

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

November 2013 Estimate

for

Fiscal Years

2013-14 and 2014-15



Department of Public Health

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EXECUTIVE SUMMARY

The California Department of Public Health (Public Health), Women, Infants and Children (WIC) program is a \$1.5 billion program serving over 1.4 million of California's nutritionally vulnerable residents - pregnant women, breastfeeding and early post-partum women, as well as infants and children up to their fifth birthday. Public Health 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 depends upon the amount of discretionary grant appropriated annually by Congress plus subsequent reallocations of prior year unspent funds.

Overall food expenditures are estimated to be \$1.1 billion for State Fiscal Year (SFY) 2013-14, a reduction of \$64.6 million from the 2013 Budget Act. Food expenditures are projected to slightly increase to \$1.1 billion for SFY 2014-15. Factors impacting food expenditures include participation, inflation, and reimbursements to authorized stores. Public Health/WIC uses a food forecasting model that includes participation, inflation, and historical expenditures to project overall expenditures. Public Health/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 May 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 2.26% from FFY 2012. The average participation change over the past three federal fiscal years is a decrease of 0.46%. This average change is used to project SFY 2013-14 and SFY 2014-15 expenditures.

Inflation: The SFY 2013-14 inflation change is now projected at 3.13%, which is higher than had been projected in the May 2013 Estimate. However, the resulting increase in expenditures will be offset by the lower participation and lower reimbursements to authorized stores.

Reimbursements to authorized stores: Effective May 25, 2012, Public Health/WIC lowered reimbursement rates for small stores in accordance with a directive from the USDA. As a result of this change, the expenditures and average per-participant food cost for SFY 2012-13 were much less than previously projected. These lower amounts are used to project SFY 2013-14 and SFY 2014-15 expenditures.

The Program is funded by federal funds, as well as rebates from the contracted infant formula manufacturer. Public Health/WIC requests local assistance expenditure authority of \$844.1 million in the Federal Trust Fund and \$247.9 million in the WIC Manufacturer Rebate Special Fund (3023) for SFY 2013-14, and \$853.2 million in the

Federal Trust Fund and \$248.0 million in the WIC Manufacturer Rebate Special Fund (3023) for SFY 2014-15.

Federal Trust Fund revenue: The revenue forecast for the November 2013 WIC Estimate is based upon the President's FFY 2014 Budget of \$7.14 billion. California's share of the President's Budget is forecasted to be 17% of the national appropriation. While the FFY 2013 WIC appropriation was reduced by 5% for sequestration, FFY 2014 will potentially be reduced 7.2% for sequestration as determined by the White House Office of Management and Budget (OMB). California also receives reallocation funding from the USDA, including WIC contingency and carry-over transfer funds. Public Health/WIC estimates \$880.4 million federal fund revenue in SFY 2013-14, a \$29.6 million decrease from the 2013 Budget Act. Public Health/WIC projects \$868 million in federal fund revenue for SFY 2014-15.

Manufacturer Rebate Fund revenue: California receives rebates from the contracted infant formula manufacturer. While the rebate amount per can has increased, the total amount of revenue has decreased because participation has declined. Public Health/WIC estimates \$248 million in rebate revenue in SFY 2013-14 and \$248.1 million in rebate revenue in SFY 2014-15, an approximately \$12 million decrease from the 2013 Budget Act.

I. FISCAL COMPARISON TABLES

Table 1a

EXPENDITURE COMPARISON							
Fund 0890	SFY 2013-14				SFY 2014-15		
	2013 Budget Act	November Estimate	Difference	% Difference	November Estimate	Difference from 2013 Budget Act	% Difference
LOCAL ASSISTANCE AUTHORITY	1,209,569,000	1,144,932,005	(64,636,995)	-5.34%	1,154,050,778	(55,518,222)	-4.59%
FOOD	908,702,000	844,065,005	(64,636,995)	-7.11%	853,183,778	(55,518,222)	-6.11%
NUTRITION SERVICES AND ADMINISTRATION (NSA)	300,867,000	300,867,000	-	0.00%	300,867,000	-	0.00%
SUPPORT/ADMIN AUTHORITY *	53,860,000	53,860,000	-	0.00%	53,860,000	-	0.00%

* State Operations Authority November Assumption amount for 2013-14 and 2014-15 is based on the 2013-14 Governor's Budget.

