

December 2002

LABOR MARKET INFORMATION

Trends and Issues in Funding of State Programs



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Abbreviations

BLS	Bureau of Labor Statistics
CES	Current Employment Statistics
LAUS	Local Area Unemployment Statistics
LMI	Labor Market Information



United States General Accounting Office
Washington, DC 20548

December 20, 2002

The Honorable Edward M. Kennedy
Chairman
The Honorable Judd Gregg
Ranking Minority Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Michael B. Enzi
Ranking Minority Member
Subcommittee on Employment, Safety and Training
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Daniel K. Inouye
United States Senate

Labor market information is used to help make and assess social and monetary policies, tax and budget projections, and private investment decisions. Produced under cooperative agreements between states and the Bureau of Labor Statistics (BLS), labor market information helps provide an up-to-date picture of the U.S. economy and generate closely watched economic indicators, such as unemployment rates and the Gross Domestic Product. In addition, decisions about the distribution of billions of federal dollars to states and local governments depends, in part, on labor market information.

BLS defines the work that state Labor Market Information (LMI) programs must perform and the amount of money they will receive for that work—about \$80 million in fiscal year 2002.¹ You asked us to look at issues regarding BLS's funding of state LMI programs because of your interest in the quality of data used to distribute federal funds under the Workforce Investment Act of 1998. Our objectives were to (1) describe changes over time in federal funding to states for LMI programs, (2) describe how BLS estimates LMI budget needs for states and allocates appropriated funds to

¹This \$80 million was allocated for the operation of base programs; BLS provided additional funding to states for special projects.

the states, and (3) identify issues regarding federal funding of state LMI programs.

Of the five LMI programs, we focused our work on the two that receive the most funds from BLS—the Covered Employment and Wages (referred to as the ES-202 program) and the Current Employment Statistics (CES) programs. Both the ES-202 and CES programs produce data on employment, such as numbers of employees and average wages by industry, but with key differences. The ES-202 program produces data quarterly based on its file on about 8 million business establishments, covering most employment in the United States.² The CES program produces more timely data (monthly) based on a survey of about 350,000 business establishments. The ES-202 and CES programs are linked because the CES survey sample is selected from the ES-202 file and the CES estimates are adjusted (“benchmarked”) by the ES-202 data. Data from these programs greatly affect the distribution of billions of federal dollars to states and local entities. For example, data from both the ES-202 and CES programs are used by another LMI program—the Local Area Unemployment Statistics (LAUS) program—to generate estimates used by various federal programs, including some under the Workforce Investment Act of 1998, to make decisions about the distribution of federal funds.³ Also, ES-202 data, such as those on average wages, are used directly by other federal programs to make decisions about the distribution of federal funds. (See appendix II for a list of federal programs that use LMI data directly in decisions about the distribution of federal funds.) Further, ES-202 data are a significant factor in the calculation of state per capita personal income, which is used in the distribution of federal funds under programs such as Medicaid and Foster Care.⁴

²The ES-202 program covers approximately 97 percent of employment in the United States. Groups that are not covered include members of the armed forces and the self-employed.

³In addition to ES-202 and CES data, the LAUS program uses data from other sources, most notably the Current Population Survey conducted by the Bureau of the Census for BLS.

⁴See pages 33, 40, 57, 77, 82, and 102 of U.S. General Accounting Office, *Formula Grants: Effects of Adjusted Population Counts on Federal Funding to States*, [GAO/HEHS-99-69](#) (Washington, D.C.: Feb. 26, 1999) for more information on programs using state per capita personal income in their funding formulas.

To describe changes over time in federal funding to states for LMI programs, we obtained and analyzed data from BLS's budget office on base program funding provided to states for the ES-202 and CES programs from fiscal year 1996 through fiscal year 2002. To describe how BLS estimates LMI budget needs for states and allocates appropriated funds to states, we interviewed BLS budget officials and reviewed documents on the allocation formulas. To identify issues regarding federal funding of state LMI programs, we interviewed officials from the LMI offices in six states—California, Florida, Minnesota, Montana, New York, and Wyoming. We selected these states because they represent a range in the number of business establishments in each state and a range of outcomes from a recent change in state allocations. We also met with BLS officials to obtain their views on the funding of state LMI programs.

We did not independently assess the validity of states' or BLS's views about the adequacy of BLS funding of state LMI programs because of a lack of clear and objective criteria for determining whether current funding levels are adequate to produce quality data and for determining the extent of any over- or under-funding. Instead, we developed descriptions of conditions relevant to states' and BLS's views by using data from BLS on funding and workload and data from the six surveyed states on cost increases. We conducted our work from June through November 2002 in accordance with generally accepted government auditing standards. We provided briefings on the results of our work to staff of the Subcommittee on Employment, Safety and Training of the Senate Committee on Health, Education, Labor and Pensions on October 24, 2002, and to staff of Senator Inouye on November 22, 2002. This report formally conveys the information provided during those briefings plus additional information you requested.

In summary, we found that (1) funding for the ES-202 and CES programs declined in real terms over the past seven years; (2) BLS estimates the funding needs of states by adjusting prior year funding and uses formulas to allocate funds to states; and (3) workload and cost increases outpaced funding increases in the ES-202 program, which could result in data quality problems, according to state LMI officials.

