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BUDGET REQUEST FOR WIC IS INSUFFICIENT

Budget Would Likely Cause More than 100,000 Children to be Turned Away

by Robert Greenstein

The Administration's budget includes a \$94 million increase for the Supplemental Nutrition Program for Women, Infants, and Children (WIC). The budget states that the funding level it requests would enable the program to serve 7.25 million women, infants, and children in fiscal year 2002.

Yet the budget proposal for WIC is highly problematic. If the funding level proposed for WIC were approved, it would be the first time in a number of years that insufficient funds were provided to serve all eligible low-income women, infants, and children who seek WIC nutrition benefits. The budget would not provide sufficient funds to serve in 2002 the number of women, infants, and children that are on WIC today. Yet the number of women, infants, and children who are eligible for and in need of WIC is expected to rise significantly in the coming year, as a result of the higher level of unemployment the budget forecasts.

The funding level that the budget requests for WIC would likely result in states being unable to serve 100,000 to 200,000 eligible low-income women, infants, and children who would receive WIC benefits if adequate funding were provided. As a consequence, the requested funding level would result in a less favorable budget for WIC in a time of budget surpluses than recent Congresses provided for WIC even in a number of years of the 1990s when the nation was still experiencing budget deficits.

Budget Request for WIC Does Not Keep Pace With Inflation

The WIC appropriation for fiscal year 2001 is \$4.043 billion. The President's budget proposes \$4.137 billion for 2002, a \$94 million increase.

As is often the case, however, it is necessary to look at more than appropriation levels to gauge what is happening in a program and what effect a specific funding level would have on the program. The WIC appropriation level for fiscal year 2001 is artificially low because an unusually large amount of unspent fiscal year 2000 money was available at the start of fiscal year 2001. In other words, because of substantial sums of unspent funds from 2000 that could be used in 2001, Congress set the appropriation level for 2001 lower than would otherwise have been the case.

This is reflected in the budget documents that OMB and USDA issued April 9. These documents show that the actual increase in the funds that would be made available to state WIC programs under the Administration's budget would be \$49 million — or 1.2 percent — rather than \$94 million. The budget documents show that an estimated \$4.204 billion is expected to be available in fiscal year 2001 (including funds carried over from fiscal year 2000) and an estimated \$4.253 billion would be available in fiscal year 2002,¹ for an increase of \$49 million. Similarly, the OMB budget appendix shows that actual WIC expenditures — or outlays — would rise \$44 million, a little over one percent.

This 1.2 percent increase appears to be less than is needed to cover inflation. The problem seems to be most acute with regard to the funds provided to states to provide the nutrition services that are an important part of WIC — such as nutrition counseling and breast-feeding promotion — and to administer the program. The USDA budget documents show that the funds provided to states for WIC nutrition services and administration would rise only seven tenths of one percent next year (0.7 percent), significantly less than the inflation rate. State WIC programs have maintained for some time that the current level of support for these services is inadequate, and recent USDA regulations requiring increased state monitoring of retail food stores participating in WIC (in order to improve retailer compliance) are expected to increase state costs.

Freezing Participation As Unemployment — and Need — Increase

That the budget may not be adequate to cover inflation in WIC costs is not the principal problem, however; the main problems with the WIC budget request lie elsewhere. The budget states that it includes funds to serve an average of 7,245,000 women, infants, and children per month in WIC in fiscal year 2002,² which the budget says is the same as the average monthly number of participants estimated to be served in 2001. There are three problems here.

- First, fiscal year 2001 participation is likely to be higher than 7.245 million.
- Second, due to the increase in unemployment that the Administration's budget forecasts for 2002, WIC participation next year will climb above the 2001 level if sufficient funding is provided; in 1998, when unemployment was at the same level as the Administration is projecting for 2002, WIC participation averaged

¹ The \$4.204 total for the current year includes an estimated \$180 million in carryover funds. The appropriation of \$4.043 billion provided for fiscal year 2001, plus \$180 million in carry-over funding, minus \$20 million for the farmers' market program, equals \$4.204 billion. The \$4.253 billion total that USDA budget documents show for fiscal year 2002 includes a significantly smaller amount of carry-over funding, \$136 million. The Administration is requesting a \$4.137 billion appropriation for fiscal year 2002. This amount plus the estimated carry-over of \$136 million, minus \$20 million for farmers' markets, equals \$4.253 billion. That is the amount of funding the budget shows as being available next year under the Administration's budget request.

