

**Special Supplemental Nutrition Program for
Women, Infants and Children: WIC Program**

May 2014 Estimate

for

Fiscal Years

2013-14 and 2014-15



Department of Public Health

TABLE OF CONTENTS

EXECUTIVE SUMMARY 2

I. FISCAL COMPARISON TABLES..... 5

II. PROGRAM OVERVIEW 6

III. FUTURE FISCAL ISSUES..... 7

 A. Food Cost Containment Strategies 7

 B. California Drought..... 7

IV. NEW ASSUMPTIONS/PREMISES 8

 A. Cash Value Voucher Increase 8

V. EXISTING (SIGNIFICANTLY CHANGED) ASSUMPTIONS/PREMISES 8

VI. UNCHANGED ASSUMPTIONS/PREMISES..... 9

 A. Participation 9

VII. DISCONTINUED ASSUMPTIONS/PREMISES..... 9

 A. National Budget 9

VIII. FUND CONDITION STATEMENT..... 10

IX. EXPENDITURE ESTIMATE METHODS 11

X. REVENUE ESTIMATE METHODS 19

APPENDIX A: WIC ORGANIZATION CHART 22

APPENDIX B: WIC SPECIAL DISPLAY CHART (GOVERNMENT CODE 13343)..... 24

EXECUTIVE SUMMARY

The California Department of Public Health (CDPH), Women, Infants and Children (WIC) program is a \$1.4 billion program serving approximately 1.4 million of California's economically and nutritionally vulnerable residents - pregnant women, breastfeeding and early post-partum women, as well as infants and children up to their fifth birthday. CDPH receives federal funding to administer the WIC program to Californians based on a discretionary grant appropriated by Congress plus subsequent reallocations of prior year unspent funds. WIC is not an entitlement program; rather, the number of participants served is limited by the amount of discretionary grant appropriated annually by Congress plus subsequent reallocations of prior year unspent funds.

Nutrition Services Administration (NSA): NSA expenditures are estimated at \$300.9 million in local assistance for both FY 2013-14 and FY 2014-15.

Food Funds: Overall food expenditures in the Federal Trust Fund (0890) and Manufacturer Rebate Special Fund (3023) are estimated to be \$1.052 billion for FY 2013-14. Food expenditures are projected to slightly decrease from the November 2013 Estimate to an estimated \$1.075 billion for FY 2014-15, an overall decrease of approximately \$23 million from FY 2013-14.

WIC is recommending a decrease in budget authority from the November 2013 Estimate in local assistance expenditure authority for FY 2013-14. Local assistance expenditure authority for the Federal Trust Fund (0890) is estimated at \$835.5 million for FY 2014-15, a reduction of \$17.7 million from the Governor's Budget. The WIC Manufacturer Rebate Special Fund (3023) local assistance expenditure authority is estimated at \$239.1 million for FY 2014-15, a reduction of \$8.9 million from the Governor's Budget.

WIC uses a food forecasting model to project overall expenditures that includes the following factors impacting food expenditures: participation, inflation, and historical expenditures. WIC has worked closely with the United States Department of Agriculture (USDA) on cost containment measures, including reimbursements to authorized stores, and is now conducting a public comment process before adopting changes to vendor peer groups and reimbursement rates. The impact of these changes will be included in the November 2014 Estimate.

Participation: Although participation has historically increased in recent years, it has done so at a slower rate each year. However, actual participation for Federal Fiscal Year (FFY) 2013 decreased by 2.75% from FFY 2012. The average participation change over the past three federal fiscal years is a decrease of 0.62%. This average change is used to project FY 2013-14 and FY 2014-15 expenditures.

Inflation: The Department of Finance (DOF) projected FY 2013-14 inflation rate is 0.61%, which is lower than projections in the November 2013 Estimate. The resulting decrease in expenditures will be magnified by the lower participation rate. While lower expenditures may be consistent with the current decrease in participation, the ongoing California drought may increase food prices higher than the projected DOF inflation rate. Higher food inflation rates have the potential to impact costs of most WIC authorized foods. No change has been made in the projected inflation rate used in the food forecast model for FY 2014-2015 because only initial projections for the impact of the drought are known at this time. Initial projections from the USDA Economic Research Service (ERS) estimate the drought could lead to a 2.5-3.5% increase in food costs in calendar year 2014 over the prior period¹. Therefore, it is possible that the prudent 3% reserve built into FY 2014-15 projections will be needed to cover increasing food costs due to the drought.

Historical Expenditures: The expenditures and average per-participant food cost for FY 2012-13 were used to project FY 2013-14 and FY 2014-15 expenditures in the November 2013 Estimate. The May Revision updates the FY 2014-15 expenditures with actual costs for July through November 2013. In addition, the final food package rule, released by the USDA, increased the fruit and vegetable cash benefit to each child participant from \$6 to \$8 effective June 2, 2014. This is a mandatory change and implementation date. The FY 2013-14 and FY 2014-15 projections have been updated to reflect this \$2 increase per child participant beginning June 2014.

Reimbursement of Authorized Vendors: Public Health/WIC has received approval from the USDA for the peer group and vendor reimbursement sections of the cost containment plan and has adopted these strategies through its regulatory bulletin process. The new regulations will be implemented beginning June 1, 2014 and include revised reimbursement rates for authorized stores, changes to the peer group structure for vendors, improved vendor operations and oversight, and changes to monitoring food costs associated with food package changes. The new regulations are estimated to have an impact on overall food costs consistent with the current USDA-mandated reimbursement caps. However, the results of the first few months following implementation will be incorporated in the November 2014 Estimate.

¹ United States Department of Agriculture. Economic Research Service. *Food Price Outlook, 2013-14*. By Richard Volpe and Annemarie Kuhns. United States Department of Agriculture, Economics Research Service, 25 Feb. 2014. Web. 24 Mar. 2014.

Revenue Resources: The Program is funded by federal grant and revenue received through the infant formula manufacturer rebate contract.

Federal Trust Fund revenue: The revenue forecast for the May Revision 2014 WIC Estimate is based upon the federal Omnibus Appropriations Bill for the FFY 2014 Budget of \$6.72 billion. California's share of the Bill is forecasted to be 18% of the national appropriation, an increase from the 17% that California historically received. Additionally, there are no reductions for sequestration in the FFY 2014 Budget, and California receives reallocation funding from the USDA, including WIC contingency and carry-over transfer funds. While sequestration may affect future years to come possibly FY 2016-17, it has no impact on this current estimate. WIC estimates \$880.4 million in federal fund revenue in FY 2013-14. WIC projects \$879.3 million in federal fund revenue for FY 2014-15.

Manufacturer Rebate Fund revenue: California receives rebates from the contracted infant formula manufacturer. WIC estimates \$247.9 million in rebate revenue in FY 2013-14. The total amount of projected revenue has decreased for FY 2014-15 because of the decline in participation experienced in the first several months of FY 2013-14 (as outlined above). Rebate revenue in FY 2014-15 is estimated at \$239.1 million, an \$8.9 million reduction from the November 2013 estimate.