Our review of changes over time in federal funding to states for LMI programs found that from fiscal year 1996 through fiscal year 2002, the ES-202 program's base funding for states, when adjusted for cost-inflation, declined 5 percent. In addition, the CES program's base funding for the same period declined 17 percent.

BLS estimates LMI budget needs for states by making adjustments to the past year's funding and allocates appropriated funds to states by using allocation formulas. Specifically, in estimating the amount of funding needed for state LMI offices, BLS starts with the past year's funding and adds an adjustment for cost inflation. In addition, for the ES-202 program that has a continuously growing workload, BLS adds an amount for expected workload increases. However, BLS's requests for funding increases to cover growing costs and workloads are not always approved. In developing its budget estimates, BLS does not collect information from state LMI offices to determine what those offices' costs or budget needs are because BLS cannot readily verify such information, according to BLS officials. After BLS's budget is approved and BLS receives its appropriation from Congress, BLS distributes funds among the states using a different allocation formula for each of the five LMI programs. BLS recently changed the source of salary data it factors into these formulas because the previously used data were not readily verifiable and BLS wanted to make the allocation process more objective and open.⁵ This change will result in funding increases over time for some, mostly larger states.⁶ Funding for other states, mostly smaller, that would have decreased, will remain flat under a hold-harmless approach.⁷

Although the change in the allocation formulas has raised concerns among some small states, the broader issue regarding BLS's funding of state LMI programs is whether the overall amount of funds available for allocation to states is sufficient to produce high quality data. All six states we spoke with and BLS agreed that funding provided to states has not kept pace with the continuously growing workload in the labor-intensive ES-202 program. In addition, states said that funding has not kept up with increases in costs in the ES-202 program, such as increases resulting from

⁵In fiscal year 2002, BLS began using average state government salaries from a BLS publication instead of data submitted by states on the salaries of LMI office staff.

⁶We determined a state's size based on the number of business establishments in the state, as shown in appendix IV.

⁷The hold-harmless approach will result in a gradual phase-in of changes to states' allocations. Under this approach, states whose funding would have declined under the allocation change will have their base program funding held at or about the fiscal year 2001 level. Also, states whose funding would have increased under the allocation change will get all increases available under future appropriations. The potential future impact of the allocation change on individual state's funding levels can be seen by looking at the funding changes that would have occurred if the hold harmless approach were not used. See appendix III.

pay raises for state LMI office staff.⁸ A comparison of changes in the nationwide base funding for the ES-202 program with changes in indicators for workload and costs, for the period from fiscal year 1996 to fiscal year 2002, reveals that funding increases have been outpaced by the combined increase in workload and costs. Specifically, while funding (not inflation adjusted) increased 13 percent, the total number of business establishments with ES-202 program records—a key indicator of workload—increased about 11 percent and average state salaries and benefits—an indicator of a key cost component—increased about 19 percent. Five of the six states we spoke with believe that the quality of their ES-202 data will suffer in the future under current funding trends.⁹ In contrast to the ES-202 program, there is no simple indicator of workload trends for the CES program, and states differed in their views about the adequacy of CES funding.¹⁰ Three of the six states believe that CES funding is generally adequate given their current workloads under the CES program, while the other three believe their funding is inadequate. BLS program officials say that states are delivering their CES products on time and in compliance with the requirements of the cooperative agreement and, thus, are adequately funded for the work they must perform under the CES program.

We provided a draft of this report to the Department of Labor and BLS for review and made changes based on their technical comments as appropriate.

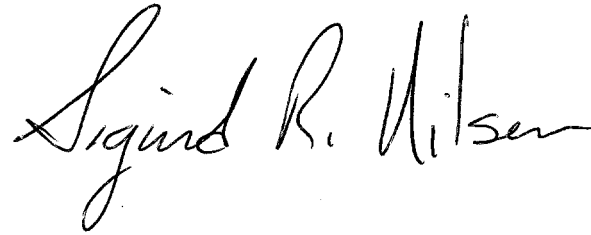
We are sending copies of the report to relevant congressional committees; the Secretary, Department of Labor; the Commissioner, Bureau of Labor Statistics; the Director, Office of Management and Budget; and other interested parties. We will make copies available to others upon request. The report is also available at no charge on GAO's Web site at www.gao.gov. If you and your staff have any questions about this report,

⁸According to BLS officials, salaries account for 70 to 80 percent of the expenses for state LMI programs.

⁹The five states include two states—Minnesota and New York—that expect to receive funding increases because of the allocation change and three states—Florida, Montana, and Wyoming—that expect to have their funding held at past levels without increases because of the allocation change.

¹⁰According to BLS officials, BLS has taken various actions, such as centralizing some of the monthly data collection and taking over the systems development and support work, that have reduced state workloads in the CES program.

please contact Sigurd Nilsen or Andrew Sherrill at (202) 512-7215.
Kathy Peyman, Cathy Pardee, and Pat Elston also made key contributions
to this report.

A handwritten signature in black ink that reads "Sigurd R. Nilsen". The signature is written in a cursive style with a large, prominent 'S' at the beginning.

