



BRIEFLY

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Caseload Increases Drive Up State Costs

The recession has thrown the state budget seriously out of balance, simultaneously reducing revenues and increasing the cost of maintaining existing spending commitments. As noted in a previous Policy Brief (*Revenue Forecast Reduced Again*, PB02-3), since the legislature adopted the budget for the 2001-03 biennium, the forecast of revenues has been reduced by \$1,154 million. This brief outlines the pressure on the spending side.

The budgeted cost of the spending plan for the 2001-03 biennium that the legislature adopted last year was \$22,783 million. Marty Brown, the director of the Office of Financial Management has indicated that an additional \$450 million is necessary. While some of this reflects policy initiatives, the bulk is required to carry out existing law.

The Medicaid program provides an example of several different forms of mandatory cost increases. Medicaid is an entitlement: the program must serve all eligible individuals who sign up. Budgeted costs for the program are based on forecasts of the number of enrollees, the cost per enrollee, and the share of these costs that will be reimbursed by the federal government. When enrollments or the cost per enrollee increase, or the share covered by the federal government falls, the budget must be increased to accommodate the growth, or the law must be changed to reduce program costs.

The major mandatory increases are described below.

Caseload forecasts

The state Caseload Forecast Council issues forecasts three times a year, in February, July and November, for K-12 enrollments, social and health service caseloads, and prison populations. The February 2001 forecast was the basis for the budget adopted last year. The forecast issued this February will be the basis for the supplemental budget.

Chart 1 shows the changes in caseload forecasts from February 2001 to February 2002. In most cases the forecasts have been revised upward.

K-12 education

In total, K-12 costs are \$132 million more than initially budgeted.

CHART 1
Average Caseloads, 2001-03 Biennium

	February 2002 Forecast	Change from Feb. 01 Forecast	
		Number	Percent
Superintendent of Public Instruction			
Basic Education	957,601	10,709	1.1%
Bilingual	64,878	264	0.4%
Special Education	119,575	2,777	2.4%
Department of Corrections			
Adult Inmate Population	15,417	408	2.7%
Adult Community Supervision	97,026	5,960	6.5%
Juvenile Rehabilitation Administration	1,114	(125)	-10.1%
Department of Social and Health Services			
Economic Services Administration			
TANF	56,065	2,399	4.5%
SSI/State Supplemental Payment	97,049	2,073	2.2%
General Assistance	20,125	2,733	15.7%
Long Term Care			
Nursing Homes	13,049	(229)	-1.7%
Home and Community Services	32,954	(846)	-2.5%
Developmental Disabilities			
Medical Personal Care	10,545	1,206	12.9%
Children's Administration			
Foster Care	8,098	(3)	0.0%
Adoption Support	8,552	(41)	-0.5%
Medical Assistance Administration			
Medicaid	858,610	27,036	3.3%

Source: Caseload Forecast Council



The basic education enrollment forecast is up by nearly 11,000. This represents a relatively small 1.1 percent increase. The weakening economy seems to be a major cause of this upward revision: fewer students are dropping out and more students are crossing over to the public schools from private schools. One factor in the special education increase is the increase in the lid on special education enrollment from 12.7 percent to 13 percent of K-12 enrollment. The increased enrollments will increase costs by \$106 million.

Initiative 732, approved by the state's voters in November 2000, specifies that each September K-12 teachers and community college faculty receive a cost-of-living increase equal in percentage to the previous year's increase in the Seattle area Consumer Price Index. Based of forecasts by the Forecast Council, the budget included funds sufficient to pay an increase of 3.1 percent for the 2002-03 school year. Seattle CPI inflation came in at 3.6 percent, requiring an additional \$14 million for K-12 teachers (and \$1.4 million for community college faculty).

In addition, the levy equalization program, which helps school districts with low property tax bases, will cost \$12 million more than earlier projected.

Economic services

Here, again, the weak economy is driving up caseloads. The forecast for the Temporary Aid to Needy Families (TANF) program is up 2,399 while the forecast for General Assistance (GA) is up 2,733.

TANF is a component of WorkFirst, Washington's welfare reform program, and is operated in partnership with the federal government. As welfare reform reduced TANF caseloads in recent years, the savings were retained within WorkFirst to expand the state's childcare program. As TANF caseloads increase, money will be pulled back from childcare to cover the cost. Thus the forecast increase in TANF caseloads does not require any additional general fund spending. The GA forecast increase, on the other hand, increases general fund spending.

There is a state program that provides supplemental payments for individuals who receive benefits under the federal supplemental security income program. The forecast for this state program is up 2,073.

Together the GA and SSI/SSP caseload increases boost cost by \$16 million.

Long term care

Long-term care is a bright spot with the nursing home caseload forecast to be down by 229 and the home and community services caseload forecast down by 842. The drop in the nursing home forecast is due in large part to a new state program that allows certain nursing home clients to transfer to less restrictive residential settings. Part of the drop in home and community services is due to the closing of the Chore program to new admissions. Overall long-term care costs are down by \$22 million. Workload changes add \$2 million.

Medical assistance

The forecast for the Medicaid programs offered through the Medical Assistance Administration grew by 27,036 from February 2001 to February 2002. Part of this increase is the product of a new computer system that automatically enrolls in Medicaid those who are enrolled in the federal Supplemental Security Income program. In addition, more people are qualifying for Medicaid as a result of the economic downturn. The cost of the caseload increase is \$76 million.



Also, accelerating healthcare prices are pushing up per capita costs for the program. This is expected to add \$38-48 million to overall costs.

Mental health

Increases in Medicaid forecasts drive mental health spending up by \$13 million. An additional \$3 million are required to expand the Special Commitment Center at the correction center in Purdy and the forensic wards at Eastern State Hospital.

Federal medical assistance percentage

State Medicaid programs operate as a partnership between the states and the federal government. The share of program costs born by the federal government varies by state and over time depending on each state's relative wealth. The federal share of the states cost is called the federal assistance percentage (FMAP). When the budget was written, it was projected that the FMAP for Washington for FY 2003 would be 50.37 percent. It has since been determined that the FMAP for 2003 will be somewhat lower, 50.09 percent. As a result the state's costs for Medicaid have increased by about \$15 million.

Corrections costs

The increase in prison and community corrections populations costs \$42 million. In addition, the department of corrections needs \$3 million to offset the loss of federal funds and \$3 million for health care cost increases.

Lawsuits

The state self insures against smaller tort losses and buys private insurance to protect against larger losses (those in excess of \$15-\$25 million). Losses are not appropriated but rather are paid out of a dedicated account, the Liability Account, into which state agencies pay premiums. A recent spate of judgments against the state has drained the Liability Account, and it needs a \$25 million infusion. The budget adopted last year anticipated that surplus in the Law Enforcement Officers and Fire Fighters Pension Plan 1 (LEOFF1) would be used for that purpose, but the bill to restructure LEOFF1 failed to pass the legislature.

Fire suppression

The Department of Natural Resources spent \$21 million fighting fires last summer and needs an appropriation to cover these costs. In addition the department must provide \$2 million from the general fund to the correctional camps program. This would offset a shortfall in the resource management cost account and avoid the elimination of 22 inmate crews used to fight forest fires.