Federal Food Package Final Rule: The final food package rule released by USDA included several qualitative food package changes that may be implemented at the discretion of each state agency. For example, the final rule allows for the substitution of a quart of yogurt in place of a quart of milk and allows child participants to purchase dried fruits with their cash value vouchers. WIC will complete thorough fiscal and policy analyses prior to implementing any of these changes. The fiscal impacts of those food package changes that WIC chooses to implement will be provided in future budget estimates.

I. FISCAL COMPARISON TABLES

Table 1a

EXPENDITURE COMPARISON (Grant)								
Fund 0890	SFY 2013-14				SFY 2014-15			
	2013-14 November Estimate	May Assumption	Difference	% Difference	2014-15 Governor's Budget	May Assumption	Difference	% Difference
LOCAL ASSISTANCE AUTHORITY	1,144,932,005	1,104,669,849	(40,262,156)	-3.52%	1,154,050,778	1,136,320,826	(17,729,952)	-1.54%
FOOD	844,065,005	803,802,849	(40,262,156)	-4.77%	853,183,778	835,453,826	(17,729,952)	-2.08%
NUTRITION SERVICES AND ADMINISTRATION (NSA)	300,867,000	300,867,000	-	0.00%	300,867,000	300,867,000	-	0.00%
SUPPORT/ADMIN AUTHORITY	53,860,000	53,860,000	-	0.00%	53,860,000	53,860,000	-	0.00%

Table 1b

RESOURCES COMPARISON (Grant)								
Fund 0890	SFY 2013-14				SFY 2014-15			
	2013-14 November Estimate	May Assumption	Difference	% Difference	2014-15 Governor's Budget	May Assumption	Difference	% Difference
TOTAL AVAILABLE RESOURCES	1,253,912,000	1,253,912,000	-	0.00%	1,240,273,000	1,246,327,000	6,054,000	0.49%
FOOD	880,369,000	880,369,000	-	0.00%	867,953,000	879,335,000	11,382,000	1.31%
NSA	373,543,000	373,543,000	-	0.00%	372,320,000	366,992,000	(5,328,000)	-1.43%

Table 1c

EXPENDITURE COMPARISON (Fund 3023)								
Fund 3023 Manufacturer Rebate	SFY 2013-14				SFY 2014-15			
	2013-14 November Estimate	May Assumption	Difference	% Difference	2014-15 Governor's Budget	May Assumption	Difference	% Difference
LOCAL ASSISTANCE EXPENDITURES	247,941,000	247,941,000	-	0.00%	247,978,000	239,126,000	(8,852,000)	-3.57%

Table 1d

RESOURCES COMPARISON (Fund 3023)								
Fund 3023 Manufacturer Rebate	SFY 2013-14				SFY 2014-15			
	2013-14 November Estimate	May Assumption	Difference	% Difference	2014-15 Governor's Budget	May Assumption	Difference	% Difference
TOTAL AVAILABLE RESOURCES	247,941,000	247,941,000	-	0.00%	247,978,000	239,126,000	(8,852,000)	-3.57%

II. PROGRAM OVERVIEW

WIC provides nutrition services and food assistance to low-to-moderate income families with pregnant women, breastfeeding and early postpartum mothers, infants, and children up to their fifth birthday. WIC services include nutrition education, breastfeeding support, help finding health care and other community services, and checks for specific nutritious foods that are redeemable at retail food outlets throughout the state. WIC is federally funded by the USDA under the federal Child Nutrition Act of 1966, as amended (the Act). Specific uses of WIC funds are required under federal laws and regulations, and CDPH must account for funds and expenditures on a monthly basis.

In California, WIC administers contracts with 84 local agencies - half of which are local government entities and half are private, non-profit community organizations. These WIC local agencies provide services in 650 locations statewide. Approximately 3,000 WIC local agency staff assess and document program eligibility based on residency, income, and health or nutrition risk, and issue 4.8 million food checks each month. Each check is valid for a 30-day period and is payable for a specific type and quantity of food. Participants may redeem these checks through a network of approximately 4,500 WIC-authorized stores throughout the state. The retail value of the checks, a direct infusion into the California economy, is about \$60 per month per participant, or \$1.1 billion per year.

WIC Funding

The number of participants served depends upon the amount of the discretionary grant appropriated annually by Congress plus subsequent reallocations of prior year unspent funds. California's share of the federal grant has remained approximately 18% of the national appropriation over the last five years. Federal funds are granted to each state using a formula methodology as specified in federal regulation to distribute the following:

- Food funds that reimburse authorized vendors for foods purchased by WIC participants; and
- Nutrition Services and Administration (NSA) funds that reimburse local WIC agencies for direct services provided to WIC participants and support state operations.

California's base grant for each fiscal year may be supplemented through federal reallocations, which are distributed at least twice and up to four times during the federal fiscal year. These are funds that other states have not, or will not, be able to spend. The USDA then redistributes these funds to those states who have demonstrated both a need for the additional funding and the ability to spend it. Historically, California has applied for and been successful in receiving these reallocations.

III. FUTURE FISCAL ISSUES

A. Food Cost Containment Strategies

Background: In May 2012, WIC implemented revised reimbursement rates for small stores as a temporary measure to contain food costs. WIC is now in the public comment process before adopting regulations to revise peer groups and reimbursement rates for authorized stores. In September 2013, WIC adopted revised vendor authorization criteria.

Description of Change: WIC is currently in the process of adopting regulations for revised peer groups and reimbursement rates for authorized stores with adoption of these regulations expected by June 2014. The impacts of the changes will be incorporated in the November 2014 Estimate.

Discretionary? Y/N: No. This is a mandatory change. The fiscal impact cannot yet be determined until the regulations are finalized.

Reason for Adjustment/ Change: In the November 2013 Estimate, it was estimated that impacts of the changes would be incorporated into the May 2014 Estimate; however, the budgetary impact of implementing the changes will not be known until the finalization of the regulations. Therefore, it is anticipated that the impacts of the changes will be incorporated into the November 2014 Estimate.

Fiscal Impact (Range) and Fund Source(s): It is expected that the impact of the regulations will be minimal to the Federal Trust Fund budget authority.

B. California Drought

Background: After three consecutive years of below-normal rainfall, California faces its most severe drought emergency in decades. The drought may increase food prices higher than the inflation rate used in the Food Forecast Model to predict fluctuations in food prices due to economic factors.

Description of Change: The drought has the potential to impact costs of most WIC authorized foods.

Discretionary? Y/N: No. The effects of the drought on food prices are expected to affect the price of most WIC authorized foods.

Reasons for Adjustment/Change: The increased severity of the California drought has required that we review and consider potential increases to food costs. This was not a factor when the November 2013 Estimate was developed.

Fiscal Impact: USDA ERS has published its FY 2013-14 food price outlook on February 25, 2014 and estimates that calendar year 2014 food-at-home Consumer Price Index (CPI) rates (the rates used in the WIC food model) will increase 2.55 to 3.5% over calendar year 2013. This results in an estimated WIC food expenditure impact of between \$3 -\$6 million for FY 2013-14 and between \$15-27 million for FY 2014-15. The California WIC Program has been awarded sufficient food funding for FFY 2014 to address the potential impact of the drought.

IV. NEW ASSUMPTIONS/PREMISES

A. Cash Value Voucher Increase

Background: The USDA final rule regarding WIC food packages was released to state agencies on Friday, February 28th, 2014. WIC staff has since assessed the changes included in the final rule and determined that one change will have an immediate impact on food costs for WIC. The final rule requires an increase to the cash value benefit issued to child participants from \$6 to \$8 to be implemented no later than June 2, 2014.

