



THE KAISER COMMISSION ON **Medicaid and the Uninsured**

October 1, 2001

Trends in CHIP Expenditures: State-by-State Data

Congress created the Children's Health Insurance Program (CHIP) as part of the Balanced Budget Act of 1997 and allocated more than \$40 billion in federal funds over a ten-year period to extend coverage to low-income children. States can use their share of the federal funds to expand Medicaid (17 states), create or expand a separate state child health insurance program (17 states), or pursue a combination of both approaches (17 states). Funding for CHIP was set at more than \$4 billion a year through fiscal year 2001, but then drops by \$1.1 billion to \$3.15 billion in fiscal year 2002, a 26 percent decline in funding. This reduced level of funding remains in effect for a three-year period. Then, in fiscal year 2005, the funding level for the program returns to more than \$4 billion a year.

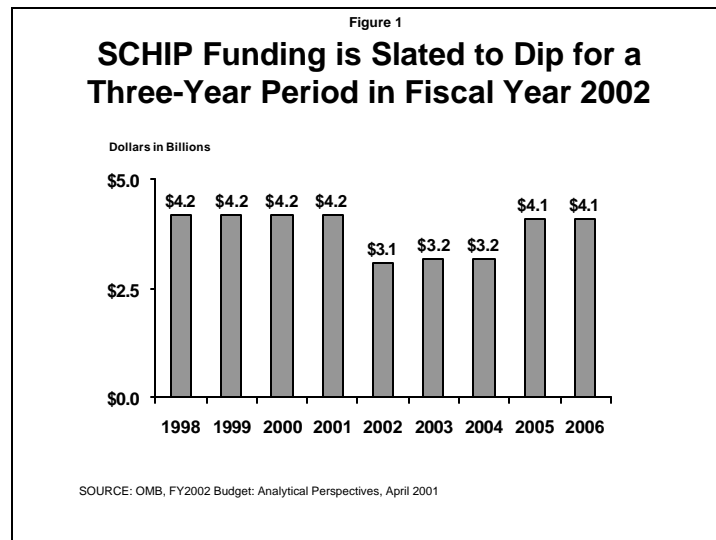
In the early years of CHIP, as states designed and implemented their programs, states' use of CHIP funds was relatively modest. As a result, many states accrued a significant amount of unspent CHIP funds. However, the rate at which states are using their CHIP funds is increasing rapidly as they gain experience operating their CHIP programs and families learn about the availability of coverage. As the need for CHIP funds increases and the dip in federal funding takes effect beginning in fiscal year 2002, many states will need to rely heavily on the unspent funds from earlier years that remain available to them. Over time, a number of states may find that the unspent funds are not sufficient to allow them to compensate for the dip in CHIP funding and to enroll all eligible children.

This policy brief and the attached tables describe the CHIP financing structure and provide state-specific information on trends in states' CHIP expenditures, as well as illustrate the potential effect on the adequacy of states' allotments in fiscal year 2002 of the pending dip in federal CHIP funding.

THE CHIP FINANCING STRUCTURE

Federal Funding Levels

The 1997 CHIP legislation provided more than \$40 billion over ten years for children's health coverage. Funds first became available to states on October 1, 1998, a few months after the CHIP law was passed. The law set the CHIP funding levels for fiscal years 1998 through 2001 at more than \$4 billion a year. In fiscal year 2002, however, federal SCHIP funding will fall by 26 percent to \$3.1 billion. The funding level for SCHIP will remain at a little more than \$3 billion a year through fiscal year 2004, after which it returns to more than \$4 billion a year (Figure 1). The "dip" in SCHIP funding was written into the SCHIP authorizing legislation due to budget constraints present at the time the legislation was drafted in 1997, rather than for policy reasons.



The Formula for Distributing CHIP Funds Among the States

Federal CHIP funds are divided among the states (and territories) according to a formula established by the CHIP statute. For fiscal years 2001 and beyond, the formula distributes funds among the states based primarily on each state's share of low-income children and its share of uninsured low-income children. Table 1 provides information on each state's CHIP allotment for fiscal years 1998 through 2001.

In general, a state has three years to use the allotment that it receives in any given fiscal year. For example, fiscal year 2001 funds can be used in fiscal year 2001, 2002, and 2003. If a state is unable to use its allotment within the three-year period, its unused funds are redistributed to states that did use their full allotments for that fiscal year. Redistributed funds are available for one year. Any unspent funds are returned to the Treasury. The reallocation process helps assure that child health funds are distributed to states that can make use of them to cover children, rather than remaining unspent.