Sigurd R. Nilsen, Director
Education, Workforce, and
Income Security Issues

Appendix I: Briefing Slides



Trends and Issues in Funding of States for Labor Market Information Programs

Briefing for Staff of

Chairman and Ranking Member, Subcommittee on Employment,
Safety and Training, Committee on Health, Education, Labor, and
Pensions, United States Senate, October 24, 2002,

and

Senator Daniel K. Inouye, November 22, 2002

1



Objectives

- Describe changes over time in federal funding to states for Labor Market Information (LMI) programs.
 - Describe how the Bureau of Labor Statistics (BLS) estimates LMI budget needs for states and allocates appropriated funds to the states.
 - Identify issues regarding federal funding of state LMI programs.
-



Scope

We focused on two of five Labor Market Information programs:

Covered Employment and Wages (ES-202)

Current Employment Statistics (CES)

- The two largest LMI programs with 61 percent of funding in fiscal year 2002
- ES-202 forms foundation for other LMI programs
- Sources of concern to state officials

Six states provided information on issues regarding federal funding:

California, Florida, Minnesota, Montana, New York, Wyoming

Selected for differences in size of workload and funding outcomes under recently changed allocation formulas



Methodology

Obtained data on state LMI funding, workload and costs for fiscal years 1996 through 2002

Reviewed documents on the funding formulas used by BLS to allocate funds to states

Interviewed BLS program and budget office officials and LMI officials in the six selected states

Because the objective of our initial work was to provide a descriptive overview, we did not independently assess claims regarding the adequacy of funding for LMI programs.

Conducted work from June to November 2002 in accordance with generally accepted government auditing standards



Summary of Results

Base program funding (not including funding for special projects) for two key programs declined in real terms during fiscal year 1996 to 2002:

Base program funding for Covered Employment and Wages (ES-202):

- Without cost inflation adjustment--increased 13%
- With cost inflation adjustment--decreased 5%

Base program funding for Current Employment Statistics (CES):

- Without cost inflation adjustment--decreased 2%
- With cost inflation adjustment--decreased 17%



Summary of Results (cont'd)

BLS budget estimate and allocation methods:

- For budget requests, BLS estimates state funding needs based on the prior year's funding adjusted for inflation -- not on cost information from state LMI offices. For the ES-202 program, BLS adds an amount for expected workload increases. However, BLS does not always receive the full amount it requests, according to BLS budget officials.
- To allocate appropriated funds among the states, BLS uses formulas that factor in differences among states, such as average salary levels and proportionate share of a program's workload, according to BLS budget officials.
- A recent change designed to make the allocation formulas based on verifiable information will result in funding increases for some states and in funding to be held at the fiscal year 2001 level without increases for other states. Those getting increases are mostly larger states.



Summary of Results (cont'd)

Issues:

Rising workload and costs:

- Workload and state salary increases have outstripped funding states receive for ES-202, according to officials in BLS and six states.
- There is no simple indicator of workload trends in CES, and states' concerns about CES funding are mixed.

Data quality:

- Quality of data provided by states will likely suffer if current funding trends continue, according to officials in five of the six states.
-



Background

Significance of LMI Programs

For a budget of \$148.5 million in fiscal year 2002 for states and BLS, the five LMI programs have a significant impact.

- **Produce information on national, state, and local employment, including**
 - number of people employed, by industry and gender.
 - average salaries for each occupation.
 - unemployment rates.

- **Provide essential economic data used to**
 - develop key economic indicators, such as personal income and Gross Domestic Product.
 - guide public and private sector policy and investment decisions.
 - allocate billions of federal dollars to states and localities.



Background Cooperative Agreements

BLS has cooperative agreements with states that specify the work required and federal funding for each of the five LMI programs.

- States collect and analyze data.
- BLS defines the products states must deliver, the time frames for delivery, and the performance requirements.
- Federal funding is intended to fully cover state costs to meet cooperative agreement requirements, according to BLS officials.
 - Some states have supplemented the effort with state dollars.



Background

Five LMI Programs

Covered Employment and Wages (ES-202)

- A near census of over 8 million business establishments in the United States, covering 97 percent of all employees
- Provides data quarterly on employment and wages by industry and county
- Time lag for data issuance is several months after the quarter covered

Current Employment Statistics (CES)

- A monthly survey of a sample of 350,000 business establishments in the United States
- Provides monthly estimates on employment by industry
- Very timely data issuance – one to three weeks after the month covered



Background

Five LMI Programs (cont'd)

Occupational Employment Statistics (OES)

Surveys samples of employers semi-annually to obtain occupational employment and wages by industry.

Local Area Unemployment Statistics (LAUS)

Develops estimates of monthly employment and unemployment rates for 6,900 geographic areas.