Description of Change: While the impact to current year will be minimal due to the required implementation date, the impact to budget year is estimated at \$19.2 million. The estimated impact has been incorporated into this estimate and is reflected in the gross food costs in the food forecast model.

Discretionary? Y/N: No. This change is required by federal regulations.

Reason for Adjustment/ Change:

- Cash value vouchers are issued to all child participants
- Children represent approximately 57% of participants issued benefits, per month.
- The increase to the cash benefit is required by federal regulations

Fiscal Impact (Range) and Fund Source(s): The increase is calculated at \$2 per projected child participant and the total estimated impact to budget year is an increase of \$19.2 million in food costs to 0890 Federal Trust Fund. Sufficient WIC funds are available for budget year to support this increase.

V. EXISTING (SIGNIFICANTLY CHANGED) ASSUMPTIONS/PREMISES

There are no existing assumptions/premises at this time.

VI. UNCHANGED ASSUMPTIONS/PREMISES

A. Participation

WIC calculates the projected participation based on the average percent change in the prior 3 years instead of the prior 5 years to more accurately project participation trends. This New Assumption was introduced and approved in November 2013 for FY 2014-15. There have been no changes to this assumption/premise.

VII. DISCONTINUED ASSUMPTIONS/PREMISES

A. National Budget

This Future Fiscal Issue/ New Assumption was introduced and approved in November 2013 for FY 2014-15. On January 17, 2014, President Obama signed the Omnibus Appropriations Bill for the Federal Fiscal Year (FFY) 2014. This Bill provided program-by-program budget amounts. There is no sequestration in the FFY 2014 WIC appropriation.

VIII. FUND CONDITION STATEMENT

The Fund Condition Statement below shows the status of WIC Manufacturer Rebate Fund 3023 for actual revenues and expenditures for FY 2012-13 and projected revenues for FY 2013-14 and FY 2014-15.

Federal regulations strictly prohibit paying administrative costs with WIC food funds. They further prohibit basing overhead charges on food funds. The Pro Rata (apportionment of the costs of providing central administrative services to all state departments that benefit from the services) is not included in the Public Health-approved federal indirect cost rate agreement, making it an unallowable grant cost. Federal law requires the use of WIC Manufacturer Rebate Revenues prior to drawing down federal WIC food funds.

Table 2

FUND CONDITION STATEMENT (dollars in thousands)			
3023 WIC Manufacturer Rebate Fund	SFY 12-13 Actuals	SFY 13-14 Estimate	SFY 14-15 Estimate
BEGINNING BALANCE	256	225	268
Prior year adjustment*	-5	0	0
Adjusted Beginning Balance	251	225	268
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
250300 Income from Surplus Money Investments	41	90	90
299600 Miscellaneous Revenue	244,881	247,941	239,126
299900 Sale of Documents	0	12	12
	244,922	248,043	239,228
Total Resources	245,173	248,268	239,496
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	244,948	248,000	239,200
Total Expenditures and Expenditure Adjustments	244,948	248,000	239,200
FUND BALANCE	225	268	296

IX. EXPENDITURE ESTIMATE METHODS

Food Forecast Model

The food forecast model uses several components to approximate the final expenditure of food funds during the fiscal year. The projected components are: 1) participation, 2) inflation, 3) historical expenditures, and 4) rebates. These components are described in the detail in the sections below.

Expenditures are estimated for each month by taking the gross per-participant food cost from the same month in the prior year and inflating it by the Department of Finance/Economic Research Unit (DOF/ERU) estimates for inflation, then multiplying the result by the projected participation for that month. The prior year's gross per-participant food cost is calculated by dividing the total expenditure amount by the participation that occurred in that month. As months close, expenditure estimates for the following months will become more accurate as actual expenditures are included in the projection model. The highlighted cells in Table 3 represent the actual amounts for closed months. Although participation is known through February 2014, actual costs are only known through November 2013 as reimbursements are still being submitted and paid for participation experienced in December 2013. Rebates are recorded in the month they are received. Therefore, the rebates earned in February 2014 have been billed for in March 2014 and will be received in April 2014.

Table 3

FOOD FORECAST MODEL - STATE FISCAL YEAR 2013-14																										
SFY	Participation		Food Costs			Per Participant Costs																				
Period	Level	Inc/(Dec)	Costs	Rebates	Net	Gross	Net	Inc/(Dec)																		
Jul-13	1,430,849	0.00%	\$ 85,949,095	\$ 20,810,409	\$ 65,138,686	\$ 60.07	\$ 45.52	0.00%																		
Aug-13	1,431,283	0.84%	\$ 85,386,929	\$ 19,302,377	\$ 66,084,552	\$ 59.66	\$ 46.17	1.42%																		
Sep-13	1,404,518	-2.29%	\$ 84,580,440	\$ 21,328,031	\$ 63,252,409	\$ 60.22	\$ 45.03	-2.46%																		
Oct-13	1,394,076	0.81%	\$ 83,236,881	\$ 20,133,596	\$ 63,103,285	\$ 59.71	\$ 45.27	0.51%																		
Nov-13	1,321,729	-1.22%	\$ 80,087,125	\$ 19,311,631	\$ 60,775,494	\$ 60.59	\$ 45.98	1.58%																		
Dec-13	1,336,833	-2.97%	\$ 81,005,115	\$ 21,098,887	\$ 59,906,228	\$ 60.59	\$ 44.81	-2.54%																		
Jan-14	1,385,047	3.11%	\$ 83,701,988	\$ 17,626,820	\$ 66,075,168	\$ 60.43	\$ 47.71	6.46%																		
Feb-14	1,336,297	-1.83%	\$ 81,787,439	\$ 20,766,208	\$ 61,021,231	\$ 61.20	\$ 45.66	-4.28%																		
Mar-14	1,432,111	-0.42%	\$ 87,330,434	\$ 20,840,503	\$ 66,489,931	\$ 60.98	\$ 46.43	1.67%																		
Apr-14	1,435,814	1.15%	\$ 86,371,461	\$ 18,197,377	\$ 68,174,084	\$ 60.16	\$ 47.48	2.27%																		
May-14	1,439,565	0.10%	\$ 87,540,393	\$ 20,270,067	\$ 67,270,326	\$ 60.81	\$ 46.73	-1.58%																		
Jun-14	1,437,253	-1.51%	\$ 89,058,927	\$ 20,541,557	\$ 68,517,370	\$ 61.96	\$ 47.67	2.02%																		
Total	16,785,375		\$ 1,016,036,227	\$ 240,227,463	\$ 775,808,764																					
Average	1,398,781		\$ 84,669,686	\$ 20,018,955	\$ 64,650,730	\$60.53	\$46.21																			
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Base Grant Funds</td> <td style="width: 50%; text-align: right;">\$ 828,776,760</td> </tr> <tr> <td>Funding Above Base</td> <td style="text-align: right;">\$ 51,592,691</td> </tr> <tr> <td>Total Grant Funds</td> <td style="text-align: right;">\$ 880,369,451</td> </tr> </table>						Base Grant Funds	\$ 828,776,760	Funding Above Base	\$ 51,592,691	Total Grant Funds	\$ 880,369,451	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Total Grant Funds</td> <td style="width: 50%; text-align: right;">\$ 880,369,451</td> </tr> <tr> <td>Net (Federal) Expenditures</td> <td style="text-align: right;">\$ 775,808,764</td> </tr> <tr> <td>Prudent Reserve (3%)</td> <td style="text-align: right;">\$ 23,994,085</td> </tr> <tr> <td>Breastpumps</td> <td style="text-align: right;">\$ 4,000,000</td> </tr> <tr> <td>Federal Grant Expenditures</td> <td style="text-align: right;">\$ 803,802,849</td> </tr> <tr> <td>Grant Performance %</td> <td style="text-align: right;">91.30%</td> </tr> </table>			Total Grant Funds	\$ 880,369,451	Net (Federal) Expenditures	\$ 775,808,764	Prudent Reserve (3%)	\$ 23,994,085	Breastpumps	\$ 4,000,000	Federal Grant Expenditures	\$ 803,802,849	Grant Performance %	91.30%
Base Grant Funds	\$ 828,776,760																									
Funding Above Base	\$ 51,592,691																									
Total Grant Funds	\$ 880,369,451																									
Total Grant Funds	\$ 880,369,451																									
Net (Federal) Expenditures	\$ 775,808,764																									
Prudent Reserve (3%)	\$ 23,994,085																									
Breastpumps	\$ 4,000,000																									
Federal Grant Expenditures	\$ 803,802,849																									
Grant Performance %	91.30%																									