This basic framework was revised for the fiscal 1998 and fiscal 1999 allocations only. In response to concerns that many states needed more time to use their full fiscal year 1998 allotments, Congress in December of 2000 gave states a two year extension through September 30, 2002 on using a share of their unspent funds. (The remaining share, roughly 35 percent, was redistributed to states that had fully spent their fiscal year 1998 allotments. It also adopted similar rules for fiscal year 1999 funds that will apply to funds that remain unspent at the end of the fiscal year 2001 (September 30, 2001).

State Matching Requirements

CHIP funds are available to states on a "matching" basis, which means that states must spend some of their own money as a condition of securing federal CHIP funds for coverage. Under the matching formula, the federal government picks up between 65 percent and 85 percent of the cost of covering a child, depending on the state. Each state's CHIP matching rate is higher than its regular Medicaid matching rate, reducing by 30 percent the cost to a state of covering children compared to the regular Medicaid matching rate. Table 2 shows the regular Medicaid and CHIP matching rate for each state for fiscal year 2001.

Table 1

Federal SCHIP Allotments (in thousands)					
State	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Total of allotments made available to date
United States	\$4,224,263	\$4,204,313	\$4,204,313	\$4,204,313	\$16,837,200
Alabama	\$85,975	\$85,569	\$77,012	\$69,311	\$317,868
Alaska*	\$6,889	\$6,857	\$7,730	\$8,987	\$30,463
Arizona	\$116,798	\$116,246	\$130,213	\$124,519	\$487,776
Arkansas	\$47,908	\$47,682	\$53,754	\$53,957	\$203,301
California	\$854,645	\$850,609	\$765,548	\$704,931	\$3,175,732
Colorado	\$41,791	\$41,593	\$46,890	\$44,649	\$174,923
Connecticut	\$34,959	\$34,794	\$39,225	\$39,398	\$148,376
Delaware	\$8,053	\$8,015	\$9,036	\$10,506	\$35,611
District of Columbia	\$12,076	\$12,019	\$10,817	\$11,752	\$46,664
Florida	\$270,215	\$268,939	\$242,045	\$220,218	\$1,001,416
Georgia	\$124,660	\$124,071	\$132,381	\$135,053	\$516,166
Hawaii	\$8,945	\$8,903	\$10,037	\$11,669	\$39,554
Idaho	\$15,880	\$15,805	\$17,818	\$20,715	\$70,217
Illinois	\$122,529	\$121,950	\$137,481	\$159,839	\$541,798
Indiana*	\$70,512	\$70,179	\$63,161	\$60,024	\$263,877
Iowa	\$32,460	\$32,307	\$32,383	\$32,940	\$130,091
Kansas	\$30,657	\$30,512	\$30,321	\$29,338	\$120,827
Kentucky*	\$49,933	\$49,697	\$56,026	\$55,940	\$211,595
Louisiana	\$101,737	\$101,256	\$91,131	\$82,018	\$376,142
Maine*	\$12,487	\$12,428	\$13,978	\$13,445	\$52,338
Maryland*	\$61,627	\$61,336	\$56,870	\$51,422	\$231,256
Massachusetts*	\$42,836	\$42,634	\$48,064	\$55,880	\$189,414
Michigan	\$91,586	\$91,153	\$102,762	\$119,473	\$404,974
Minnesota	\$28,396	\$28,262	\$31,861	\$37,043	\$125,562
Mississippi	\$56,017	\$55,753	\$58,036	\$55,988	\$225,794
Missouri*	\$51,673	\$51,429	\$57,979	\$65,460	\$226,542
Montana	\$11,740	\$11,685	\$13,173	\$15,169	\$51,768
Nebraska	\$14,863	\$14,793	\$16,576	\$19,084	\$65,316
Nevada	\$30,407	\$30,263	\$30,526	\$31,344	\$122,541
New Hampshire	\$11,458	\$11,404	\$10,264	\$11,933	\$45,060
New Jersey	\$88,418	\$88,000	\$96,859	\$98,823	\$372,100
New Mexico	\$62,973	\$62,675	\$56,408	\$50,767	\$232,823
New York*	\$255,626	\$254,419	\$286,822	\$322,026	\$1,118,893
North Carolina*	\$79,508	\$79,133	\$89,211	\$103,719	\$351,572
North Dakota	\$5,041	\$5,017	\$5,656	\$6,576	\$22,289
Ohio	\$115,734	\$115,188	\$129,858	\$142,215	\$502,995
Oklahoma	\$85,699	\$85,294	\$76,765	\$69,088	\$316,847
Oregon	\$39,122	\$38,937	\$43,896	\$50,134	\$172,089
Pennsylvania*	\$117,457	\$116,902	\$128,956	\$138,969	\$502,283
Rhode Island*	\$10,684	\$10,634	\$9,571	\$9,301	\$40,190
South Carolina*	\$63,558	\$63,258	\$71,314	\$64,591	\$262,721
South Dakota	\$8,541	\$8,501	\$7,951	\$8,177	\$33,170
Tennessee	\$66,153	\$65,841	\$74,226	\$86,297	\$292,517
Texas	\$561,332	\$558,681	\$502,812	\$452,531	\$2,075,356
Utah	\$24,241	\$24,127	\$27,199	\$30,184	\$105,752
Vermont	\$3,535	\$3,519	\$3,967	\$4,612	\$15,633
Virginia	\$68,315	\$67,992	\$73,580	\$75,491	\$285,379
Washington	\$46,661	\$46,441	\$52,355	\$60,870	\$206,327
West Virginia	\$23,607	\$23,495	\$21,146	\$21,145	\$89,393
Wisconsin	\$40,633	\$40,441	\$45,592	\$49,598	\$176,264
Wyoming	\$7,712	\$7,675	\$7,069	\$7,194	\$29,649