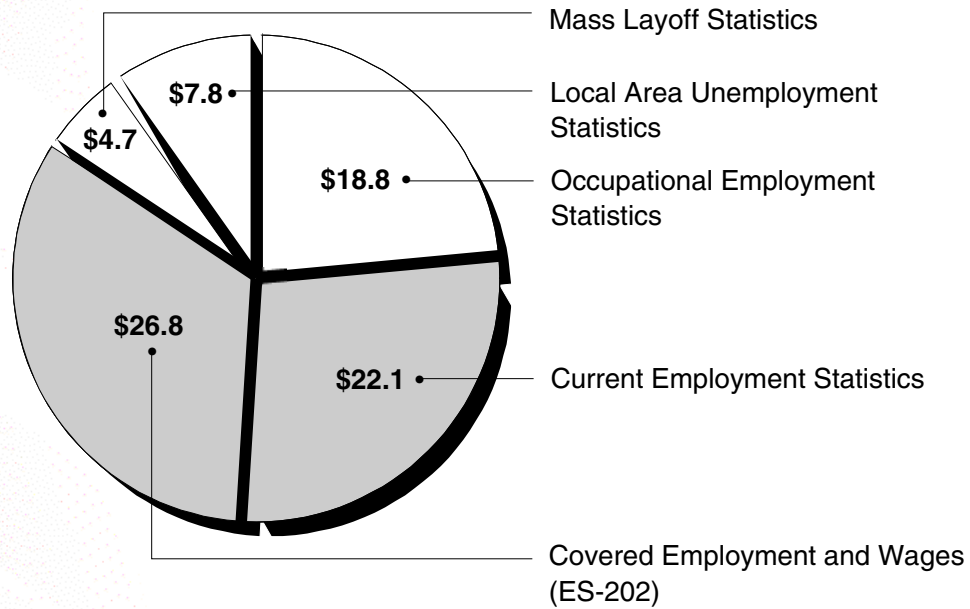
Mass Layoff Statistics (MLS)

Measures plant closings and mass layoffs using unemployment insurance claim filings and employer information (program is funded by the Employment and Training Administration through BLS).



Background

BLS Fiscal Year 2002 Base Program Funding to States for Five LMI Programs



Millions of dollars. Total = \$80.2 million.

Note: Base program funding does not include funds for special projects. Shading indicates programs reviewed by GAO.
Source: BLS budget office data.



Background

BLS Budget and State LMI Funding

BLS Budget

Funds to state LMI programs accounted for 16% of BLS fiscal year 2002 budget.

Sources of federal funds to states for LMI programs:

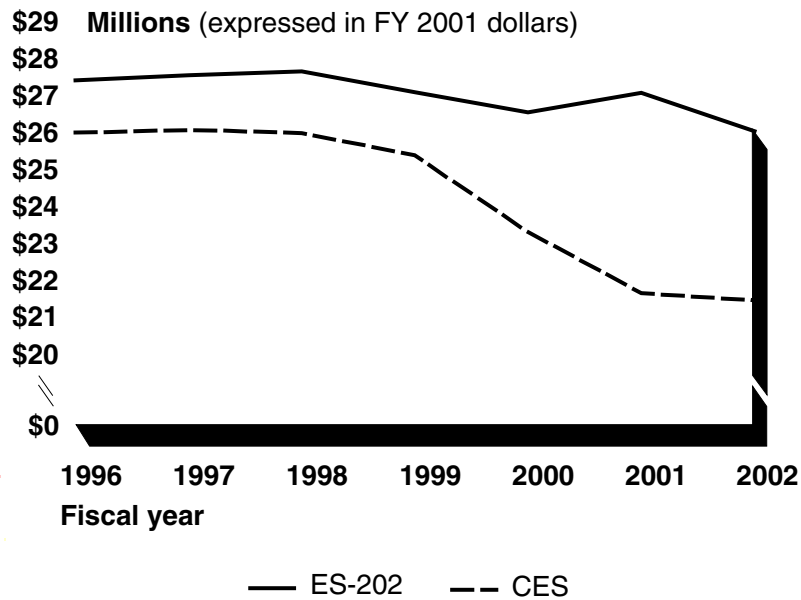
- 82% appropriated from the Unemployment Trust Fund to BLS.
- 12% from other BLS appropriations.
- 6% from Employment and Training Administration appropriations.

Fiscal year 2002 change to state funding formula

- To be phased in over several years
- Raises concerns, especially among some small states



BLS Base Program Funding to States for ES-202 and CES, Fiscal Years 1996-2002 (adjusted for inflation)



Note: Funding adjusted for cost inflation using the Employment Cost Index. Base program funding does not include funding for special projects.
 Source: BLS budget office data.



BLS Budget Estimates of State Funding Needs

- BLS does not obtain information on costs from state LMI offices to develop budget estimates because BLS cannot readily verify such data, according to BLS budget officials.
- BLS budget officials said they estimate state funding needs by starting with last year's funding and adding an inflation adjustment for cost-of-employment. For the ES-202 program, BLS also makes an adjustment for changes in workload.
- BLS-requested increases for inflation and workload in state LMI programs have not always been approved, according to BLS budget officials.



BLS Allocation Method for States' Funds

BLS allocates funds among states using a separate allocation formula for each LMI program.

Allocation formulas compute each state's pro rata share of total program funds by using factors such as

- a minimum staffing level per state,
- the state's portion of the national workload, and
- the state's average salary for state government workers.



Fiscal Year 2002 Change in Allocation Formulas

The share of funds each state received changed when BLS began using different salary data in the formulas.

- In fiscal year 2002, BLS began using average state government salaries from published sources instead of unverified state LMI salaries submitted by state officials.
- The change was intended to ensure a more objective and open allocation process, according to BLS.