Table 4

FOOD FORECAST MODEL - STATE FISCAL YEAR 2014-15								
SFY	Participation		Food Costs			Per Participant Costs		
Period	Level	Inc/(Dec)	Costs	Rebates	Net	Gross	Net	Inc/(Dec)
Jul-14	1,404,619	0.00%	\$ 88,850,632	\$ 20,528,486	\$ 68,322,146	\$ 63.26	\$ 48.64	0.00%
Aug-14	1,420,206	1.11%	\$ 89,681,043	\$ 20,489,223	\$ 69,191,820	\$ 63.15	\$ 48.72	0.16%
Sep-14	1,401,979	-1.28%	\$ 87,765,446	\$ 20,153,458	\$ 67,611,988	\$ 62.60	\$ 48.23	-1.01%
Oct-14	1,381,345	-1.47%	\$ 85,330,551	\$ 20,238,088	\$ 65,092,463	\$ 61.77	\$ 47.12	-2.29%
Nov-14	1,348,895	-2.35%	\$ 87,031,587	\$ 20,170,356	\$ 66,861,231	\$ 64.52	\$ 49.57	5.19%
Dec-14	1,339,396	-0.70%	\$ 86,228,818	\$ 19,927,905	\$ 66,300,913	\$ 64.38	\$ 49.50	-0.13%
Jan-15	1,373,328	2.53%	\$ 85,827,414	\$ 19,584,266	\$ 66,243,148	\$ 62.50	\$ 48.24	-2.56%
Feb-15	1,344,378	-2.11%	\$ 85,225,222	\$ 19,397,362	\$ 65,827,860	\$ 63.39	\$ 48.97	1.51%
Mar-15	1,382,510	2.84%	\$ 87,400,349	\$ 19,671,291	\$ 67,729,058	\$ 63.22	\$ 48.99	0.05%
Apr-15	1,390,124	0.55%	\$ 86,788,634	\$ 19,475,979	\$ 67,312,655	\$ 62.43	\$ 48.42	-1.16%
May-15	1,394,125	0.29%	\$ 88,016,539	\$ 19,701,807	\$ 68,314,732	\$ 63.13	\$ 49.00	1.20%
Jun-15	1,385,144	-0.64%	\$ 87,489,127	\$ 19,786,929	\$ 67,702,198	\$ 63.16	\$ 48.88	-0.25%
Total	16,566,049		\$ 1,045,635,362	\$ 239,125,150	\$ 806,510,212			
Average	1,380,504		\$ 87,136,280	\$ 19,927,096	\$ 67,209,184	\$63.13	\$48.69	
Base Grant Funds	\$ 822,925,881					Total Grant Funds	\$ 867,953,112	
Funding Above Base	\$ 45,027,232					Net (Federal) Expenditures	\$ 806,510,212	
						Prudent Reserve (3%)	\$ 24,943,615	
						Breastpumps	\$ 4,000,000	
Total Grant Funds	\$ 867,953,112					Federal Grant Expenditures	\$ 835,453,826	
						Performance %	96.26%	

Participation

WIC continues to use an average of the participation growth for each of the prior three years to project future participation levels to more accurately reflect current trends in participation.

Table 5

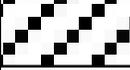
THREE-YEAR TREND OF AVERAGE PARTICIPATION					
	FFY 10	FFY 11	FFY 12	FFY 13	3-Year Average
Average Monthly Participation	1,459,406	1,466,321	1,472,347	1,431,788	
Percent Change		0.47%	0.41%	-2.75%	-0.62%

Table 6 reflects the widening gap between estimated participation and actual participation in the past year, supporting the need to revise the methodology for estimating participation to reflect an average of the prior three years' participation change rather than the prior five years. The decline in participation is consistent with declining birth rates over the past several years (2008-2011) and a decrease in the number of women covered by Medi-Cal prenatally, as seen with the decrease in monthly participation between October 2007 and October 2013 among pregnant women, postpartum women and infant WIC sub-populations. The child population is the largest population served by the WIC program and experiences the greatest fluctuation in monthly caseload. With decreasing population among women and infants due to declining birth rates, the child population represents an even larger proportion of the total population served by WIC. There was a sharp increase in caseload between 2007 and 2010, which is likely due to higher birth rates between 2005 and 2008, as well as additional children gaining eligibility due to the economic downturn and job loss (especially in 2009-2010 where there was an increase in the percent of WIC-eligible children). WIC expects that with fewer births between 2008 and 2012 and improving employment and economic conditions the child caseload counts will continue to decline. WIC continues to conduct analyses to identify factors contributing to the participation decline to determine potential outreach opportunities and/or policy changes.

The federal government shutdown in October 2013 showed its greatest impact to WIC in its effect on participation. Conflicting media messaging about the availability of WIC benefits may have discouraged participants from attending their appointments or seeking benefits. WIC was also proactive in protecting available WIC funding by temporarily discontinuing the practice of double- and triple-issuing benefits to participants during the month of October, causing a temporary dip in participation during the months of November and December 2013.

