 more persistent-poverty counties.[26]

In addition, differences in the timeframes used can affect identification of persistent-poverty counties, because poverty rates change over time. Appropriations acts required USDA Rural Development and Treasury's CDFI Fund to use different years of ACS 5-year data in their calculations.[27] As a result, in fiscal year 2017, USDA identified 353 persistent poverty counties and the CDFI Fund identified 395.

Furthermore, because appropriations acts do not always utilize the most recent poverty measurements, they may not be targeting funds to areas with the greatest current need. For example, in fiscal year 2020, Rural Development and the CDFI Fund both identified Talbot County, Georgia, as a persistent-poverty county; but the most recent ACS 5-year data show it to have a poverty rate below 20 percent.

Appropriations acts for fiscal years 2017-2020 required EDA to use the most recent SAIPE data, thus requiring EDA to update its list of persistent-poverty counties each fiscal year. While that allows EDA to use current data, EDA officials told us it also has increased the agency's workload. In addition, they noted that the Census Bureau issues new poverty estimates each December, but EDA begins funding projects in October. As a result, EDA does not identify persistent-poverty counties until several months into the fiscal year, making the allocation of 10 percent of designated funds to those counties more difficult because some project funds already have been awarded.

EDA's Method for Identifying Persistent Poverty Included More Counties

EDA uses a different methodology than Rural Development and the CDFI Fund to identify persistent-poverty counties. In combination with using different data sources, as previously discussed, this has resulted in EDA

[26]Congressional Research Service, *The 10-20-30 Provision: Defining Persistent Poverty Counties*, R45100 (Washington, D.C.: Feb. 24, 2021).

[27]For example, during fiscal years 2017–2019, USDA Rural Development was required to use the 1980 decennial census as its earliest measurement of county-level poverty and the ACS 5-year average from 2007–2011 as the last. The CDFI Fund was required to use the 1990 decennial census as its earliest measurement and the 2011–2015 ACS 5-year data series as the last. The relevant appropriations act for fiscal year 2020 removed the 1980 decennial census from Rural Development's persistent-poverty county definition, leaving the 1990 and 2000 decennial censuses and the ACS 5-year average from 2007–2011.

identifying significantly more persistent-poverty counties than the other agencies (see table 6).

Table 6: Number of Persistent-Poverty Counties Identified by Agencies, Fiscal Years (FY) 2017–2020

Agency	FY 2017	FY 2018	FY 2019	FY 2020[a]
Economic Development Administration (EDA)	515 counties and 87 county equivalents in U.S. territories[b]	518 counties and 87 county equivalents in U.S. territories	515 counties and 87 county equivalents in U.S. territories	515 counties and 87 county equivalents in U.S. territories
Rural Development	353 counties			394 counties and qualifying areas in five U.S. territories
Community Development Financial Institutions (CDFI) Fund	395 counties and 78 county equivalents in Puerto Rico			395 counties, 78 county equivalents in Puerto Rico, and additional qualifying areas in three U.S. territories

Source: GAO analysis of agency data. | GAO-21-470

[a]The consolidated appropriations acts for fiscal year 2020 specifically included U.S. territories and possessions, such as Puerto Rico, Guam, American Samoa, Northern Mariana Islands and the U.S. Virgin Islands, in the definition of persistent-poverty counties for all three agencies. See, e.g., Consolidated Appropriations Act, 2020, Pub. L. No. 116-93, div. B, tit. I, § 533, div. C, tit. I, 133 Stat. 2317, 2431, 2439 (2019).

[b]Agencies used different methods to analyze persistent poverty in U.S. territories and possessions. EDA assessed whether county-equivalent subdivisions of territories and possessions had persistent poverty. The CDFI Fund considered county-equivalent geographies in Puerto Rico, but did not examine subdivisions of any other territory or possession. Rural Development did not consider subdivisions in any territory or possession; instead it considered each to be the equivalent of one persistent-poverty county.

EDA's methodology for applying the 10-20-30 formula differed from USDA's and the CDFI Fund's in how it has accounted for margins of errors, rounding, and county-equivalents in U.S. territories.