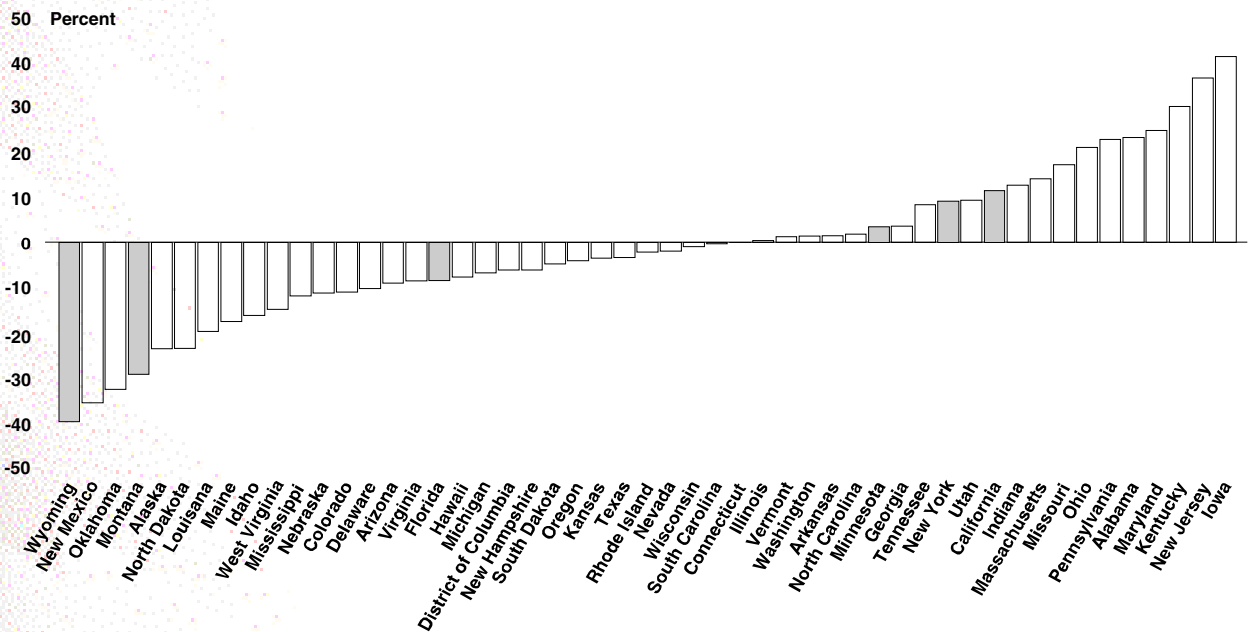
A hold-harmless provision phases in the redistribution of funds among states and is expected to continue for several years, according to BLS.

- States whose funding would have decreased under the changed formula will be kept at or about their fiscal year 2001 funding level.
- The other states will receive any increases that are available under future appropriations.



Changes in State Allocations

If Formula Implemented Without Hold Harmless Approach



Note: GAO interviewed officials in shaded states. Graph shows percentage change in base program allocations for CES and ES-202 from fiscal year 2001 to fiscal year 2002 if formula change were implemented without using the hold-harmless approach.
 Source: GAO analysis of BLS funding data.



Formula Change Impact on “Large” versus “Small” States

Larger states tend to gain; smaller states tend to lose share of ES 202 and CES funds over time.

Funding change (based on change from FY2001 to FY2002 if hold harmless approach were not used)	States ranked by size (based on number of business establishments)	
	25 largest states	26 smallest states
Increase over 5 %	10	4
Between 5% increase and 5% decrease	9	7
Decrease over 5 %	6	15



Formula Change Anticipated Impact on Six States

According to officials in the three states losing shares of funds under the new formula:

- Florida will face more severe staffing shortages in ES-202.
- Montana and Wyoming have been facing deficits in their LMI programs and will have difficulty maintaining the programs if they have to reduce staffing below current, minimal levels.

According to officials in three states gaining shares of funds under the new formula:

- In California, the additional funds may be sufficient to address data quality problems.
 - In New York, funding shortages will be reduced but not eliminated.
 - Minnesota will see little impact from the slight funding increase.
-



Issues

Rising Workload and Costs in ES-202

Officials we interviewed in all six states said funding for ES-202 has not kept pace with increases in workload and expenses.

BLS officials concurred that funding to states has not kept pace with workload increases in the labor-intensive ES-202 program and with inflation in average state salaries.

Data show that base program funding (not adjusted for inflation) rose about 13% between fiscal year 1996 and fiscal year 2002, while

- a key indicator of workload—total business establishments covered by the ES-202 program—increased about 11%.
- an indicator of a key expense—an index for state white collar workers' salaries and benefits—increased about 19%.



Nature of ES-202 Workload

Labor Intensive

- Maintenance of a file on all businesses in the state
 - Identification of new businesses using unemployment insurance employer filings and additional data sources
 - Assignment of codes to new businesses
 - Collection of additional data on each site of multi-site businesses
 - Annual surveys of a third of all businesses to verify industry classification, geographic location and addresses
 - Determination of which businesses no longer exist
 - Numerous edits to identify possible errors in the data
 - Comparison of employment data with CES employment estimates
-



Workload in ES-202

Factors Affecting Increased Workload

Changes in business establishments, such as

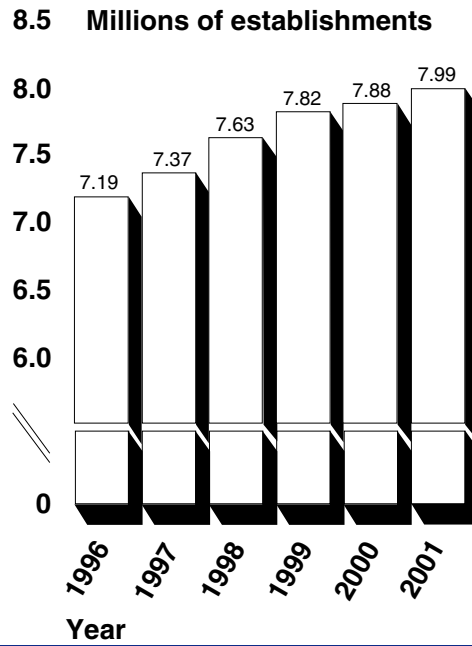
- Continuous increases in the number of business establishments whose records must be updated and edited
- Creation and dissolution of businesses and other changes that require records to be added or discontinued