Table 6

ESTIMATED VS. ACTUAL PARTICIPATION					
Obligation Month	Estimated Participation	Actual Participation	Difference from Estimate	% Difference from Estimate	
SFY 2011-12	Jul-11	1,506,668	1,472,719	(33,949)	-2.25%
	Aug-11	1,525,195	1,496,465	(28,730)	-1.88%
	Sep-11	1,517,508	1,487,048	(30,460)	-2.01%
	Oct-11	1,530,909	1,465,672	(65,237)	-4.26%
	Nov-11	1,506,278	1,454,959	(51,319)	-3.41%
	Dec-11	1,489,013	1,453,242	(35,771)	-2.40%
	Jan-12	1,531,279	1,466,986	(64,293)	-4.20%
	Feb-12	1,513,292	1,452,091	(61,201)	-4.04%
	Mar-12	1,530,534	1,481,231	(49,303)	-3.22%
	Apr-12	1,533,704	1,484,947	(48,757)	-3.18%
	May-12	1,529,322	1,492,365	(36,957)	-2.42%
	Jun-12	1,532,281	1,488,267	(44,014)	-2.87%
	Total	18,245,983	17,695,992	(549,991)	-3.01%
SFY 2012-13	Jul-12	1,519,669	1,479,277	(40,392)	-2.66%
	Aug-12	1,518,849	1,491,635	(27,214)	-1.79%
	Sep-12	1,509,165	1,457,497	(51,668)	-3.42%
	Oct-12	1,506,321	1,469,339	(36,982)	-2.46%
	Nov-12	1,496,592	1,451,424	(45,168)	-3.02%
	Dec-12	1,504,160	1,408,280	(95,880)	-6.37%
	Jan-13	1,521,025	1,452,131	(68,894)	-4.53%
	Feb-13	1,491,773	1,425,487	(66,286)	-4.44%
	Mar-13	1,528,463	1,419,452	(109,011)	-7.13%
	Apr-13	1,525,688	1,435,832	(89,856)	-5.89%
	May-13	1,514,874	1,437,267	(77,607)	-5.12%
	Jun-13	1,532,741	1,415,596	(117,145)	-7.64%
	Total	18,169,320	17,343,217	(826,103)	-4.55%
SFY 2013-14	Jul-13	1,495,039	1,430,849	(64,190)	-4.29%
	Aug-13	1,502,476	1,431,283	(71,193)	-4.74%
	Sep-13	1,451,389	1,404,518	(46,871)	-3.23%
	Oct-13	1,442,105	1,394,076	(48,029)	-3.33%
	Nov-13	1,429,634	1,321,729	(107,905)	-7.55%
	Dec-13	1,414,205	1,336,833	(77,372)	-5.47%
	Jan-14	1,440,350	1,385,047	(55,303)	-3.84%
	Feb-14	1,415,059	1,336,297	(78,762)	-5.57%
	Total	11,590,257	11,040,632	(549,625)	-4.74%

Inflation

The food forecast model uses the CPI for Food at Home provided by the DOF/ERU. The statewide percentage is calculated by using Los Angeles (LA) and San Francisco (SF) data to calculate a statewide weighted average. Table 7 below shows an estimated inflation rate of 0.61% for FY 2013-14, a significant decrease from the 3.13% projected in the November 2013 Estimate, and 1.44% for FY 2014-15. However, the drought in California may increase the inflation rate for Food at Home during calendar year 2014 by up to 3.5% over the prior year, impacting both FY 2013-14 and FY 2014-15.

Table 7

CHANGE DUE TO INFLATION									
	SFY 2012-13			SFY 2013-14*			SFY 2014-15*		
	CPI for Food at Home	Change from prior year	Percent Change	CPI for Food at Home	Change from prior year	Percent Change	CPI for Food at Home	Change from prior year	Percent Change
LA	248.5	2.1	0.85%	249.8	1.4	0.55%	253.7	3.9	1.54%
SF	236.6	3.4	1.47%	238.4	1.8	0.76%	241.4	2.9	1.23%
Weighted Average	245.7	2.5	1.04%	247.2	1.5	0.61%	250.7	3.6	1.44%

*Updated DOF-ERU Forecast

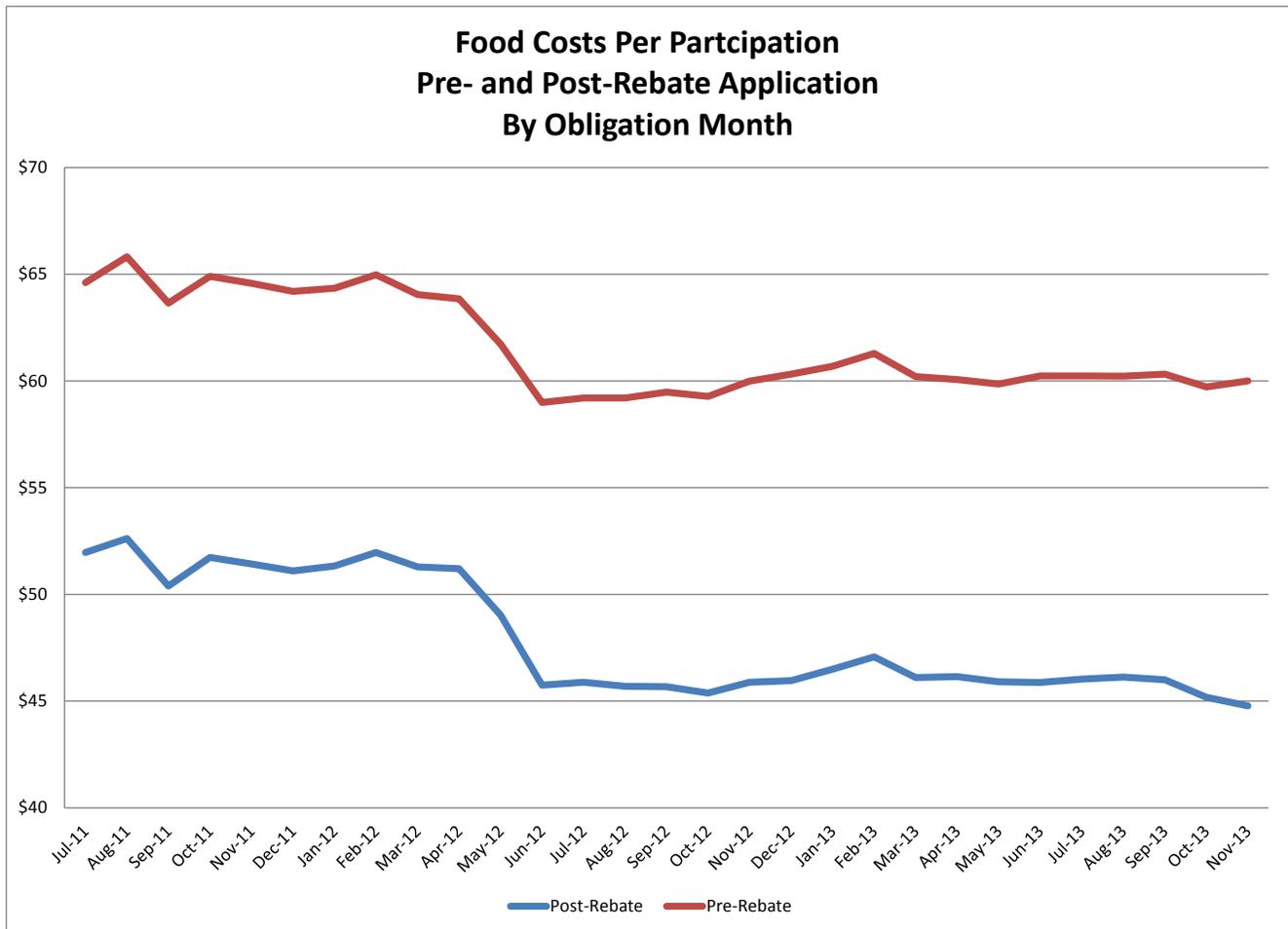
Historical Expenditures

Effective May 25, 2012, WIC lowered reimbursement rates for small stores in accordance with a USDA directive. As a result of this change, the expenditures and average per-participant food costs for FY 2012-13 were much less than previously projected. Table 8 below compares the estimated expenditures with actual expenditures for the past two state fiscal years and 4 months in the current fiscal year. Although participation is known through February 2014 and reflected in Table 6, actual costs are only known through November 2013 as reimbursements are still being submitted and paid for participation experienced in December 2013. Therefore, only actual expenditures through November 2013 are included in Table 8. Until the implementation of the lower reimbursement rate, the estimated expenditures were extremely accurate. WIC did not adjust the estimate methodology at the time of the reimbursement rate change because the change was expected to be temporary until the cost containment measures are adopted. Therefore, these reimbursement rates are still in place. These lower actual expenditures were used to project expenditures for FY 2013-14 and FY 2014-15. The low gross expenditures for October and November 2013 directly correlate with the lower participation in these months that resulted from the October 2013 federal government shutdown.