- **Margins of error.** EDA considered counties to meet the formula's threshold for SAIPE estimates if 20-percent poverty fell within the applicable margins of error. For example, a county with an estimated poverty rate of 17 percent would count as a persistent-poverty county if the SAIPE estimate had a margin of error of plus or minus 3 percent.[28] In contrast, Rural Development and the CDFI Fund would not consider this county a persistent-poverty county because its poverty estimate was below 20 percent.

[28]In this case, the confidence interval of the SAIPE poverty estimate would be from 14 to 20 percent.

- **County-equivalents in U.S. territories and possessions.** EDA included county-equivalents in Puerto Rico, Guam, American Samoa, the Northern Mariana Islands, Midway Islands, and the U.S. Virgin Islands when identifying persistent-poverty counties in all 4 fiscal years. Appropriations acts for fiscal years 2017, 2018, and 2019 did not specifically include U.S. territories and possessions when defining persistent-poverty counties, but the acts did not specifically exclude them.[29] In fiscal years 2017–2019 USDA Rural Development did not include any U.S. territories or possessions in its identification of persistent-poverty counties, while the CDFI Fund included only Puerto Rico. Appropriations acts for fiscal year 2020 required each agency to include U.S. territories and possessions in its identification of persistent-poverty counties, which both Rural Development and the CDFI Fund appear to have done.
- **Rounding.** EDA also rounded up all measurements of county-level poverty from 19.5 to 20 percent. In contrast, USDA rounded up from 19.95 to 20 percent and CDFI Fund did not round up and included only counties with at least a 20 percent poverty rate.

These differences in methodology can result in substantially different lists of persistent-poverty counties and thus different calculations of the amount of funding allocated to these counties. To illustrate this, we calculated the effect of EDA's methodological choices for identifying persistent-poverty counties in 2019. As noted, EDA identified 515 counties, plus an additional 87 county-equivalents in U.S. territories. However, if EDA had used the same data sources but had not (1) allowed for the margin of error, (2) rounded up, and (3) included U.S. territories and possessions, we found that it would have identified 409 counties. Using this list to calculate the proportion of Public Works Program funds EDA awarded to persistent-poverty counties in 2019 —rather than EDA's list—would decrease the percentage from 10 to 6. Conversely, if USDA had included U.S. territories and possessions in its calculation, it would have had fewer instances where less than 10 percent of funds were awarded to persistent-poverty counties, according to officials.

EDA officials told us that they were more inclusive in developing their list of persistent-poverty counties because EDA did not want to deny eligibility for public investment to any counties that may have persistent poverty. In response to the 10-20-30 formula, EDA changed the eligibility