Program changes made by BLS

- A change to a more complex industry classification system
- Shortened reporting timeframes
- Increased emphasis on the accuracy of business establishment addresses



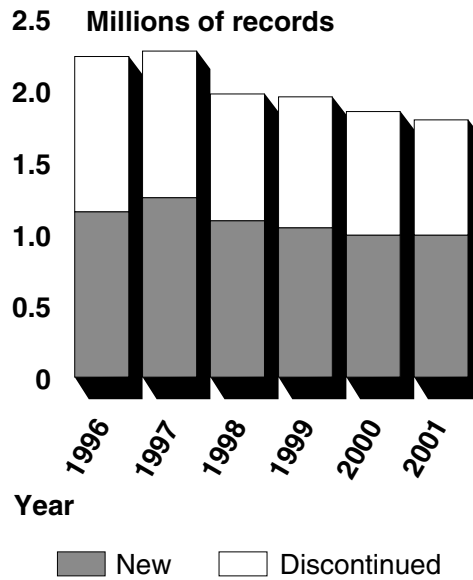
Workload in ES-202 Increase in Business Establishments



Source: BLS ES-202 program office data.



Workload in ES-202 Two Million New and Discontinued Records Annually



Source: BLS ES-202 program office data.



Costs in ES-202

Examples of Increases in Three States

- Montana's ES-202 program staff costs increased 25%, rent increased over 200%, and computer server costs increased about 140% from fiscal year 1997 to fiscal year 2002. ES-202 base program funding increased 4%.
- New York's average staff salary increased 22% from fiscal year 1997 to fiscal year 2002. ES-202 base program funding increased 18%.
- Wyoming's LMI staff received significant pay raises in fiscal years 1999 and 2001. The pay raises averaged about 9% and 13%, while ES-202 base program funding increased 0.3% and 9% in those years, respectively.



Changing Workload and Funding in CES

Changes BLS has made to the CES program in recent years have affected workload, although there is no simple indication of trends.

- BLS phased in a new type of survey sample and (because of increased costs) reduced the sample size, which may have reduced the workload in some states.
- Automation, new information systems, and some centralized data collection have improved efficiency and reduced state workloads, according to BLS officials.

Five of the six surveyed states have cut CES staffing; some state officials say the volume of work has not increased, but work has become more analytically complex and demand for interpretation of survey results has increased.

According to BLS program officials, states are delivering their products on time and in compliance with BLS requirements and, thus, are adequately funded for the work they are asked to do under the CES program.



CES Funding Views of Six States Interviewed

Officials interviewed in three states believe their states' current funding levels for CES are too low.

- California officials said CES is severely underfunded.
- Wyoming and Montana officials said all LMI programs, including CES, are underfunded.

Officials in the other three states -- Florida, Minnesota, and New York -- said, given their current workloads, CES funding for their states is generally adequate.

Regardless of CES funding levels in their states, some officials expressed concern that inadequate funding for the national program had led to a reduction in the sample size and, thus, reduced the usefulness of CES data for local labor market analysis.



Quality of ES-202 Data

BLS officials believe the overall quality of ES-202 data is high. However, there are no simple indicators to assess the quality of the data, and according to BLS officials, BLS does not have the ability to readily identify all data quality problems.

Officials in five of the six states – Florida, Minnesota, Montana, New York, and Wyoming – predicted that, under current funding trends, data quality is likely to decline or not improve as much as desired, because of

- missing data from employers, and
- uncorrected data errors.

Quality of ES-202 data affects the reliability of data from other LMI programs.

- ES-202 file is used to select samples for CES and OES surveys.
- ES-202 data are used to benchmark CES estimates.



Quality of CES Data

Issues exist with the quality of CES data that are not necessarily linked to state funding levels, according to BLS and state officials.

A quality issue linked to funding levels is the CES survey sample size that BLS reduced due to funding problems.

- According to some state officials, the sample reduction results in less data on local areas and specific industries.
- According to BLS officials, the CES program is not intended to provide the extensive local level data desired by states, and the sample reduction does not reduce the quality of national CES estimates.

California officials said insufficient funds have affected CES data quality—its survey response rate has been below BLS standards because of insufficient staff to follow up on nonresponses.

