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**LATEST DATA SHOW WIC PROGRAM WILL BADLY NEED
SUPPLEMENTAL FUNDING IN FY 2002**

by Robert Greenstein and Sandra Clark

In his fiscal year 2003 budget, President Bush calls for sufficient funding to be provided for the WIC program in fiscal year 2003 for the program to be able to serve all eligible women, infants, and children who apply. In action taken last fall, Congress attempted to chart a similar course for fiscal year 2002 and to ensure that rising unemployment and increased need would not result in states having to turn away eligible mothers and children. Unfortunately, it now seems clear that the WIC program lacks sufficient resources to meet this goal in fiscal year 2002. To prevent states from restricting entry into the program and turning away substantial numbers of eligible people, a supplemental appropriation will be needed.

- Congress appropriated \$4.387 billion for WIC for fiscal year 2002. At the time that Congress took this action, this amount appeared sufficient to support average participation of nearly 7.6 million women, infants, and children this year.
- Today, however, the available funding appears sufficient to support average participation of only about 7.43 million people this year. This is significantly fewer participants than previously expected and falls below the January participation level of 7.51 million. (Adding to the problem, average participation for the year is typically higher than the January level, as explained below). The primary reason for the difference between last year's projections and current participation estimates is that average WIC food costs per participant for fiscal year 2002 will be significantly higher than was projected in the fall. When the average cost per participant rises, the number of participants that can be served with a given amount of funding declines.
- Average food costs per participant for fiscal year 2002 are running higher than was previously anticipated for two reasons: 1) For FY 2001, actual WIC food costs per participant were higher than USDA and other analysts, such as ourselves, had projected; and 2) In FY 2002, WIC food costs per participant are rising over the FY 2001 level at a higher rate than had been expected. For years, WIC food costs per participant rose more slowly than food costs in general and more slowly than USDA forecast each year. Now, these costs are rising somewhat faster than had been forecast.

At this time, the best estimate of the increase in WIC food costs per participant for fiscal year 2002 is an increase of 3.44 percent over last year's level. The 3.44 percent estimate, which reflects the latest trends in WIC food costs, is the estimate

USDA has just used in determining state need for WIC funds when allocating the \$39 million that Congress provided in the Department of Defense appropriations bill enacted in December. In the first three months of fiscal year 2002, WIC food costs are up nearly 4.9 percent over the first three months of last year.

The estimate that WIC food costs per participant will rise 3.44 percent this year represents an increase over earlier projections. The President's budget, which was developed several months ago, assumed a 2.5 percent increase in WIC food costs. More recently, the Department has used higher estimates in the formula for allocating WIC funds. The January allocation of WIC funds assumed inflation of 2.84 percent for FY 2002. In allocating the \$39 million in additional WIC funds, this estimate was subsequently revised upward to 3.44 percent based on more recent information. The revised 3.44 percent estimate lowers the projection of the average number of participants that can be served this year, from the 7.50 million figure assumed in the budget to approximately 7.45 million.¹

- A second factor that helps to explain why the average participation level that the funding available this year can support is significantly below the level assumed last fall is that the amount of unspent funds carried over from fiscal year 2001 has turned out to be lower than was anticipated. The President's budget assumed that only about \$76 million in funds went unspent in fiscal year 2001 and would be available for use in fiscal year 2002, well below the approximately \$100 million assumed last fall. Even the \$76 million figure, however, is turning out to be too high. It now appears that the actual amount of unspent funds carried over into fiscal year 2002 will be about one-fifth less than that amount. This further lowers the number of participants that can be served this year to 7.43 million.

The amount of unspent funds carried over from fiscal year 2001 into fiscal year 2002 is low by historical standards and results from the unusual circumstances that occurred near the end of last year. States typically maintain a modest cushion in their budgets to avoid overspending program funds, since they cannot know actual costs for the final months of the fiscal year until after the fiscal year is over. As economic conditions deteriorated toward the end of last year and participation rose, state spending was higher than expected. In addition, food costs per participant rose in the last few months of the year by significantly more states had anticipated. Both of these factors resulted in higher spending in the final months of the fiscal year than states had planned for, which reduced the amount of funds that remained unspent.