The figures in this table represent the allotments states received in each fiscal year. They do not reflect the effect on available funding created by the reallocation process which, to date, has resulted in 38 states and the District of Columbia returning a share of their unspent fiscal year 1998 funds to the federal government for redistribution to the 12 states (marked with an "**") that used all of their fiscal year 1998 funds on children's coverage by the September 30, 2000 deadline.

Source: Center on Budget and Policy Priorities

Note: The United States total excludes the allotments provided to territories.

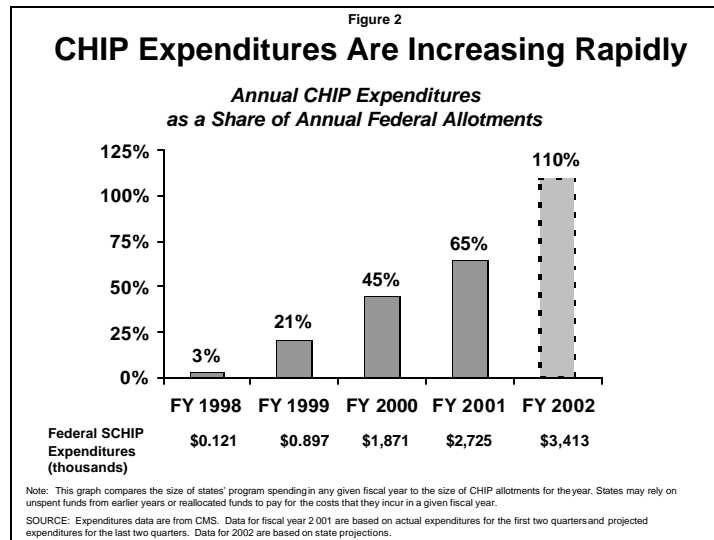
Table 2

Regular and Enhanced Federal Matching Rates		
Fiscal Year 2001		
State	Regular Medicaid matching rate	SCHIP matching rate
Alabama	70.0%	79.0%
Alaska	56.0%	69.2%
Arizona	65.8%	76.0%
Arkansas	73.0%	81.1%
California	51.3%	65.9%
Colorado	50.0%	65.0%
Connecticut	50.0%	65.0%
Delaware	50.0%	65.0%
District of Col.	70.0%	79.0%
Florida	56.6%	69.6%
Georgia	59.7%	71.8%
Hawaii	53.9%	67.7%
Idaho	70.8%	79.5%
Illinois	50.0%	65.0%
Indiana	62.0%	73.4%
Iowa	62.7%	73.9%
Kansas	59.9%	71.9%
Kentucky	70.4%	79.3%
Louisiana	70.5%	79.4%
Maine	66.1%	76.3%
Maryland	50.0%	65.0%
Massachusetts	50.0%	65.0%
Michigan	56.2%	69.3%
Minnesota	51.1%	65.8%
Mississippi	76.8%	83.8%
Missouri*	61.0%	72.7%
Montana	73.0%	81.1%
Nebraska	60.4%	72.3%
Nevada	50.4%	65.3%
New Hampshire	50.0%	65.0%
New Jersey	50.0%	65.0%
New Mexico	73.8%	81.7%
New York	50.0%	65.0%
North Carolina	62.5%	73.7%
North Dakota	70.0%	79.0%
Ohio	59.0%	71.3%
Oklahoma	71.2%	79.9%
Oregon	60.0%	72.0%
Pennsylvania	53.6%	67.5%
Rhode Island	53.8%	67.7%
South Carolina	70.4%	79.3%
South Dakota	68.3%	77.8%
Tennessee	63.8%	74.7%
Texas	60.6%	72.4%
Utah	71.4%	80.0%
Vermont	62.4%	73.7%
Virginia	51.9%	66.3%
Washington	50.7%	65.5%
West Virginia	75.3%	82.7%
Wisconsin	59.3%	71.5%
Wyoming	64.6%	75.2%

Source: CMS, SCHIP Federal Register Notice, June 2001.

TRENDS IN STATES' USE OF CHIP FUNDS TO DATE