Appendix II: Programs That Use LMI Data in Decisions about the Distribution of Federal Funds or Other Benefits

Table 1: Programs That Use Data from the Local Area Unemployment Statistics (LAUS) Program

Federal agency	Program or activity that uses LAUS data ^a	Catalog of Federal Domestic Assistance number	Federal funding in fiscal year 2002 ^b (in millions)
Agriculture Department: Food and Nutrition Service	Food Stamps – Waivers of Time Limits on Receipt by Able-Bodied Adults Without Dependents	10.551	\$ 349.4 ^c
	Emergency Food Assistance Program	10.569	190.0
Commerce Department: Economic Development Administration	Grants for Public Works and Economic Development Facilities	11.300	250.0
	Economic Adjustment Assistance	11.307	40.9
Defense Department: Defense Logistics Agency	Procurement Technical Assistance for Business Firms	12.002	18.2 ^d
Housing and Urban Development Department: Community Planning and Development	Youthbuild Program	14.243	59.8
Labor Department: Employment and Training Administration	Employment Service	17.207	987.4
	Unemployment Insurance – Federal/State Extended Unemployment Benefits	17.225	207.0 ^d
	Dislocated Workers – Workforce Investment Act	17.260	1,549.0
	Adult Program - Workforce Investment Act	17.258	950.0
	Youth Activities - Workforce Investment Act	17.259	1,128.0
Treasury Department: Community Development Financial Institutions	Youth Opportunity Grants - Workforce Investment Act	17.263	225.1
	Bank Enterprise Awards	21.021	23.0
Treasury Department: North American Development Bank	NADBank Community Adjustment and Investment Program	None	9.3
Appalachian Regional Commission	Distressed County Non-Highway Program	23.002	14.4
Federal Emergency Management Agency	Emergency Food and Shelter Program	83.523	140.0
Health and Human Services Department: Administration for Children and Families	Contingency Fund - Temporary Assistance for Needy Families	93.558	2,000 ^e
	Extension of Time in Job Search - Temporary Assistance for Needy Families	93.558	f
Small Business Administration	Historically Underutilized Business Zones (HUBZones)	None	2.0
Justice Department: Immigration and Naturalization Service	Employment Creation Visas (EB 5)	None	None ^g
Total			\$8,143.5

Source: BLS's LAUS program, the federal agencies listed, and the Catalog of Federal Domestic Assistance.

^aPrograms listed are those identified by BLS that use LAUS data to allocate shares of federal funds or achieve other purposes, such as qualifying applicants, establishing eligibility of individuals or geographic areas, or setting thresholds or federal match rates.

**Appendix II: Programs That Use LMI Data in
Decisions about the Distribution of Federal
Funds or Other Benefits**

^bUnless otherwise noted, dollars shown are amounts available for the program from fiscal year 2002 appropriations. The full amount shown is not necessarily subject to distribution based on LAUS data.

^cDollars shown are an estimate provided by a Food and Nutrition Service official of the portion of the \$21.9 billion in appropriations for the Food Stamp program that could be affected by the LAUS data.

^dDollars shown are estimated obligations.

^eDollars shown were available for the period fiscal year 1997 through fiscal year 2002.

^fLAUS data do not directly affect the amount of funds that states receive from the \$16.7 billion in appropriations for the Temporary Assistance for Needy Families (TANF) program. However, unemployment data affect how long states can count job search as a work activity for TANF recipients when determining whether the states meet federal work participation rate requirements.

^gProgram distributes visas to eligible immigrant entrepreneurs who establish or sustain an investment of \$1 million in a commercial enterprise within the U.S. For those who invest in targeted employment areas with high rates of unemployment, the investment threshold is \$0.5 million.

Appendix II: Programs That Use LMI Data in Decisions about the Distribution of Federal Funds or Other Benefits

Table 2: Examples of Programs That Use Data from the Covered Employment and Wages (ES-202) Program

Federal agency	Program or activity that uses ES-202 data^a	Catalog of Federal Domestic Assistance number	Federal funding in fiscal year 2002^b (in millions)
Housing and Urban Development Department: Housing	Supportive Housing for the Elderly (202)	14.157	\$783.3
	Supportive Housing for Persons with Disabilities (Section 811)	14.181	240.9
	Section 8 Housing Assistance Payments Program	14.195	4,500.0 ^c
Housing and Urban Development Department: Community Planning and Development	Entitlement Grants - Community Development Block Grants	14.218	3,038.7
	States' Program - Community Development Block Grants	14.228	1,297.1
	HOME Investment Partnerships Program	14.239	1,846.0
Housing and Urban Development Department: Public and Indian Housing	Public and Indian Housing - Operating Fund	14.850	3,494.9
	Section 8 Housing Choice Vouchers	14.871	11,900.0 ^c
	Public Housing - Capital Fund	14.872	2,843.4
Health and Human Services Department: Centers for Medicare and Medicaid Services	State Children's Insurance Program (CHIP, SCHIP)	93.767	3,150.0
Total			\$33,094.3

Source: BLS's ES-202 program, the federal agencies listed, and the Catalog of Federal Domestic Assistance.

^aTable includes significant examples of the numerous programs that use ES-202 data directly to allocate shares of federal funds or for other purposes, such as establishing eligibility for federal funds. The table does not include programs that use ES-202 data indirectly, such as Medicaid and Foster Care, that have funding formulas that include state per capita personal income, which is based in part on ES-202 data.

^bUnless otherwise noted, dollars shown are amounts available for the program from fiscal year 2002 appropriations. The full amount shown is not necessarily subject to distribution based on ES-202 data.

^cDollars shown are estimated obligations.

Appendix III: Change in States' Allocations

Table 3: Change in States' ES202 and CES Base Program Allocations from Fiscal Year 2001 to Fiscal Year 2002 if Formula Change Were Implemented Without Hold-Harmless.