Table 1b

RESOURCES COMPARISON (Grant)							
Fund 0890	SFY 2013-14				SFY 2014-15		
	2013 Budget Act	November Estimate	Difference	% Difference	November Estimate	Difference from 2013 Budget Act	% Difference
TOTAL AVAILABLE RESOURCES	1,265,416,000	1,253,912,000	(11,504,000)	-0.91%	1,240,273,000	(25,143,000)	-1.99%
FOOD	910,005,000	880,369,000	(29,636,000)	-3.26%	867,953,000	(42,052,000)	-4.62%
NSA	355,411,000	373,543,000	18,132,000	5.10%	372,320,000	16,909,000	4.76%

Table 1c

RESOURCES COMPARISON (Fund 3023)							
Fund 3023 Manufacturer Rebate	SFY 2013-14				SFY 2014-15		
	2013 Budget Act	November Estimate	Difference	% Difference	November Estimate	Difference from 2013 Budget Act	% Difference
TOTAL AVAILABLE RESOURCES	260,000,000	247,941,000	(12,059,000)	-4.64%	247,978,000	(12,022,000)	-4.62%

II. PROGRAM OVERVIEW

The WIC Nutrition Program 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 Public Health must account for funds and expenditures on a monthly basis.

In California, WIC is a program of the Department of Public Health, which administers contracts with 84 local agencies—half local governments and half private, non-profit community organizations—that provide services in 650 locations statewide. Approximately 3,000 local WIC 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 4,700 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 \$1.0 billion per year.

WIC Funding

WIC is not an entitlement program; rather 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 17% 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 stores for foods purchased by WIC participants; and
- Nutrition Services and Administration (NSA) funds that reimburse the local WIC agencies for the 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 that are then redistributed by the USDA 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

In May 2012, Public Health/WIC implemented revised reimbursement rates for small stores as a strategy to contain food costs. In September 2013, Public Health/WIC adopted revised vendor authorization criteria. Public Health/WIC is now conducting a public comment process before adopting revised peer groups and reimbursement rates for authorized stores. The impacts of the changes will be incorporated in the May 2014 Estimate.

B. National Budget

The FFY 2014 appropriation for WIC is not yet finalized. While this Estimate includes a New Assumption to include the appropriation in the proposed President's Budget, as well as the anticipated sequestration reduction, either item may change. Furthermore, the federal government shutdown could impact the overall appropriation or spending patterns.

IV. NEW MAJOR ASSUMPTIONS

A. Participation

In previous Estimates the WIC Program's projected participation was based on an average percent change in participation levels over the prior 5 years. However, WIC will calculate the projected participation based on the prior 3 years to more accurately project participation trends.

B. National Budget

Similar to FFY 2013, the FFY 2014 President's Budget Proposal includes an increase to the WIC appropriation. However, due to sequestration the FFY 2014 WIC appropriation is expected to be reduced by 7.2%. The increase proposed in the President's Budget Proposal will reduce the impact of sequestration. These changes are incorporated into the revenue calculation in this Estimate.

V. REVISED MAJOR ASSUMPTIONS

There are no revised major assumptions at this time.

VI. DISCONTINUED MAJOR ASSUMPTIONS

There are no discontinued major assumptions at this time.

VII. FUND CONDITION STATEMENT

The Fund Condition Statement below shows the status of WIC Manufacturer Rebate Fund 3023 for actual revenues and expenditures for SFY 2012-13 and projected revenues for SFYs 2013-14 and 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	247,978
299900 Sale of Documents	0	12	12
	244,922	248,043	248,080
Total Resources	245,173	248,268	248,348
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	244,948	248,000	248,100
Total Expenditures and Expenditure Adjustments	244,948	248,000	248,100
FUND BALANCE	225	268	248

VIII. EXPENDITURE ESTIMATE METHODS

Food Forecast Model

California's food expenditure forecast model is highly recommended by the USDA for other states to use because of its historical accuracy. 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.