¹ The current estimate for average monthly WIC food costs per participant in FY 2002 is \$35.38. This is significantly higher than projections used last year to estimate funding needs for FY 2002. Last year, the President's budget estimated average per participant food costs of \$34.72 for FY 2002. Based on trends in food costs over the year, the Center on Budget and Policy Priorities subsequently estimated that food costs would be \$34.90. This was used as the basis for the estimates of funding needs for FY 2002.

- To hold average monthly participation to 7.43 million participants, states will have to turn away substantial numbers of eligible individuals. USDA data show that the program served 7,521,000 participants in October. Participation always drops in November and December, with WIC clinics closed one or more days in each of those months for Thanksgiving and Christmas, and starts back up in January. A new Center survey of the states indicates that participation in January was nearly back to the October level and stood at approximately 7,510,000.²

This is significant because participation typically rises after January. Average participation for the fiscal year as a whole is usually significantly above the January participation level. Last year, average fiscal year participation exceeded the January participation level by 39,000. In fiscal year 2000, average fiscal year participation exceeded January participation by 67,000.

Furthermore, the need for WIC is expected to increase in the months ahead; unemployment is projected to rise further. Unemployment usually continues to rise for a number of months after a recession officially ends, and economic forecasters expect that pattern to be repeated this year. While the January unemployment rate was 5.6 percent (and average unemployment for the first four months of fiscal year 2002 also was 5.6 percent), CBO projects that the average unemployment rate for fiscal year 2002 as a whole will be 6.0 percent. Similarly, Federal Reserve Chairman Alan Greenspan testified before the House Financial Services Committee on February 27 that the Fed expects the unemployment rate to rise to between 6.0 percent and 6.25 percent before beginning to subside.³

These data and projections suggest that average WIC participation this year is likely to be somewhere between 7.55 million and 7.65 million, unless states turn people away or otherwise discourage them from applying.⁴ This is consistent with the forecast in the Administration's

² The January participation estimate is based on data from 45 states that account for roughly 93 percent of the total WIC participation.

³ Testimony of Chairman Alan Greenspan before the House Committee on Financial Services, February 27, 2002, p. 9.

⁴ If average fiscal year 2002 participation is 39,000 above January participation, as it was last year, FY 2002 participation should average about 7.55 million. If average participation exceeds January participation by a larger amount and unemployment rises to the 6.0 to 6.25 percent range, as Chairman Greenspan expects, participation could average 7.65 million. (Between fiscal year 2000 and 2001, as unemployment increased from 4.0 to 4.4 percent – or four tenths of one percentage points, WIC participation grew by 110,000. Based on estimates by CBO and OMB, unemployment will increase by a much larger amount between fiscal year 2001 and 2002. CBO projects average unemployment of 6.0 percent for fiscal year 2002, and OMB projects unemployment of 5.8 percent. Based on these projections, it appears that WIC participation could reach 7.65 million in fiscal year 2002 as unemployment

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budget that participation will average nearly 7.8 million in fiscal year 2003. To accommodate this participation, a supplemental in the range of roughly \$70 million to \$130 million appears to be needed.⁵

In a recent survey by the Center on Budget and Policy Priorities, a number of states reported that they are considering restricting enrollment in coming months due to a shortfall in funds. In the absence of a supplemental, states will likely have to turn away at least 100,000 and possibly as many as 200,000 eligible women, infants, and children.

⁴ (...continued)
continues to rise.)

⁵ These dollar figures use the per-participant cost estimates in the President's budget, except that the food cost per participant is adjusted to reflect USDA's current estimate that these costs will increase 3.44 percent in FY 2002.