State	Actual fiscal year 2001 allocation dollars	If hold-harmless not applied		
		Fiscal year 2002 allocation dollars	Change in allocation dollars	Change in allocation percentage
Alabama	\$651,442	\$805,652	\$154,210	24
Alaska	445,721	339,296	-106,425	-24
Arizona	682,469	620,753	-61,716	-9
Arkansas	533,447	542,147	8,700	2
California	5,104,176	5,696,468	592,292	12
Colorado	996,109	886,112	-109,997	-11
Connecticut	1,007,596	1,007,722	126	0
Delaware	413,981	371,495	-42,486	-10
District of Columbia	458,445	430,069	-28,376	-6
Florida	2,023,622	1,851,538	-172,084	-9
Georgia	1,125,664	1,167,146	41,482	4
Hawaii	387,485	357,628	-29,857	-8
Idaho	440,896	368,827	-72,069	-16
Illinois	1,955,505	1,964,536	9,031	0
Indiana	936,385	1,057,557	121,172	13
Iowa	605,320	858,101	252,781	42
Kansas	600,500	579,899	-20,601	-3
Kentucky	526,316	687,175	160,859	31
Louisiana	936,220	749,823	-186,397	-20
Maine	465,699	383,300	-82,399	-18
Maryland	702,998	880,340	177,342	25
Massachusetts	1,407,056	1,608,121	201,065	14
Michigan	1,849,127	1,722,081	-127,046	-7
Minnesota	1,067,680	1,106,007	38,327	4
Mississippi	468,317	412,343	-55,974	-12
Missouri	765,600	899,487	133,887	17
Montana	429,537	302,580	-126,957	-30
Nebraska	512,838	455,117	-57,721	-11
Nevada	480,369	471,458	-8,911	-2
New Hampshire	430,394	403,759	-26,635	-6
New Jersey	1,414,929	1,938,089	523,160	37
New Mexico	654,155	419,001	-235,154	-36
New York	3,086,205	3,374,734	288,529	9
North Carolina	1,173,253	1,195,728	22,475	2
North Dakota	385,447	293,770	-91,677	-24
Ohio	1,676,778	2,035,305	358,527	21
Oklahoma	752,529	504,815	-247,714	-33
Oregon	792,278	760,165	-32,113	-4
Pennsylvania	1,894,611	2,334,158	439,547	23

Appendix III: Change in States' Allocations

State	Actual fiscal year 2001 allocation dollars	If hold-harmless not applied		
		Fiscal year 2002 allocation dollars	Change in allocation dollars	Change in allocation percentage
Rhode Island	409,078	400,585	-8,493	-2
South Carolina	610,665	609,430	-1,235	0
South Dakota	323,127	307,735	-15,392	-5
Tennessee	702,615	762,572	59,957	9
Texas	2,641,843	2,553,351	-88,492	-3
Utah	435,415	476,680	41,265	9
Vermont	338,113	342,604	4,491	1
Virginia	1,264,184	1,155,528	-108,656	-9
Washington	1,017,738	1,032,268	14,530	1
West Virginia	531,741	452,190	-79,551	-15
Wisconsin	1,120,267	1,110,028	-10,239	-1
Wyoming	433,169	259,130	-174,039	-40
Totals	\$50,069,054	\$51,304,403	\$1,235,349	

Source: GAO analysis of BLS funding data.

Appendix IV: States Ranked by Size

Table 4: States Ranked by Size (from Largest to Smallest) Based on Number of Business Establishments in ES-202 Data

State	Average number of establishments for 2001	Percentage of total establishments
California	1,084,308	13.4
New York	539,709	6.7
Texas	491,907	6.1
Florida	460,048	5.7
Pennsylvania	334,747	4.1
Illinois	319,595	4.0
Ohio	287,264	3.6
Michigan	258,750	3.2
New Jersey	256,594	3.2
Georgia	239,426	3.0
North Carolina	225,387	2.8
Washington	220,225	2.7
Virginia	197,936	2.4
Massachusetts	191,685	2.4
Missouri	163,670	2.0
Minnesota	156,025	1.9
Colorado	154,196	1.9
Indiana	150,921	1.9
Wisconsin	147,743	1.8
Maryland	145,861	1.8
Tennessee	125,593	1.6
Arizona	119,279	1.5
South Carolina	115,432	1.4
Louisiana	115,223	1.4
Oregon	113,487	1.4
Alabama	111,007	1.4
Connecticut	108,725	1.3
Kentucky	108,375	1.3
Iowa	92,817	1.1
Oklahoma	90,328	1.1
Kansas	81,325	1.0
Arkansas	73,031	0.9
Utah	68,668	0.8
Mississippi	63,749	0.8
Nebraska	52,649	0.7
Nevada	51,515	0.6
New Mexico	48,833	0.6
Idaho	46,657	0.6
West Virginia	46,566	0.6

Appendix IV: States Ranked by Size

State	Average number of establishments for 2001	Percentage of total establishments
Maine	46,546	0.6
New Hampshire	46,406	0.6
Montana	40,553	0.5
Hawaii	35,428	0.4
Rhode Island	33,624	0.4
District of Columbia	28,561	0.4
South Dakota	27,342	0.3
Delaware	25,190	0.3
Vermont	24,060	0.3
North Dakota	23,258	0.3
Wyoming	21,429	0.3
Alaska	19,410	0.2

Source: BLS ES-202 data.

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