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%	\$ 85,177,307	\$ 20,031,427	\$ 65,145,880	\$ 59.53	\$ 45.53	0.00%	
Aug-13 *	1,431,283	0.03%	\$ 87,735,574	\$ 20,262,851	\$ 67,472,723	\$ 61.30	\$ 47.14	3.54%	
Sep-13	1,451,389	1.40%	\$ 89,420,616	\$ 20,484,065	\$ 68,936,552	\$ 61.61	\$ 47.50	0.75%	
Oct-13	1,442,105	-0.64%	\$ 88,587,565	\$ 20,655,247	\$ 67,932,318	\$ 61.43	\$ 47.11	-0.82%	
Nov-13	1,429,634	-0.86%	\$ 88,820,383	\$ 20,967,482	\$ 67,852,901	\$ 62.13	\$ 47.46	0.75%	
Dec-13	1,414,205	-1.08%	\$ 88,210,543	\$ 20,972,898	\$ 67,237,645	\$ 62.37	\$ 47.54	0.17%	
Jan-14	1,440,350	1.85%	\$ 89,881,529	\$ 20,876,637	\$ 69,004,892	\$ 62.40	\$ 47.91	0.77%	
Feb-14	1,415,059	-1.76%	\$ 88,359,620	\$ 20,684,090	\$ 67,675,529	\$ 62.44	\$ 47.83	-0.17%	
Mar-14	1,434,487	1.37%	\$ 89,056,842	\$ 20,855,267	\$ 68,201,575	\$ 62.08	\$ 47.54	-0.59%	
Apr-14	1,438,197	0.26%	\$ 88,677,556	\$ 20,680,620	\$ 67,996,936	\$ 61.66	\$ 47.28	-0.56%	
May-14	1,441,954	0.26%	\$ 88,784,520	\$ 20,733,378	\$ 68,051,142	\$ 61.57	\$ 47.19	-0.18%	
Jun-14	1,439,638	-0.16%	\$ 90,091,497	\$ 20,736,537	\$ 69,354,961	\$ 62.58	\$ 48.18	2.08%	
Total	17,209,150		\$ 1,062,803,552	\$ 247,940,498	\$ 814,863,055				
Average	1,434,096		\$ 88,566,963	\$ 20,661,708	\$ 67,905,255	\$ 61.76	\$ 47.35		
Base Grant Funds	\$ 828,776,760					Total Grant Funds	\$ 880,369,451		
Funding Above Base	\$ 51,592,691					Net (Federal) Expenditures	\$ 814,863,055		
						Prudent Reserve (3%)	\$ 25,201,950		
						Breastpumps	\$ 4,000,000		
						Federal Grant Expenditures	\$ 844,065,005		
Total Grant Funds	\$ 880,369,451					Grant Performance %	95.88%		

*The figures for July and August 2013 represent actual participation levels while the remaining months are projections.

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	1,442,471	0.00%	\$ 89,034,497	\$ 20,719,584	\$ 68,314,912	\$ 61.72	\$ 47.36	0.00%
Aug-14	1,458,478	1.11%	\$ 90,065,005	\$ 20,679,956	\$ 69,385,049	\$ 61.75	\$ 47.57	0.45%
Sep-14	1,439,759	-1.28%	\$ 89,215,526	\$ 20,722,663	\$ 68,492,863	\$ 61.97	\$ 47.57	0.00%
Oct-14	1,433,690	-0.42%	\$ 88,618,037	\$ 20,940,374	\$ 67,677,663	\$ 61.81	\$ 47.21	-0.77%
Nov-14	1,420,210	-0.94%	\$ 88,842,037	\$ 20,872,097	\$ 67,969,940	\$ 62.56	\$ 47.86	1.39%
Dec-14	1,400,348	-1.40%	\$ 88,079,054	\$ 20,784,869	\$ 67,294,186	\$ 62.90	\$ 48.06	0.41%
Jan-15	1,427,868	1.97%	\$ 90,039,965	\$ 20,700,577	\$ 69,339,388	\$ 63.06	\$ 48.56	1.05%
Feb-15	1,405,924	-1.54%	\$ 88,857,477	\$ 20,470,481	\$ 68,386,997	\$ 63.20	\$ 48.64	0.17%
Mar-15	1,419,766	0.98%	\$ 89,353,275	\$ 20,637,793	\$ 68,715,481	\$ 62.94	\$ 48.40	-0.50%
Apr-15	1,427,585	0.55%	\$ 89,371,135	\$ 20,492,974	\$ 68,878,162	\$ 62.60	\$ 48.25	-0.31%
May-15	1,431,694	0.29%	\$ 89,612,595	\$ 20,479,834	\$ 69,132,761	\$ 62.59	\$ 48.29	0.08%
Jun-15	1,422,471	-0.64%	\$ 90,597,471	\$ 20,476,606	\$ 70,120,864	\$ 63.69	\$ 49.30	2.09%
Total	17,130,266		\$ 1,071,686,074	\$ 247,977,809	\$ 823,708,265			
Average	1,427,522		\$ 89,307,173	\$ 20,664,817	\$ 68,642,355	\$ 62.57	\$ 48.09	
Base		\$ 822,925,881				Total Grant Funds	\$	867,953,112
Funding Above Base		\$ 45,027,232				Net (Federal) Expenditures	\$	823,708,265
						Prudent Reserve (3%)	\$	25,475,513
						Breastpumps	\$	4,000,000
Total Grant Funds		\$ 867,953,112				Federal Grant Expenditures	\$	853,183,778
						Performance %		98.30%