² The budget documents present the request as being for 7.25 million participants in FY 2002. That is a rounded number. The budget detail shows the precise number is 7,245,000 participants.

7.37 million. If insufficient funding is provided to cover the increase in participation that otherwise would accompany the anticipated weakening of the economy, states will have to turn away eligible individuals who are seeking WIC benefits.

- Finally, it is unlikely that the budget request would prove sufficient to serve even 7.245 million participants next year. The statement that the budget request would enable 7.245 million participants to be served rests on several unrealistic assumptions. It is more likely that the budget request would result in participation of about 7.20 million women, infants, and children next year, or about 170,000 fewer than the number who were served the last time that unemployment was at the level the Administration is projecting for 2002.

In short, if Congress provides for WIC in 2002 the amount that the budget requests, states are likely to have to reduce WIC participation even while need is rising. These problems are discussed in more detail in the remainder of this analysis.

WIC Participation in 2001

As noted, the budget assumes WIC participation will average 7.245 million in fiscal year 2001. That assumption may have seemed realistic a few months ago when the budget was put together. It no longer does. Participation has climbed in recent months as unemployment has risen. WIC participation stood at 7,259,000 in January 2001, the latest month for which data are available. An examination of historical participation patterns in WIC shows that January participation is typically lower than participation for the fiscal year as a whole.³

Unemployment and WIC Participation

The President's budget forecasts a further increase in unemployment in fiscal year 2002. WIC participation almost certainly will rise further in response to this increase in unemployment if sufficient resources are available, and will head back toward the levels at which it stood a few years ago before the unemployment rate fell to four percent and brought WIC caseloads down with it. The level of funding that would be available under the budget, however, would preclude this from occurring. The budget essentially proposes to hold WIC participation down as unemployment rises, with the result that the program would not be able to serve the increased numbers of low-income, nutritionally-at-risk children who will become eligible for WIC as a result of a weaker economy.

³ February participation data will be released soon. Participation always drops in February because it is a shorter month and hence WIC clinics are open fewer days. February participation is almost always significantly lower than average participation for the fiscal year and is not a good indicator of where participation is heading for the fiscal year. The March participation level will be a better indicator of overall 2001 participation levels.

- From late in fiscal year 1996 to early in fiscal year 1999, WIC participation stood at about 7.4 million.
- As the national unemployment rate dropped to four percent, WIC participation declined somewhat, to an average of 7.31 million in fiscal year 1999 and 7.2 million in fiscal year 2000.
- As unemployment began edging up in recent months, WIC participation has reversed course and started to recover lost ground. Average monthly WIC participation for the first four months of fiscal year 2001 is 84,000 participants higher than average monthly participation for the first four months of fiscal year 2000. If this pattern holds throughout the current fiscal year, average participation for fiscal year 2001 will be 7.28 million. This is 35,000 higher than the average participation level of 7.245 million level the budget assumes for 2001.⁴ (The 7.28 million participation level itself could prove to be an understatement; WIC participation in January 2001 was 127,000 higher than WIC participation in January 2000.)

This discrepancy has some significance for the WIC program in 2002. If WIC participation averages 7.28 million this year, the amount of unspent 2001 funding that will be available in 2002 will be lower than the Administration's budget assumes, making next year's funding squeeze still tighter and meaning that insufficient funds are available even to support a participation level of 7.245 million women, infants, and children next year. (As explained below, there are additional reasons why the funds in the budget are unlikely to be sufficient to support a participation level of 7.245 million next year.)

- Even if participation does end up averaging 7.245 million in 2001, that participation level will fall short of need in 2002, when unemployment is forecast to be higher. The budget shows that average WIC participation was 7.20 million in fiscal year 2000 when the unemployment rate averaged 4.1 percent. The budget estimates that average unemployment will rise to 4.3 percent in fiscal year 2001 (a level it already reached in March) and that WIC participation will rise with it to 7.245 million (which, as just noted, may prove an underestimate). But the budget then shows unemployment rising to 4.6 percent in 2002 *without any further increase in WIC participation*. The last time the unemployment rate averaged 4.6 percent for a fiscal year was in fiscal year 1998. WIC participation averaged 7.37 million that year, nearly 125,000 higher than the budget is said to support.