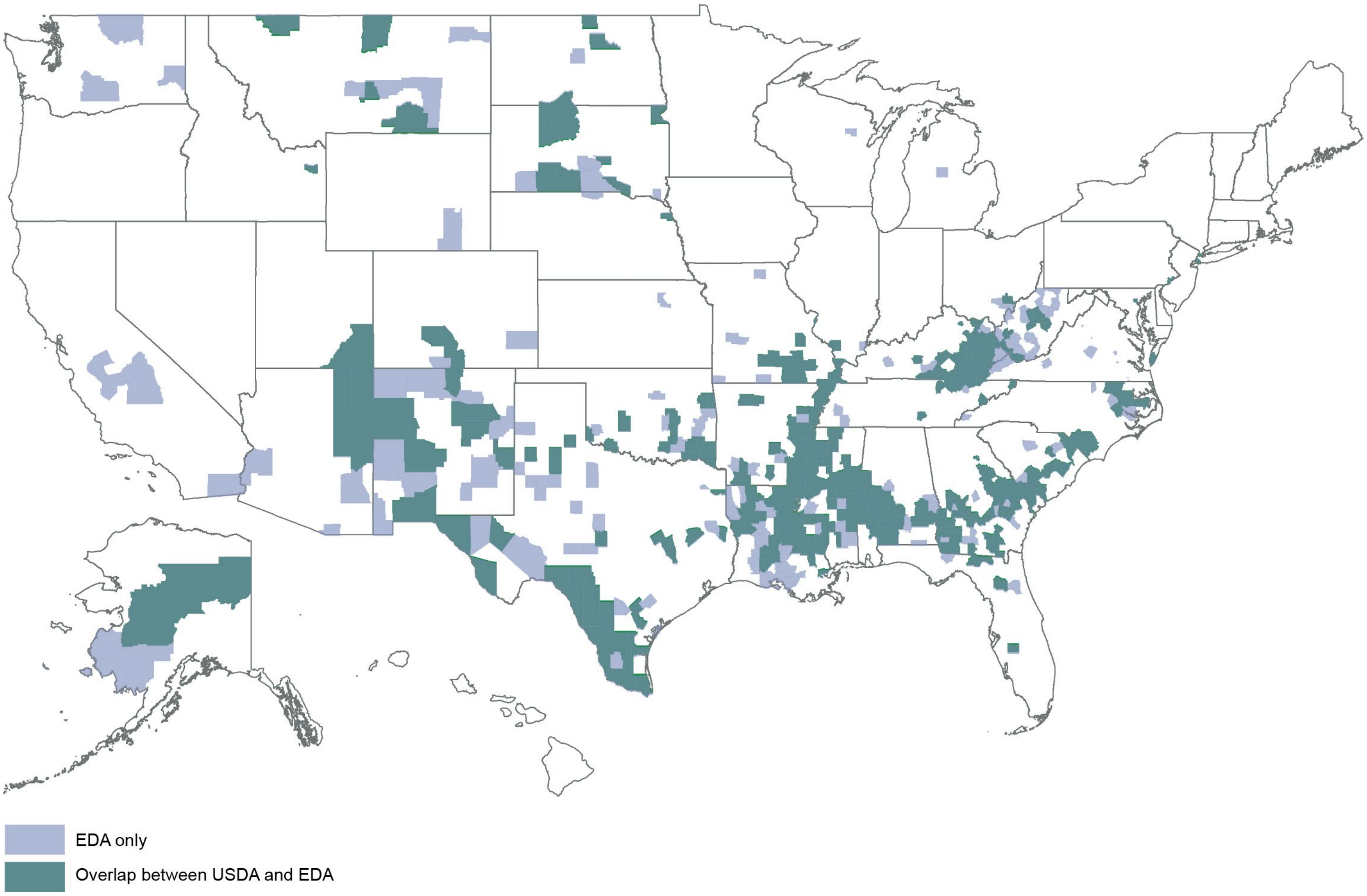
[29] *See, e.g.*, Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, div. A, tit. III, § 750, 131 Stat. 135, 177-78.

criteria for the Public Works Program to ensure that all applicants in persistent-poverty counties would be eligible for funding. EDA officials noted that SAIPE estimates have large margins of error—particularly in rural areas—and that using SAIPE data without accounting for that could make a county with persistent poverty ineligible for additional resources through those programs. By using a more inclusive methodology, EDA ensures that more areas qualify as having persistent-poverty, and thus are eligible for some federal investments. However, using a more restrictive methodology could better target designated funds to areas with the greatest need.

Lack of a Uniform Updated List of Persistent-Poverty Counties Creates Challenges and May Reduce Benefits

The lack of uniformity in the data and methods agencies use to identify persistent-poverty counties has certain disadvantages. First, different lists of persistent-poverty counties can make it difficult to compare levels of funding across agencies. For example, EDA identified substantially more persistent-poverty counties than USDA in fiscal year 2019, so some awards that it identified as being in a persistent-poverty county Rural Development agencies might not (see fig. 2). Thus, the fact that the two agencies found different levels of funding awarded to persistent-poverty counties is not necessarily meaningful. Second, as discussed earlier, requiring each agency to separately identify persistent-poverty counties may be inefficient and unnecessarily add to agencies' administrative burden.

Figure 2: Persistent-Poverty Counties Identified by EDA and USDA, Fiscal Year 2019



Source: GAO analysis of agency data. | GAO-21-470

Note: The Department of Agriculture (USDA) did not identify any persistent-poverty counties for fiscal year 2019 that the Economic Development Administration (EDA) did not also identify.

Furthermore, how agencies have identified persistent-poverty counties may reduce the intended benefits of the formula. First, agencies required by statute to use older data may not be targeting funds to the areas that currently have the greatest need, because some counties they have identified as having persistent poverty no longer have poverty rates over 20 percent. Second, because they have identified different persistent-poverty counties, agencies may have targeted their funds to different areas. To the extent that consistent investment is required to break the cycle of persistent poverty, agencies awarding their funds to different areas may dilute the formula's impact.