Table 8

ESTIMATED VS. ACTUAL EXPENDITURES					
Obligation Month	Estimated Expenditures	Actual Expenditures	Difference from Estimate	% Difference from Estimate	
SFY 2011-12	Jul-11	\$ 94,156,348	\$ 95,155,237	\$ 998,889	1.06%
	Aug-11	\$ 95,410,353	\$ 98,502,063	\$ 3,091,710	3.24%
	Sep-11	\$ 95,025,272	\$ 94,648,596	\$ (376,676)	-0.40%
	Oct-11	\$ 95,961,110	\$ 95,121,427	\$ (839,683)	-0.88%
	Nov-11	\$ 94,512,473	\$ 93,955,366	\$ (557,107)	-0.59%
	Dec-11	\$ 93,523,415	\$ 93,287,953	\$ (235,462)	-0.25%
	Jan-12	\$ 96,275,094	\$ 94,395,210	\$ (1,879,884)	-1.95%
	Feb-12	\$ 95,240,236	\$ 94,352,433	\$ (887,803)	-0.93%
	Mar-12	\$ 96,422,568	\$ 94,879,100	\$ (1,543,468)	-1.60%
	Apr-12	\$ 96,719,789	\$ 94,813,233	\$ (1,906,556)	-1.97%
	May-12	\$ 96,540,791	\$ 92,130,866	\$ (4,409,925)	-4.57%
	Jun-12	\$ 96,825,181	\$ 87,797,214	\$ (9,027,967)	-9.32%
Total	\$ 1,146,612,630	\$ 1,129,038,698	\$ (17,573,932)	-1.53%	
SFY 2012-13	Jul-12	\$ 96,516,167	\$ 87,570,063	\$ (8,946,104)	-9.27%
	Aug-12	\$ 97,602,713	\$ 88,308,653	\$ (9,294,060)	-9.52%
	Sep-12	\$ 97,580,101	\$ 86,687,662	\$ (10,892,439)	-11.16%
	Oct-12	\$ 96,539,114	\$ 87,101,558	\$ (9,437,556)	-9.78%
	Nov-12	\$ 97,329,279	\$ 87,074,029	\$ (10,255,250)	-10.54%
	Dec-12	\$ 97,596,841	\$ 84,943,451	\$ (12,653,390)	-12.96%
	Jan-13	\$ 97,851,597	\$ 88,131,100	\$ (9,720,497)	-9.93%
	Feb-13	\$ 96,031,539	\$ 87,362,388	\$ (8,669,151)	-9.03%
	Mar-13	\$ 98,253,504	\$ 85,457,024	\$ (12,796,480)	-13.02%
	Apr-13	\$ 99,063,813	\$ 86,251,529	\$ (12,812,284)	-12.93%
	May-13	\$ 99,678,591	\$ 86,026,784	\$ (13,651,807)	-13.70%
	Jun-13	\$ 102,063,032	\$ 85,274,162	\$ (16,788,870)	-16.45%
Total	\$ 1,176,106,291	\$ 1,040,188,403	\$ (135,917,888)	-11.56%	
SFY 2013-14	Jul-13	\$ 85,177,307	\$ 85,949,095	\$ 771,788	0.91%
	Aug-13	\$ 87,735,574	\$ 85,386,929	\$ (2,348,645)	-2.68%
	Sep-13	\$ 89,420,616	\$ 84,579,608	\$ (4,841,008)	-5.41%
	Oct-13	\$ 88,587,565	\$ 83,236,881	\$ (5,350,684)	-6.04%
	Nov-13	\$ 88,820,383	\$ 80,087,125	\$ (8,733,258)	-9.83%
	Total	\$ 439,741,445	\$ 419,239,638	\$ (20,501,807)	-4.66%

From July 2011 through April 2012, monthly food costs per participant were approximately \$65 pre-rebate and \$51 post-rebate. With the implementation of lower reimbursement rates in May 2012, the monthly food costs per participant were lowered to \$60 pre-rebate and \$46 post-rebate, and have remained at those levels since that time.



WIC has received approval from the USDA for the peer group and vendor reimbursement sections of the cost containment plan and has adopted these strategies through its regulatory alert process. The new regulations will be implemented beginning June 1, 2014 and include revising the reimbursement rates for authorized stores, changing the peer group structure for vendors, improving vendor operations and oversight, and monitoring changes in food costs associated with food package changes. The new regulations are estimated to have an impact on overall food costs that is consistent with the current USDA-mandated reimbursement caps. However, the results of the first few months following implementation will be incorporated in the November 2014 Estimate.

Rebates

In addition to projecting overall expenditures, the food forecast model is used to determine the rebate revenue. Rebates are estimated by calculating the projected rebate per participant, which is based on the amount per can of formula paid by the manufacturer. The rebate per participant is then multiplied by the projected participation for the applicable state fiscal year and adjusted to project revenue on a receipt basis.

Federal Final Food Package Rule Changes

The final food package rule for the WIC program requires that state agencies begin issuing an additional \$2 in Cash Value Voucher benefit to child participants as a part of their food package beginning no later than June 2, 2014. While this has a negligible impact on FY 2013-14, there will be a significant impact to FY 2014-15. Children represent about 57.85% of overall WIC program participation. The overall impact to FY 2014-15 is estimated in Table 9 based upon the relative percentage of child participation in the projected participation multiplied by the \$2 per child increase to estimate the additional monthly cost. The amounts shown in Table 9 have been added to the monthly gross food expenditure projections in the food forecast model in Table 4.

Table 9

SFY 2014-15 Month	Total Participation	Estimated # of Children	Additional Cost
July-14	1,404,619	812,572	\$ 1,625,145
August-14	1,420,206	821,589	\$ 1,643,178
September-14	1,401,979	811,045	\$ 1,622,089
October-14	1,381,345	799,108	\$ 1,598,216
November-14	1,348,895	780,336	\$ 1,560,672
December-14	1,339,396	774,841	\$ 1,549,681
January-15	1,373,328	794,470	\$ 1,588,940
February-15	1,344,378	777,723	\$ 1,555,446
March-15	1,382,510	799,782	\$ 1,599,564
April-15	1,390,124	804,187	\$ 1,608,373
May-15	1,394,125	806,501	\$ 1,613,003
June-15	1,385,144	801,306	\$ 1,602,611
Total Projected Increase in Costs			\$ 19,166,918

X. REVENUE ESTIMATE METHODS**Federal WIC Grant Funding Formula**

Each state agency receives a grant comprised of two distinct components:

- 1) A Food grant, and
- 2) A Nutrition Services and Administration (NSA) grant.