As shown in Tables 3 and 4, states' use of CHIP funds has increased rapidly over time. In 1998, the first year of the program, states spent \$121 million on CHIP, an amount that was equivalent to 3 percent of the fiscal year 1998 CHIP allotments (Figure 2). This year, however, state spending on CHIP is expected to reach \$2.7 billion, an amount that is equivalent to 65 percent of states' fiscal year 2001 allotments. State estimates for FY2002 indicate that expenditures are expected to reach \$3.4 billion and will actually exceed the annual allotment of \$3.1 billion for that year. (Note, however, that states may draw on unspent fund reserves they accumulated during the early years of the CHIP program and/or reallocated funds from other states to pay for expenditures incurred in any given fiscal year. Thus, not all spending for fiscal year 2002 must be financed out of the fiscal year 2002 allotment).



CHIP spending varies significantly by state. For example, as shown in Table 4, seven states – Alaska, Indiana, Kentucky, Maryland, Mississippi, New York, and Rhode Island – are slated to spend an amount on CHIP in fiscal year 2001 that exceeds their annual allotments. (Note that these states may be able to rely on unspent funds from earlier years or reallocated funds to supplement their annual allotments). At the same time, ten states – Arkansas, Delaware, Hawaii, Illinois, Minnesota, New Hampshire, New Mexico, Oregon, Tennessee, Washington – are expected to spend an amount on CHIP in fiscal year 2001 that represents less than 30 percent of their allotments for this year. The key factors that can affect a state's spending on CHIP include the following:

- *Date of implementation.* The 1998 fiscal year allotments totaled \$4.2 billion even though most new programs were not up and running until well into the fiscal year. States that implemented CHIP later generally have accrued significant amounts of unspent funds from the early years of the program when they were not using any of their allotments. Moreover, once a program is implemented, it generally takes some time to conduct outreach and build enrollment and spending levels.