Participation

In previous Estimates, Public Health/WIC used an average of the participation growth for each of the prior five years to project future participation levels. Due to recent changes observed in participation trends, Public Health/WIC has altered its methodology to use an average of the prior three years' participation growth 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	1,439,073	
Percent Change		0.47%	0.41%	-2.26%	-0.46%

* Projected

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.

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%

Inflation

The food forecast model uses the state Consumer Price Index (CPI) for Food at Home provided by the DOF/ERU. The statewide percentage is calculated by using Los Angeles (LA) and San Francisco (SF) consolidated metropolitan statistical area data to calculate a statewide weighted average. Table 7 below shows an estimated inflation rate of 3.13% for SFY 2013-14 and 1.31% for SFY 2014-15. While the SFY 2013-14 inflation rate of 3.13% is higher than was projected in the May 2013 Estimate, the increase in expenditures will be offset by lower participation.

Table 7

INFLATION						
	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
LA	256.0	7.5	3.04%	258.6	2.6	1.01%
SF	244.6	8.0	3.38%	249.5	4.9	1.98%
Weighted Average	253.4	7.7	3.13%	256.7	3.3	1.31%

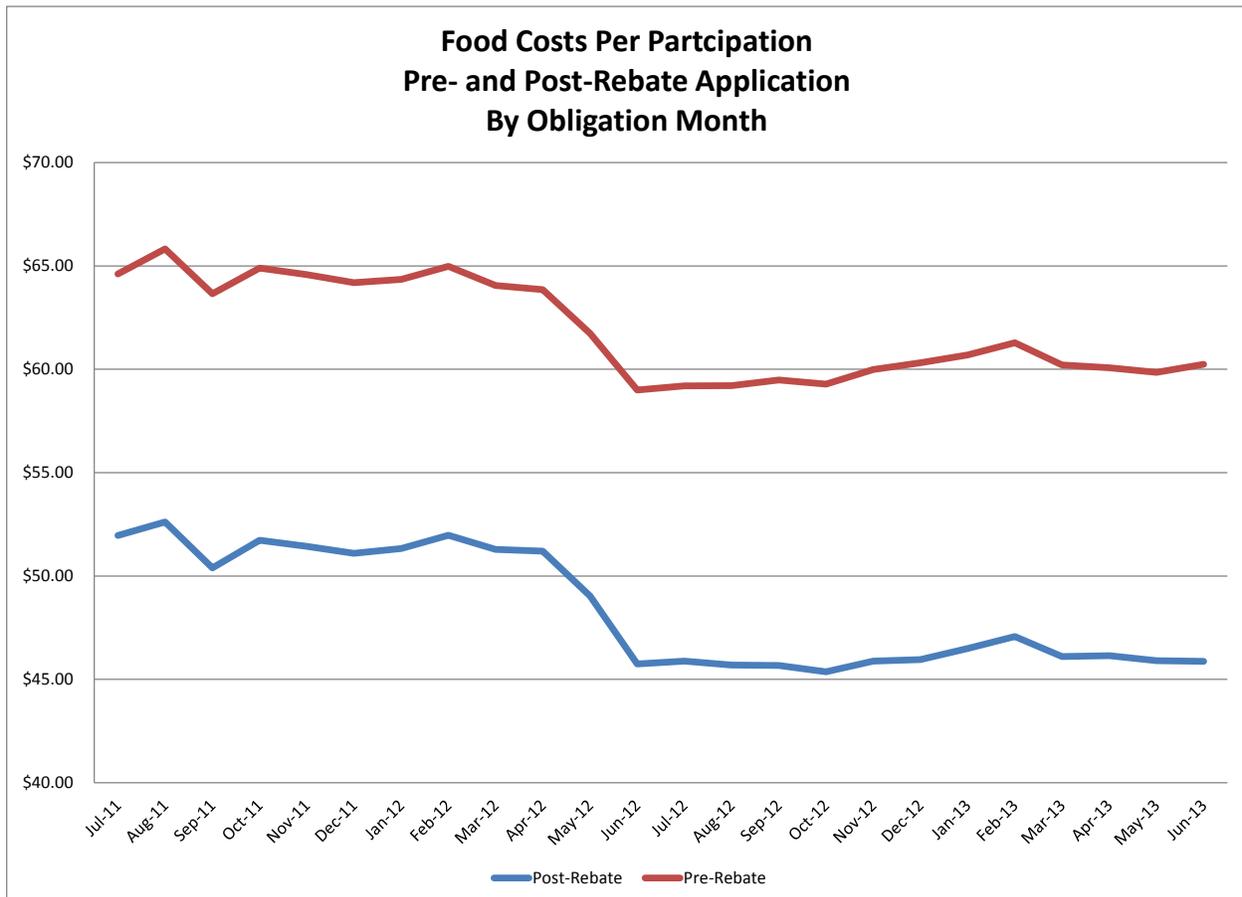
Historical Expenditures

Effective May 25, 2012, Public Health/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 SFY 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. Until the implementation of the lower reimbursement rate, the estimated expenditures were extremely accurate. Public Health/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 SFY 2013-14 and SFY 2014-15.

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%		

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.



Public Health/WIC is working closely with the USDA to finalize and implement additional cost containment and program integrity strategies. These strategies include revising the reimbursement rates for authorized stores. The impacts of the changes will be incorporated in the May 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.

IX. 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 President's Budget Proposal of \$7.14 billion, less \$185 million set aside for reserve or discretionary spending, and less 7.2% for sequestration. Nationally, approximately 71.1% of the budget is allocated for food and 28.9% for NSA. California receives approximately 17% 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 9a			
	FFY 2013	FFY 2014	Prorate to SFY 13/14
Base Appropriation	\$ 889,799,825	\$ 887,268,357	\$ 887,901,224
Sequester	\$ (43,470,425)	\$ (64,342,476)	\$ (59,124,463)
Subtotal Base	\$ 846,329,400	\$ 822,925,881	\$ 828,776,761
Reallocations & Transfers	\$ 31,939,521	\$ 58,143,747	\$ 51,592,691
Total	\$ 878,268,921	\$ 881,069,628	\$ 880,369,451
Table 9b			
	FFY 2014	FFY 2015	Prorate to SFY 14/15
Base Appropriation	\$ 887,268,357	\$ 887,268,357	\$ 887,268,357
Sequester	\$ (64,342,476)	\$ (64,342,476)	\$ (64,342,476)
Subtotal Base	\$ 822,925,881	\$ 822,925,881	\$ 822,925,881
Reallocations & Transfers	\$ 58,143,747	\$ 40,655,060	\$ 45,027,232
Total	\$ 881,069,628	\$ 863,580,941	\$ 867,953,113