⁴ Average participation for the first four months of FY 2001 is below the 7.28 million level, but average participation for the first four months of the fiscal year is virtually always below participation for the subsequent eight months and for the fiscal year as a whole. This is partly because additional funding is made available to states after the first quarter of the year, as a result of the reallocation of funds carried over from the previous year.

The only way that WIC participation would fail to climb above the 7.245 million level next year — and to reverse more of the participation decline that occurred in 1999 and 2000 as unemployment dropped — would be if Congress and the Administration did not provide the needed resources and states had to turn away eligible individuals who sought WIC benefits. This is the outcome that the budget request would produce. It is likely that the number of nutritionally-at-risk, low-income pregnant women, new mothers, and young children whom WIC serves would be 100,000 - 200,000 lower under the funding level the budget contains than the participation level would be if sufficient resources are provided for the program.

Budget Appears Insufficient Even to Support 7.245 Million Participants in 2002

Finally, the budget request is likely to prove insufficient even to support participation of 7.245 million women, infants, and children next year. This is true for several reasons.

- In determining how much funding will be available next year, the budget assumes there will be \$136 million in unspent FY 2001 funds that will carry over to fiscal year 2002. This figure now seems likely to be an overestimate for two reasons.

First, the budget may have overestimated the amount of unspent fiscal year 2000 funds that were carried over into 2001. The budget assumes \$180 million was carried over from 2000 to 2001, but that estimate now seems high, given the amount of unspent 2000 funds that USDA has recovered and reallocated to date. (Final data on how much was carried over to 2001 should be available from USDA in coming weeks.) Second, as noted earlier, the estimate in the budget that WIC participation will average 7.245 million in fiscal year 2001 now appears low. As a result, the estimate in the budget of how much WIC will expend in 2001 also seems low.

If less money is available in 2001 than the amount the budget assumed and more of the funds that are available are expended, then the amount left unspent and carried over into 2002 will be smaller. In recent years when unemployment was declining, the budget often overestimated current-year WIC expenditure levels and underestimated carry-over funding. Now that unemployment has increased somewhat, the opposite appears to be true.

The result is that less than \$136 million is likely to remain unspent at the end of fiscal year 2001 and to carry over to 2002. That reduces the funding available in 2002.

- Also of importance, the budget is likely to have overestimated the proportion of the available funding that states actually will be able to use in 2002 if Congress

appropriates the amount the Administration has requested. For a series of reasons well known to those familiar with the practicalities of state WIC administration, states cannot expend 100 percent of the federal funds made available to them for a fiscal year without incurring a high risk that they will overspend their allotments. (States are able to determine their WIC expenditures for a fiscal year with precision only a number of months after the year is over; accordingly, states must “undershoot” modestly.) The budget makes the assumption that in 2002, states will spend 97.6 percent of the funds made available to them.⁵ In no recent year has the percentage expended been that high. It is unlikely that states can manage the program in a manner that expends this high a percentage of the available funds. (If states are able to spend 97.0 percent of the available funds rather than 97.6 percent, some \$25 million less will be used next year, resulting in about 40,000 fewer participants served in an average month.)

In short, the claim that WIC participation next year would be 7.245 million under the Administration’s budget rests on two assumptions that are likely to prove incorrect — that \$136 million will be carried over from fiscal year 2001 to fiscal year 2002 and that states can use 97.6 percent of the available funds in 2002. Use of more realistic assumptions yields the conclusion that under the level of funding the budget would provide, average WIC participation is likely to be about 7.20 million in fiscal year 2002, a reduction below the current level. Even the 7.20 million estimate could prove too high, given the level of funding that would be available.

Conclusion

The WIC budget request does not respond to the increase in need that will accompany the further rise in unemployment the budget forecasts. The budget is likely to result in some contraction of state WIC programs next year, even though need will have increased due to a weaker economy. The Administration’s WIC funding request also is insufficient to offset the effects of inflation.

In recent years, policymakers of both parties have provided sufficient funds so that eligible women, infants, and children seeking WIC benefits did not have to be denied. The level of funding that the budget proposes for WIC would result in a departure from this bipartisan tradition at a time of unprecedented budget surpluses.

⁵ Under the budget, \$4.253 billion would be available next year (not counting the farmers’ market program). Some \$14 million of this amount would be used for grants to states for WIC infrastructure improvements and EBT development. That leaves \$4.239 billion. The budget assumes that \$4.137 billion of this amount — 97.6 percent of it — will be used.