Table 3

Federal SCHIP Expenditures (in thousands)					
State	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001 *	Total expenditures to date
United States	\$121,231	\$897,687	\$1,870,703	\$2,725,578	\$5,615,199
Alabama	\$2,433	\$22,930	\$31,948	\$48,348	\$105,659
Alaska	-	\$3,807	\$18,088	\$28,201	\$50,096
Arizona	-	\$8,837	\$29,405	\$47,994	\$86,236
Arkansas	-	\$680	\$1,523	\$2,738	\$4,941
California	\$1,984	\$66,999	\$188,029	\$318,922	\$575,934
Colorado	\$988	\$9,036	\$13,919	\$22,819	\$46,762
Connecticut	-	\$12,301	\$12,762	\$13,521	\$38,584
Delaware	-	\$787	\$1,503	\$2,421	\$4,711
District of Columbia	-	\$499	\$5,763	\$4,078	\$10,340
Florida	\$6,357	\$51,006	\$125,683	\$189,264	\$372,310
Georgia	-	\$7,429	\$48,749	\$77,912	\$134,090
Hawaii	-	-	\$420	\$3,339	\$3,759
Idaho	\$1,367	\$3,913	\$7,496	\$13,501	\$26,277
Illinois	\$6,082	\$14,731	\$32,659	\$40,760	\$94,232
Indiana	-	\$61,716	\$53,705	\$64,132	\$179,553
Iowa	\$276	\$10,563	\$15,493	\$25,271	\$51,603
Kansas	-	\$8,791	\$12,771	\$24,549	\$46,111
Kentucky	-	\$17,825	\$60,027	\$86,368	\$164,220
Louisiana	-	\$10,362	\$25,293	\$37,001	\$72,656
Maine	-	\$5,617	\$11,402	\$13,177	\$30,196
Maryland	\$692	\$13,559	\$92,033	\$96,489	\$202,773
Massachusetts	-	\$35,386	\$44,165	\$55,782	\$135,333
Michigan	\$658	\$14,919	\$36,150	\$38,328	\$90,055
Minnesota	-	\$7	\$8	\$13	\$28
Mississippi	-	\$8,092	\$21,086	\$60,082	\$89,260
Missouri	-	\$19,708	\$41,201	\$62,363	\$123,272
Montana	-	\$599	\$4,288	\$11,293	\$16,180
Nebraska	\$4	\$3,770	\$6,107	\$9,359	\$19,240
Nevada	-	\$4,110	\$8,954	\$15,046	\$28,110
New Hampshire	-	\$965	\$1,574	\$2,698	\$5,237
New Jersey	\$3,541	\$19,616	\$46,851	\$54,315	\$124,323
New Mexico	-	\$768	\$3,442	\$8,493	\$12,703
New York	\$50,079	\$239,428	\$401,010	\$433,272	\$1,123,789
North Carolina	-	\$34,921	\$65,490	\$88,005	\$188,416
North Dakota	-	\$76	\$1,783	\$3,362	\$5,221
Ohio	\$8,638	\$35,872	\$53,070	\$103,704	\$201,284
Oklahoma	-	-	\$51,257	\$30,866	\$82,123
Oregon	\$392	\$7,247	\$12,509	\$14,417	\$34,565
Pennsylvania	\$10,101	\$38,650	\$74,295	\$92,256	\$215,302
Rhode Island	-	\$2,321	\$10,350	\$18,363	\$31,034
South Carolina	\$26,276	\$43,205	\$46,591	\$52,192	\$168,264
South Dakota	\$52	\$1,495	\$3,108	\$6,416	\$11,071
Tennessee	-	-	\$41,718	\$21,581	\$63,299
Texas	\$1,308	\$38,491	\$41,463	\$271,316	\$352,578
Utah	-	\$7,994	\$12,842	\$18,991	\$39,827
Vermont	-	\$525	\$1,430	\$2,369	\$4,324
Virginia	-	\$4,992	\$18,558	\$30,077	\$53,627
Washington	-	-	\$604	\$5,052	\$5,656
West Virginia	\$3	\$1,075	\$9,693	\$17,525	\$28,296
Wisconsin	-	\$2,067	\$21,394	\$34,234	\$57,695
Wyoming	-	-	\$1,041	\$3,001	\$4,042

Source: Data were provided by CMS.

* FY2001 expenditures are based on actual expenditures for the first two quarters and state projections for the remaining two quarters. Territories are not included in this table.