Creation of a single, government-wide list of persistent-poverty counties, updated annually, is one option for mitigating these issues. An agency such as USDA's Economic Research Service (ERS) may be well suited to create a list of persistent-poverty counties and update it annually. ERS is a federal statistical agency that previously published an economic county typology that included persistent-poverty counties. ERS officials said that the agency's technical capabilities would readily allow it to identify persistent-poverty counties. Furthermore, officials said that identifying persistent-poverty counties each year would not be resource intensive for ERS because the agency already acquires the required datasets, and publishes other related work using those data.

As noted earlier, agencies subject to the 10-20-30 formula have different lists of persistent-poverty counties in part because the applicable appropriations acts vary in how they require agencies to identify these counties. However, consistency in the counties targeted by the 10-20-30 formula could better ensure the formula achieves its intended purpose of increasing resources to areas in need. Were Congress to include the 10-20-30 formula in future appropriations laws, requiring agencies to use a single, uniform list of persistent-poverty counties could reduce administrative burden and help ensure a more consistent approach to targeting resources to communities in need.

Conclusions

The 10-20-30 formula is designed to increase financial assistance to areas with persistent poverty without increasing federal spending overall. But two of three agencies we reviewed—EDA and the CDFI Fund—were awarding at least 10 percent of some program funds to persistent-poverty counties even before the formula went into effect. As a result, the formula does not appear to have had an impact on the percentage of funding to these needy areas, while creating some administrative burden for the agencies implementing it. USDA Rural Development agencies had difficulty meeting the 10 percent threshold under one program because it was not well-suited to such areas. Congress may elect to apply the 10-20-30 formula to additional programs in the future. Were it to do so, focusing its application to programs for which it would meaningfully increase the proportion of funds awarded to targeted counties could help ensure the formula achieves its intended purpose, while reducing any unnecessary administrative burden.

Each agency with funds subject to the 10-20-30 formula has identified different counties as having persistent poverty, and the total number of counties they identified has varied substantially. This is the result of differences in appropriations laws, which require agencies to use varying data sources and time frames, and methodological choices agencies make. If Congress elects to include the formula in future appropriations laws, requiring agencies to use a single, uniform list of persistent-poverty counties—such as one created by the Economic Research Service—would reduce administrative burden and facilitate assessments of formula impact across agencies. In addition, using such a list could help ensure that the formula targets resources to areas in need on a more consistent basis.

Matters for Congressional Consideration

We are making the following two matters for congressional consideration:

If Congress elects to include the 10-20-30 formula in future appropriations acts, Congress should consider focusing its application on those programs or accounts where it would meaningfully increase the proportion of funding awarded to persistent-poverty counties. (Matter for Consideration 1)

If Congress elects to include the 10-20-30 formula in future appropriations acts, Congress should consider requiring the relevant agencies to use a uniform list of persistent-poverty counties. Such a list could be created and updated annually by an agency well-suited to compile it, such as the Economic Research Service. (Matter for Consideration 2)

Agency Comments

We provided a draft of this report to the Departments of Agriculture, Commerce, and Treasury for review and comment. The Department of the Treasury provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of the Treasury, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff members have any questions about this report, please contact me at (202) 512-8678 or shearw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of our report. Key contributors to this report are listed in appendix II.

William B. Shear
Director, Financial Markets and Community Investment

List of Addressees

The Honorable Jeanne Shaheen
Chairman
The Honorable Jerry Moran
Ranking Member
Subcommittee on Commerce, Justice, Science, and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Matt Cartwright
Chairman
The Honorable Robert Aderholt
Ranking Member
Subcommittee on Commerce, Justice, Science, and Related Agencies
Committee on Appropriations
House of Representatives

The Honorable James Clyburn
Majority Whip
House of Representatives

Appendix I: USDA Rural Development Accounts and Programs Subject to the 10-20-30 Formula in Fiscal Years 2017–2020

Appropriations acts for fiscal years 2017–2020 applied the 10-20-30 formula to appropriations for grants and direct loans funded through 10 Treasury accounts for the Department of Agriculture (USDA) Rural Development.[1] A single account may contain funds for multiple programs. USDA identified 46 programs funded through the designated accounts and subject to the formula (see table 7). USDA officials told us the agencies' program and budget staff calculated how much of each program's funds to set aside for applicants in persistent-poverty counties to meet the 10 percent requirement at the account level. The appropriations acts did not specifically apply the 10-20-30 formula to appropriations for guaranteed loans, so USDA did not include those amounts when calculating how much to set aside for persistent-poverty counties from each account. As a result, guaranteed loan programs are not shown in table 7.[2]

[1]*See, e.g.*, Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, div. A, tit. III, § 750, 131 Stat. 135, 177-78.