WIC RESOURCES FOR NSA			
Table 10a			
	FFY 2013	FFY 2014	Prorate to SFY 13/14
Base Appropriation, NSA	\$ 311,127,392	\$ 335,193,188	\$ 329,176,739
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)	\$ (24,547,702)	\$ (22,173,626)
Reallocations, Transfers & Contingency	\$ 23,738,460	\$ 16,630,128	\$ 18,407,211
Spendforward	\$ 38,901,577	\$ 36,394,641	\$ 37,021,375
Total	\$ 370,349,796	\$ 374,539,785	\$ 373,543,481
Table 10b			
	FFY 2014	FFY 2015	Prorate to SFY 14/15
Base Appropriation, NSA	\$ 335,193,188	\$ 335,181,785	\$ 335,184,636
WIC EBT Grant	\$ 204,774	\$ -	\$ 51,194
Farmers Market and Nutrition	\$ 2,000,276	\$ 2,000,276	\$ 2,000,276
Breastfeeding Peer Counseling	\$ 8,664,479	\$ 8,664,479	\$ 8,664,479
Sequester	\$ (24,547,702)	\$ (24,547,702)	\$ (24,547,702)
Reallocations, Transfers & Contingency	\$ 16,630,128	\$ 16,630,128	\$ 16,630,128
Spendforward	\$ 36,394,641	\$ 33,651,765	\$ 34,337,484
Total	\$ 374,539,785	\$ 371,580,732	\$ 372,320,495

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

The federal grants are sufficient to support projected expenditures.

Table 11

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**	\$822,925,881	\$58,143,747	\$881,069,628
FFY 2015**	\$822,925,881	\$40,655,060	\$863,580,941
*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 balance available and interest earned is minimal.

Rebate revenue is estimated to be \$247.9 million for SFY 2013-14, a \$12 million decrease from the 2013 Budget Act, and \$248 million for SFY 2014-15.