Table 4

Trends in States' Use of SCHIP Funds: Annual Expenditures as a % of Annual Federal Allotments				
State	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001*
United States	2.9%	21.4%	44.5%	64.8%
Alabama	2.8%	26.8%	41.5%	69.8%
Alaska	0.0%	55.5%	234.0%	313.8%
Arizona	0.0%	7.6%	22.6%	38.5%
Arkansas	0.0%	1.4%	2.8%	5.1%
California	0.2%	7.9%	24.6%	45.2%
Colorado	2.4%	21.7%	29.7%	51.1%
Connecticut	0.0%	35.4%	32.5%	34.3%
Delaware	0.0%	9.8%	16.6%	23.0%
District of Columbia	0.0%	4.2%	53.3%	34.7%
Florida	2.4%	19.0%	51.9%	85.9%
Georgia	0.0%	6.0%	36.8%	57.7%
Hawaii	0.0%	0.0%	4.2%	28.6%
Idaho	8.6%	24.8%	42.1%	65.2%
Illinois	5.0%	12.1%	23.8%	25.5%
Indiana	0.0%	87.9%	85.0%	106.8%
Iowa	0.9%	32.7%	47.8%	76.7%
Kansas	0.0%	28.8%	42.1%	83.7%
Kentucky	0.0%	35.9%	107.1%	154.4%
Louisiana	0.0%	10.2%	27.8%	45.1%
Maine	0.0%	45.2%	81.6%	98.0%
Maryland	1.1%	22.1%	161.8%	187.6%
Massachusetts	0.0%	83.0%	91.9%	99.8%
Michigan	0.7%	16.4%	35.2%	32.1%
Minnesota	0.0%	0.0%	0.0%	0.0%
Mississippi	0.0%	14.5%	36.3%	107.3%
Missouri	0.0%	38.3%	71.1%	95.3%
Montana	0.0%	5.1%	32.6%	74.4%
Nebraska	0.0%	25.5%	36.8%	49.0%
Nevada	0.0%	13.6%	29.3%	48.0%
New Hampshire	0.0%	8.5%	15.3%	22.6%
New Jersey	4.0%	22.3%	48.4%	55.0%
New Mexico	0.0%	1.2%	6.1%	16.7%
New York	19.6%	94.1%	139.8%	134.5%
North Carolina	0.0%	44.1%	73.4%	84.8%
North Dakota	0.0%	1.5%	31.5%	51.1%
Ohio	7.5%	31.1%	40.9%	72.9%
Oklahoma	0.0%	0.0%	66.8%	44.7%
Oregon	1.0%	18.6%	28.5%	28.8%
Pennsylvania	8.6%	33.1%	57.6%	66.4%
Rhode Island	0.0%	21.8%	108.1%	197.4%
South Carolina	41.3%	68.3%	65.3%	80.8%
South Dakota	0.6%	17.6%	39.1%	78.5%
Tennessee	0.0%	0.0%	56.2%	25.0%
Texas	0.2%	6.9%	8.2%	60.0%
Utah	0.0%	33.1%	47.2%	62.9%
Vermont	0.0%	14.9%	36.0%	51.4%
Virginia	0.0%	7.3%	25.2%	39.8%
Washington	0.0%	0.0%	1.2%	8.3%
West Virginia	0.0%	4.6%	45.8%	82.9%
Wisconsin	0.0%	5.1%	46.9%	69.0%
Wyoming	0.0%	0.0%	14.7%	41.7%

Source: KCMU calculations based on data provided by CMS.

*FY2001 expenditures are based on actual expenditures for the first two quarters and state projections for the last two quarters.

Note: States can rely on unspent funds from earlier years, as well as reallocated funds, to cover the costs that they incur in any given fiscal year. Thus, this table should not be read as showing an estimate of the amount of annual allotments that states are likely to actually use. Territories are not included in this table.