The federal grant amounts for FFY 2014 were determined using the Omnibus Appropriations Bill of \$6.72 billion, less \$229 million set aside for reserve or discretionary spending. Nationally, approximately 70.9% of the budget is allocated for food and 29.1% for NSA. California receives approximately 18% of the national WIC appropriation.

Federal Reallocation Funds

California's base grant for each fiscal year may be supplemented through federal reallocations, which are distributed at least twice and up to four times during the federal fiscal year. These are funds that other states have not, or will not, be able to expend that are then redistributed by the USDA to those states that have demonstrated both a need for the additional funding and the ability to spend it. In addition, states are eligible to receive WIC contingency funds, when authorized by the USDA Secretary, if the annual federal appropriation and supplemental reallocations are insufficient. California has typically applied for reallocations and has been successful in receiving these additional funds.

WIC RESOURCES FOR FOOD			
Table 10a			
	FFY 2013	FFY 2014	Prorate to SFY 13/14
Base Appropriation	\$ 889,799,825	\$ 823,027,779	\$ 839,720,791
Sequester	\$ (43,470,425)	\$ -	\$ (10,867,606)
Subtotal Base	\$ 846,329,400	\$ 823,027,779	\$ 828,853,184
Reallocations & Transfers	\$ 31,939,521	\$ 59,504,885	\$ 52,613,544
Total	\$ 878,268,921	\$ 882,532,664	\$ 881,466,728
Table 10b			
	FFY 2014	FFY 2015	Prorate to SFY 14/15
Base Appropriation	\$ 823,027,779	\$ 829,886,467	\$ 828,171,795
Sequester	\$ -	\$ -	\$ -
Subtotal Base	\$ 823,027,779	\$ 829,886,467	\$ 828,171,795
Reallocations & Transfers	\$ 59,504,885	\$ 48,382,454	\$ 51,163,062
Total	\$ 882,532,664	\$ 878,268,921	\$ 879,334,857

WIC RESOURCES FOR NSA			
Table 11a			
	FFY 2013	FFY 2014	Prorate to SFY 13/14
Base Appropriation, NSA	\$ 311,127,392	\$ 316,834,910	\$ 315,408,031
*WIC EBT Grant		\$ 204,774	\$ 204,774
Farmers Market and Nutrition	\$ 2,000,276	\$ 2,000,276	\$ 2,000,276
Breastfeeding Peer Counseling	\$ 9,633,491	\$ 8,664,479	\$ 8,906,732
Sequester	\$ (15,051,400)	\$ -	\$ (3,762,850)
Reallocations, Transfers & Contingency	\$ 23,738,460	\$ 11,095,888	\$ 14,256,531
Spendforward	\$ 38,901,577	\$ 36,505,904	\$ 37,104,822
Total	\$ 370,349,796	\$ 375,306,231	\$ 374,118,316
Table 11b			
	FFY 2014	FFY 2015	Prorate to SFY 14/15
Base Appropriation, NSA	\$ 316,834,910	\$ 302,159,147	\$ 305,828,088
WIC EBT Grant	\$ -	\$ -	\$ -
Farmers Market and Nutrition	\$ 2,000,276	\$ 2,000,276	\$ 2,000,276
Breastfeeding Peer Counseling	\$ 8,664,479	\$ 9,633,491	\$ 9,391,238
Sequester	\$ -	\$ -	\$ -
Reallocations, Transfers & Contingency	\$ 11,095,888	\$ 14,618,565	\$ 13,737,896
Spendforward	\$ 36,505,904	\$ 35,877,710	\$ 36,034,759
Total	\$ 375,101,457	\$ 364,289,189	\$ 366,992,256

Note: The total amounts for both SFY are rounded to the nearest thousands in Table 1b.

*WIC EBT Grant resources are available only through SFY 13/14.

The federal grants are sufficient to support projected expenditures.

Table 12

HISTORICAL FOOD GRANT FUNDING DETAIL			
	Base Grant	Funding Above Base	Total Food Grant
FFY 2007	\$634,199,092	\$17,797,507	\$651,996,599
FFY 2008*	\$659,407,120	\$103,490,487	\$762,897,607
FFY 2009	\$762,897,607	\$35,355,792	\$798,253,399
FFY 2010	\$798,253,399	\$52,802,949	\$851,056,348
FFY 2011	\$851,056,348	\$69,573,615	\$920,629,963
FFY 2012*	\$843,745,795	\$94,872,484	\$938,618,279
FFY 2013	\$846,329,400	\$31,939,521	\$878,268,921
FFY 2014**	\$823,027,779	\$59,504,885	\$882,532,664
FFY 2015**	\$829,886,467	\$48,382,454	\$878,268,921
*SNAP Funds Transferred to USDA to Fund CA WIC Food			
**Projected			

Rebate Revenue

California has contracted with an infant formula manufacturer for rebates in exchange for exclusively offering their products to WIC participants. The rebate funds can only be used to supplement the federal grant funds that pay for WIC food instruments. Interest that is collected on the rebate funds along with other earned program income can be used to satisfy the match requirement for the Farmer's Market Nutrition Program or for other WIC specified program purposes in the current fiscal year, and, with approval, in previous or subsequent fiscal years. Thus, in 2001 an interest bearing account, Fund 3023 (WIC Manufacturer Rebate Fund), was established to accrue interest on the rebate funds. These revenues decrease California's reliance on federal dollars to meet food expenditures.