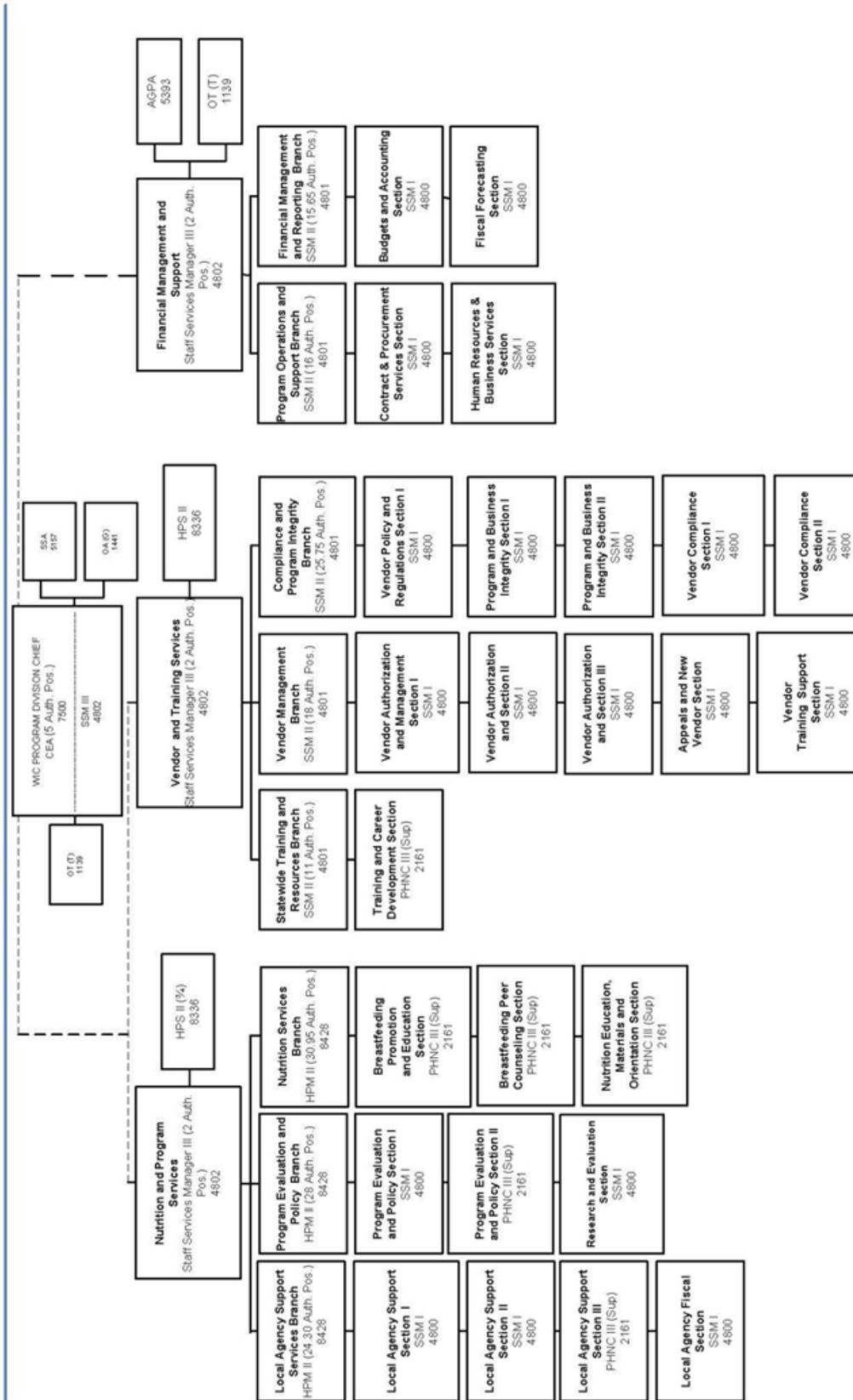
Table 12

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	\$247,978,000
* Includes rebate for juice and/or infant cereal	

APPENDIX A: WIC ORGANIZATION CHART –



California Department of Public Health
Center for Family Health
WOMEN, INFANTS, AND CHILDREN PROGRAM



APPENDIX A: WIC ORGANIZATION CHART (continued)

AUTHORIZED POSITIONS DETAIL		
Class Code	Class Name	Total
1139	OFFICE TECHNICIAN (TYPING)	4.00
1181	WORD PROCESSING TECHNICIAN	1.00
1419	KEY DATA OPERATR	1.00
1441	OFFICE ASSISTANT (GENERAL)	1.00
2161	PUBLIC HEALTH NUTRITION	6.00
2162	PUBLIC HEALTH NUTRITION	4.00
2166	PUBLIC HEALTH NUTRITION	19.30
4159	ASSOCIATE MANAGEMENT AUDITOR	1.00
4249	HEALTH PROGRAM AUDITOR IV	1.00
4588	ASSOCIATE ACCOUNTING ANALYST	4.00
4707	BUSINESS SERVICE ASSISTANT	1.00
4800	STAFF SERVICES MANAGER I	16.00
4801	STAFF SERVICES MANAGER II	4.00
4802	STAFF SERVICES MANAGER III	4.00
5157	STAFF SERVICES ANALYST (GENERAL)	4.650
5278	MANAGEMENT SERVICES TECHNICIAN	3.00
5393	ASSOCIATE GOVERNMENTAL	84.55
5731	RESEARCH ANALYST II	1.00