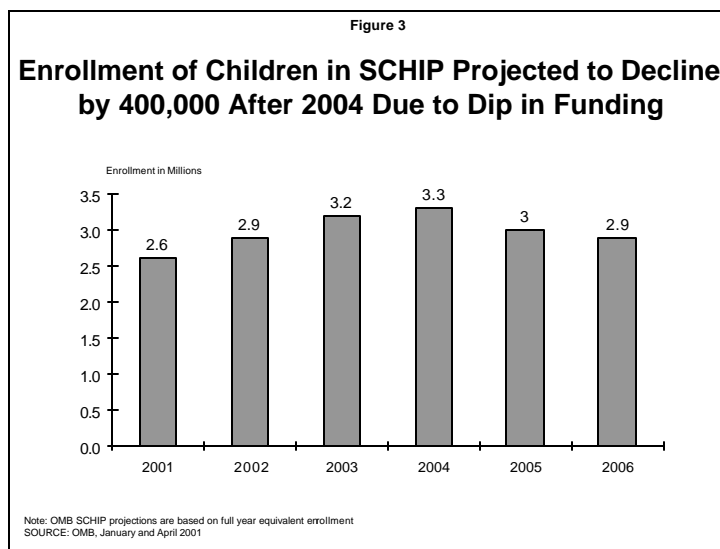
- *Program design choices.* The CHIP program design choices made by states affect their ability to use CHIP funds. For example, each of the following design choices can affect spending: The breadth of the CHIP expansion; the state's design of the application and re-enrollment process; the level of premiums the state requires families to pay; and the amount the state invests in outreach efforts.
- *Medicaid eligibility levels prior to enactment of CHIP.* To assure that CHIP funds are used for expansions, the law prohibits states from using their CHIP funds for children who were eligible for coverage under Medicaid before CHIP was adopted. Thus, states that adopted major Medicaid expansions for children before the spring of 1997 may be quite limited in the range of children for whom they can use CHIP funds. Minnesota, for example, provided Medicaid to children with income up to 250 percent of the poverty line prior to enactment of CHIP. Thus, it can use its CHIP funds only on children in families with income above 250 percent of the poverty line.
- *Immigration status of children.* Federal law prohibits states from using CHIP funds for legal immigrant children who arrived in the United States on or after August 22, 1996 during their first five years in the country, (undocumented children are also excluded). States with a high concentration of immigrant children, thus, may be harder pressed to make use of their full CHIP allotments than states without a significant immigrant population. The formula for distributing CHIP funds among the states takes into account the number of low-income and uninsured low-income children in a state, but does not consider the immigration status of these children.
- *Technical shortcomings in the formula used to distribute funds.* To estimate the number of low-income children and uninsured low-income children in each state, CMS relies on data from the Current Population Survey. These data contain inaccuracies, both because there are inherent problems of accuracy in self-reported data about income and insurance status and because the CPS sample size in many states is limited. In states where the CPS data overstate the size of the population of low-income and low-income uninsured children, the size of the states' allotments may be large relative to their need for funds. Conversely, states for which the data understate the size of these populations receive allotments that may be smaller than needed. The CPS sample size has been increased to address this problem, but the new data are not yet available. An additional problem with the formula is that it considers all low-income uninsured children without accounting for those children who were already eligible for Medicaid but not enrolled. The portion of low-income uninsured children who are eligible for regular Medicaid coverage varies considerably from state to state.
- *Use of CHIP waivers to cover parents and pregnant women.* Waivers can allow states to use CHIP funds for purposes that otherwise would not be permitted under the law. Four states (MN, NJ, RI, WI) have secured waivers to use CHIP funds not needed for children to cover parents. A

number of additional states have expressed interest in applying for waivers to cover parents or otherwise expand the range of activities for which they can use CHIP funds. A waiver will affect a state's CHIP spending and the amount of funds available to other states through the reallocation process.

EFFECT OF THE DIP IN CHIP FUNDING

As noted above, the federal funding level for CHIP is slated to drop from \$4.2 billion in fiscal year 2001 to \$3 billion in fiscal year 2002, and to remain at this reduced level for a three-year period. As shown in Table 5, the dip in CHIP funding when combined with continued growth in expenditures may cause a majority of states to find that their annual allotments for fiscal years 2002 through 2005 are less than their expenditure levels. According to the estimates in Table 5, 25 states are projected to have annual expenditures in fiscal year 2002 that exceed their annual allotments.

In fiscal year 2002, most states will be able to rely on unspent funds from earlier years and/or reallocated funds from other states to fill the gap in funding created by the dip. Over time, however, as states use up the unspent funds they accumulated during the start-up phase of CHIP, some states may not be able to absorb the effect of the dip. Indeed, the Office of Management and Budget has estimated that the dip is likely to lead to declines in the number of children receiving coverage beginning in fiscal year 2005. Specifically, OMB estimates that the number of children enrolled in CHIP will fall from 3.3 million in fiscal year 2004 to 2.9 million in fiscal year 2006, a drop of 400,000 children (Figure 3). (The delay in the effect of the dip is attributable to states' ability to compensate for the dip when it first goes into effect by drawing on unspent funds from earlier years and/or reallocated funds from other states.) Although it is beyond the scope of this issue brief to provide state-specific estimates of the effect of the dip on children's enrollment, it seems likely that the states that will be most affected are the 25 states whose expenditures levels in fiscal year 2002 are expected to exceed their annual allotments.