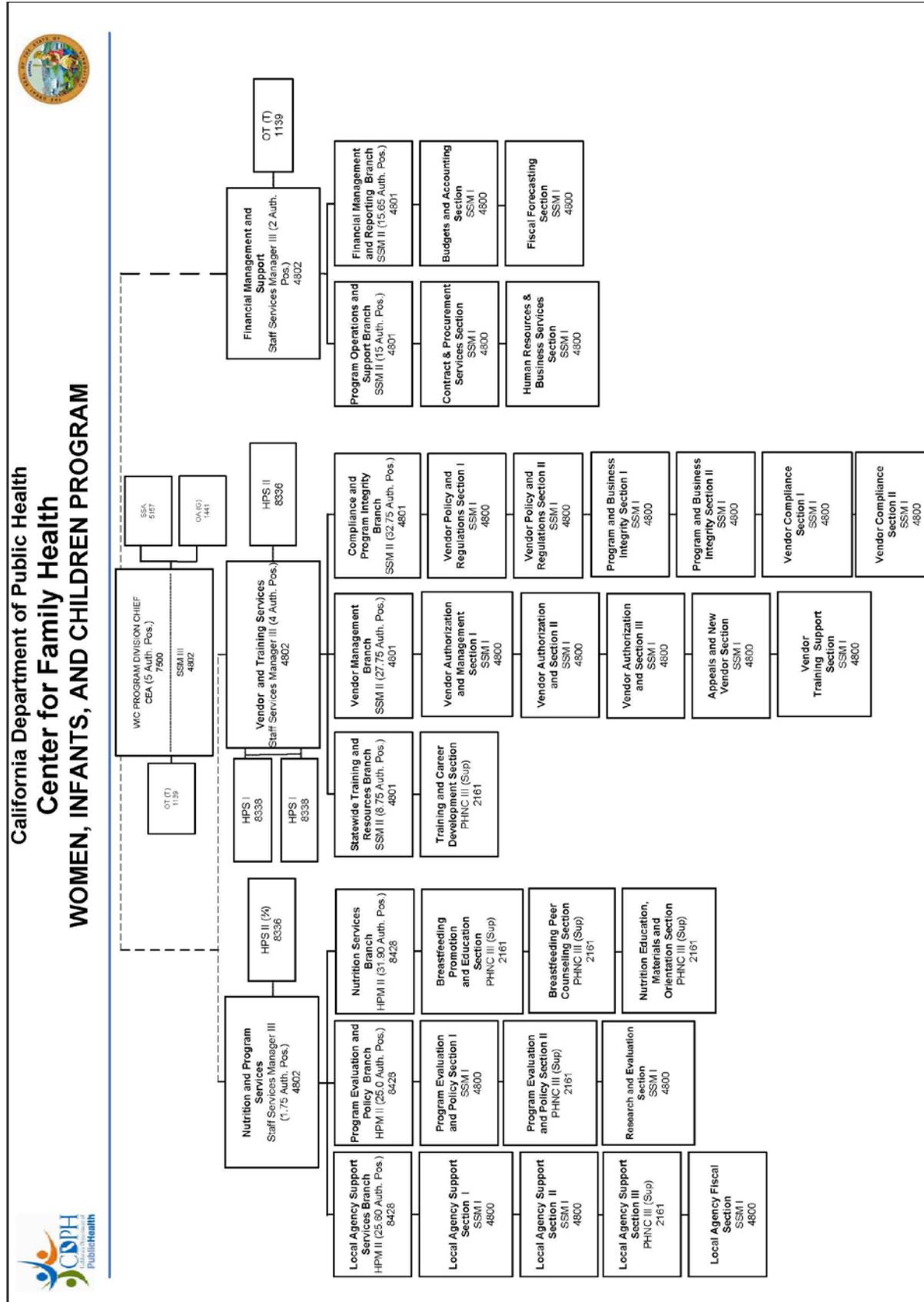
Each month, WIC invoices the contract food manufacturer for check redemptions during the prior month. The manufacturer has up to 30 days from the date of the invoice to return payment. Payments are immediately deposited into Fund 3023 and must be spent prior to drawing down additional federal funds for food. For this reason, at any time throughout the year the available balance and interest earned is minimal.

Rebate revenue is projected to be \$247.9 million in FY 2013-14, which is the same as projected in the November Estimate. Rebate revenue for FY 2014-15 is now projected to be \$239.1 million, down from \$248 million in the November Estimate.

Table 13

HISTORICAL REBATE REVENUE	
	Rebate
SFY 2007-08 *	\$324,164,000
SFY 2008-09 *	\$280,715,000
SFY 2009-10 *	\$234,652,000
SFY 2010-11	\$222,581,000
SFY 2011-12	\$226,877,000
SFY 2012-13	\$244,881,000
SFY 2013-14	\$247,941,000
SFY 2014-15	\$239,126,000
* Includes rebate for juice and/or infant cereal	

APPENDIX A: WIC ORGANIZATION CHART



APPENDIX A: WIC ORGANIZATION CHART (continued)

Table 14

AUTHORIZED POSITIONS DETAIL		
Class Code	Class Name	Total
1138	OFFICE ASSISTANT (GENERAL)	1.00
1139	OFFICE TECHNICIAN (TYPING)	5.00
1181	WORD PROCESSING TECHNICIAN	2.00
1419	KEY DATA OPERATOR	1.00
1441	OFFICE TECHNICIAN (GENERAL)	1.00
2161	PUBLIC HEALTH NUTRITION CONSULTANT III (SUPERVISORY)	6.00
2162	PUBLIC HEALTH NUTRITION CONSULTANT II	4.40
2166	PUBLIC HEALTH NUTRITION CONSULTANT III (SPECIALIST)	19.10
4159	ASSOCIATE MANAGEMENT AUDITOR	1.00
4249	HEALTH PROGRAM AUDITOR IV	1.00
4588	ASSOCIATE ACCOUNTING ANALYST	4.00
4707	BUSINESS SERVICE ASSISTANT (SPECIALIST)	1.00
4800	STAFF SERVICES MANAGER I	17.00
4801	STAFF SERVICES MANAGER II	4.00
4802	STAFF SERVICES MANAGER III	4.00
5157	STAFF SERVICES ANALYST (GENERAL)	5.65
5278	MANAGEMENT SERVICES TECHNICIAN	5.00
5393	ASSOCIATE GOVERNMENTAL PROGRAM ANALYST	87.60
5731	RESEARCH ANALYST II	1.00
5742	RESEARCH PROGRAM SPECIALIST I	2.00
7500	C.E.A.	1.00
8313	HEALTH EDUCATION CONSULTANT III (SPECIALIST)	1.40
8336	HEALTH PROGRAM SPECIALIST II	3.00
8338	HEALTH PROGRAM SPECIALIST I	11.00
8428	HEALTH PROGRAM MANAGER II	3.00
	TEMPORARY HELP	3.00
	<i>Total Authorized Positions</i>	195.15

Note: In compliance with Executive Order S-03-10 and Chapter 404 of the Statutes of 2010 (AB 2408), all Information Technology (IT) functions within Public Health were consolidated into the Information Technology Services Division. The IT positions previously listed on the WIC organizational chart are now displayed in the IT Division of Public Health. IT services continue to be provided for the WIC Program.

APPENDIX B: WIC SPECIAL DISPLAY CHART (Government Code 13343)

Table 15

CALIFORNIA WIC PROGRAM EXPENDITURES			
	PY SFY 2012-13 (Actual)	CY SFY 2013-14 (Estimated)	BY SFY 2014-15 (Proposed)
LOCAL ASSISTANCE			
0890 <i>Federal Grant for Food</i>	\$ 800,878,740	\$ 803,802,849	\$ 835,453,826
0890 <i>Federal Grant for Administration</i>	\$ 284,279,064	\$ 300,867,000	\$ 300,867,000
Total Federal Funds	\$ 1,085,157,804	\$ 1,104,669,849	\$ 1,136,320,826
3023 <i>WIC Manufacturer Rebate Fund</i>	\$ 244,948,085	\$ 248,000,000	\$ 239,200,000
Total Other Funds	\$ 244,948,085	\$ 248,000,000	\$ 239,200,000
TOTAL LOCAL ASSISTANCE	\$ 1,330,105,889	\$ 1,352,669,849	\$ 1,375,520,826
STATE OPERATIONS			
0890 <i>Federal Grant</i>	\$ 47,563,713	\$ 53,860,000	\$ 53,860,000
TOTAL STATE OPERATIONS	\$ 47,563,713	\$ 53,860,000	\$ 53,860,000
GRAND TOTAL WIC PROGRAM	\$ 1,377,669,602	\$ 1,406,529,849	\$ 1,429,380,826