5742	RESEARCH PROGRAM SPECIALIST I	2.00
7500	C.E.A.	1.00
8195	NURSE CONSULTANT II	0.80
8313	HEALTH EDUCATION CONSULTANT III	1.35
8336	HEALTH PROGRAM SPECIALIST II	3.00
8338	HEALTH PROGRAM SPECIALIST I	10.00
8428	HEALTH PROGRAM MANAGER II	2.00
	<i>Total Authorized Positions</i>	180.65

Note: In compliance with Executive Order S-03-10 and Chapter 404 of the Statutes of 2010 (AB 2408), all IT functions within CDPH were consolidated into ITSD. 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 14

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	\$ 844,065,005	\$ 853,183,778
0890 <i>Federal Grant for Administration</i>	\$ 284,279,064	\$ 300,867,000	\$ 300,867,000
Total Federal Funds	\$ 1,085,157,804	\$ 1,144,932,005	\$ 1,154,050,778
3023 <i>WIC Manufacturer Rebate Fund</i>	\$ 244,948,085	\$ 248,000,000	\$ 248,100,000
Total Other Funds	\$ 244,948,085	\$ 248,000,000	\$ 248,100,000
TOTAL LOCAL ASSISTANCE	\$ 1,330,105,889	\$ 1,392,932,005	\$ 1,402,150,778
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	\$ 1,446,792,005	\$ 1,456,010,778