[2]USDA excluded additional amounts funded through the designated accounts based on the agency's interpretation of the relevant statutory provisions. For example, the agency excluded a $300 million appropriation in fiscal year 2020 for a broadband pilot program which was funded through the Distance Learning, Telemedicine and Broadband Program account. *See* Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, div. B, tit. III, § 787, 133 Stat. 2534, 2657 (2019).

Table 7: Rural Development Agencies' Treasury Accounts and Programs Subject to the 10-20-30 Formula, Fiscal Years 2017–2020

Rural Development Agency	Treasury Account	Programs
Rural Housing Service	Rural Housing Insurance Fund Program Account	Section 502 Single Family Housing Direct Loans
		Section 504 Direct Housing Repair Loans
		Section 514 Farm Labor Housing Loans
		Section 515 Rural Rental Housing Loans
		Section. 523 Self-Help Housing Land Development Loans
		Section. 524 Direct Site Development Loans
		Single Family Housing Credit Sales
		Section 516 Farm Labor Housing Grants
	Rural Community Facilities Program Account	Community Facilities Direct Loans Community Facilities Direct Grants Economic Impact Initiative Grants Rural Community Development Initiative Grants Tribal College Initiative Grants
	Rural Housing Assistance Grants[a]	Section 504 Very Low-Income Housing Repair Grant
		Section. 533 Rural Housing Preservation Grants
	Mutual and Self-Help Housing Grants	Section 523 Mutual and Self-Help Housing Grants
Rural Business Cooperative Service	Rural Cooperative Development Grants	Rural Cooperative Development Grants
		Grants to Assist Socially Disadvantaged Producers
		Value Added Agricultural Product Market Development Grants
	Rural Economic Development Loans Program Account	Rural Economic Development Loans
	Rural Business Program Account	Rural Business Development Grants - Business Enterprise Grants
		Rural Business Development Grants - Business Enterprise Native American Grants
		Delta Regional Authority Grants
		Appalachian Regional Commission Grants
Rural Utilities Service	Rural Electrification and Telecommunications Loans Program Account	Electric Direct Federal Financing Bank Loans
		Telecommunications Direct Treasury Loans
		Telecommunications Direct Federal Financing Bank Loans Section 313A Electric Underwriting Loans
	Distance Learning, Telemedicine, and Broadband Program[a]	Broadband Telecommunications Direct Loans Broadband Telecommunications Grants
		Distance, Learning and Telemedicine Grants Delta Health Care Services Grants

Rural Development Agency	Treasury Account	Programs
Rural Utilities Service	Rural Water and Waste Disposal Program Account	Water and Waste Disposal Loans
		Water and Waste Disposal - Grants
		Emergency and Community Water Assistance Grants Solid Waste Management Grants Circuit Rider Program Water and Waste Disposal Technical Assistance Grants Water and Waste Disposal Predevelopment and Planning Grants
		Grants for Colonias, Native Americans and Alaska Natives High Energy Cost Grants Water Well System Grants Revolving Fund Program Special Evaluation Assistance for Rural Communities and Households (SEARCH) Rural Energy for America Program (REAP) Water and Waste Technical Assistance Pilot Program FY20

Source: GAO analysis of Department of Agriculture data. | GAO-21-470

[a]These accounts were not subject to the 10-20-30 formula in fiscal year 2018. See Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, div. A, tit. III, § 759, 132 Stat. 348, 395.

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

William B. Shear at (202) 512-8678 or shearw@gao.gov.

Staff Acknowledgments

In addition to the above contact, Winnie Tsen (Assistant Director), Jeremy Anthony (Analyst in Charge), Kayla Good, Marc Molino, Kirsten Noethen, Barbara Roesmann, and Farrah Stone made key contributions to this report.

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Strategic Planning and External Liaison

Stephen J. Sanford, Acting Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548