CONCLUSION

CHIP spending has been increasing steadily since the beginning of the program in 1997. Although almost all states have unspent CHIP dollars accrued from earlier years, most states will need to rely on these dollars to compensate for a dip in federal CHIP funding that begins the fiscal year beginning October 1, 2001 (fiscal year 2002). Over time, the unspent funds accrued from prior years may not be sufficient to offset the drop in federal CHIP funding and, as a result, some states may not be able to reach or maintain their enrollment targets. The level of CHIP funds available for covering children will also be affected by CHIP waiver activity. It is likely that the acceleration in CHIP spending combined with the dip in CHIP funds will prompt policymakers to review and perhaps revise federal CHIP funding levels and reallocation procedures.

This policy brief was prepared by Jocelyn Guyer, Senior Policy Analyst, KCMU. She would like to thank Molly O'Malley at KCMU and Matthew Broaddus at the Center on Budget and Policy Priorities for their assistance in preparing this brief.

Table 5

Estimates of the Effect of the Dip in Federal SCHIP Funding on the Adequacy of States' Annual Allotments in Fiscal Year 2002 Projections for Fiscal Year 2002 (in thousands)			
State	2002 Projected Expenditures	2002 Projected Federal Allotments*	Expenditures as a share of annual allotment
United States	\$3,413,321	\$3,111,191	109.7%
Alabama	\$60,350	\$51,290	117.7%
Alaska	\$27,910	\$6,650	419.7%
Arizona	\$67,419	\$92,144	73.2%
Arkansas	\$2,840	\$39,928	7.1%
California	\$406,387	\$521,649	77.9%
Colorado	\$30,493	\$33,040	92.3%
Connecticut	\$13,311	\$29,155	45.7%
Delaware	\$2,662	\$7,774	34.2%
District of Columbia	\$4,243	\$8,696	48.8%
Florida	\$211,729	\$162,961	129.9%
Georgia	\$91,558	\$99,939	91.6%
Hawaii	\$4,679	\$8,635	54.2%
Idaho	\$21,045	\$15,329	137.3%
Illinois	\$46,508	\$118,281	39.3%
Indiana	\$78,203	\$44,418	176.1%
Iowa	\$36,063	\$24,376	147.9%
Kansas	\$36,992	\$21,710	170.4%
Kentucky	\$83,468	\$41,396	201.6%
Louisiana	\$64,028	\$60,693	105.5%
Maine	\$13,216	\$9,949	132.8%
Maryland	\$109,491	\$38,053	287.7%
Massachusetts	\$60,600	\$41,351	146.5%
Michigan	\$42,522	\$88,410	48.1%
Minnesota	\$51	\$27,412	0.2%
Mississippi	\$86,105	\$41,431	207.8%
Missouri	\$78,551	\$48,441	162.2%
Montana	\$11,928	\$11,225	106.3%
Nebraska	\$11,582	\$14,122	82.0%
Nevada	\$19,391	\$23,195	83.6%
New Hampshire	\$3,188	\$8,830	36.1%
New Jersey	\$61,434	\$73,129	84.0%
New Mexico	\$9,656	\$37,568	25.7%
New York	\$530,496	\$238,299	222.6%
North Carolina	\$86,699	\$76,752	113.0%
North Dakota	\$3,730	\$4,866	76.7%
Ohio	\$129,973	\$105,239	123.5%
Oklahoma	\$29,626	\$51,125	57.9%
Oregon	\$15,578	\$37,099	42.0%
Pennsylvania	\$115,295	\$102,837	112.1%
Rhode Island	\$22,386	\$6,883	325.3%
South Carolina	\$52,924	\$47,798	110.7%
South Dakota	\$7,788	\$6,051	128.7%
Tennessee	\$21,587	\$63,860	33.8%
Texas	\$455,086	\$334,873	135.9%
Utah	\$21,736	\$22,336	97.3%
Vermont	\$2,602	\$3,413	76.2%
Virginia	\$47,538	\$55,864	85.1%
Washington	\$8,399	\$45,044	18.6%
West Virginia	\$26,337	\$15,647	168.3%
Wisconsin	\$34,224	\$36,702	93.2%
Wyoming	\$3,714	\$5,323	69.8%

Source: KCMU calculations using data provided by states on projected expenditures in fiscal year 2002.

*KCMU estimated projected allotments for fiscal year 2002, assuming a state's 2001 allotment will be reduced by 26%, the size of the dip in federal SCHIP funding between fiscal year 2001 and 2002.

Note: States may be able to draw on unspent funds from earlier years and/or reallocated funds from other states to supplement their annual allotments. Territories are not included in this table.